Audit Proofing Federal Financial Report (SF-425)

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WASHINGTON STATE DEPARTMENT OF VETERANS AFFAIRS

"Serving Those Who Served"

FEDERAL REPORTING REQUIREMENTS

- **2 CFR Part 200 Subpart D - Performance and Financial Monitoring and Reporting**
  - § 200.328 Financial reporting.
  - https://www.ecfr.gov/current/title-2/part-200/subject-group-ECFR36520e4111dce32

- **2023 Compliance Supplement Part 3:**
  - Identifies existing compliance requirements for Reporting that the federal government expects to be considered as part of an audit required by the Single Audit Act.
  - Provides information that the auditor must consider, as applicable, in every audit conducted under 2 CFR Part 200, Subpart F, including audit objectives and suggested audit procedures to test internal control.

TYPES OF FEDERAL FINANCIAL REPORTS

For example:

- **Performance Report**
- **Schedule of Federal Financial Assistance**
- **Federal Financial report, SF425**
- **SF271, Outlay Report and Request for Reimbursement for Construction Program**

PURPOSE OF THE SF-425

- **Required Office of Management and Budget (OMB) financial reporting form to track the status of financial data tied to a particular Federal Grant award**

- **Captures the obligations and disbursements that occurred during the grant period (not just the period being reported)**

- **Communication tool to report on the financial health of the grant and demonstrate appropriate use of funds.**

AUDIT FINDING AND COMMON ERRORS

- Inadequate internal controls in place to ensure timely financial reporting
- Federal Financial Report is not properly supported by the accounting records and General Ledger
- Multiple grants were combined in one SF-425 report
- Incomplete forms
- Not reporting the applicable grant numbers correctly
- Inaccurate reporting type and reporting period end date
- Inaccurate basis of accounting
- Performance period reported does not reconcile to the performance period stated within the grant agreement and related modifications
- Program income earned or disbursed did not match the GL documentation
- Program income do not include contributions, donations or other income
- Program Income expenditures exceed program income amount
- Cost share information does not align with grant agreement terms
- Recipient and Federal share of expenditures is not calculated consistently each period
- Indirect -- incorrect type of rate reported
- Excess indirect cost is charged to the agency where and when a cost-cap is stated within the grant agreement.

SUGGESTIONS FOR ERROR PROOFING

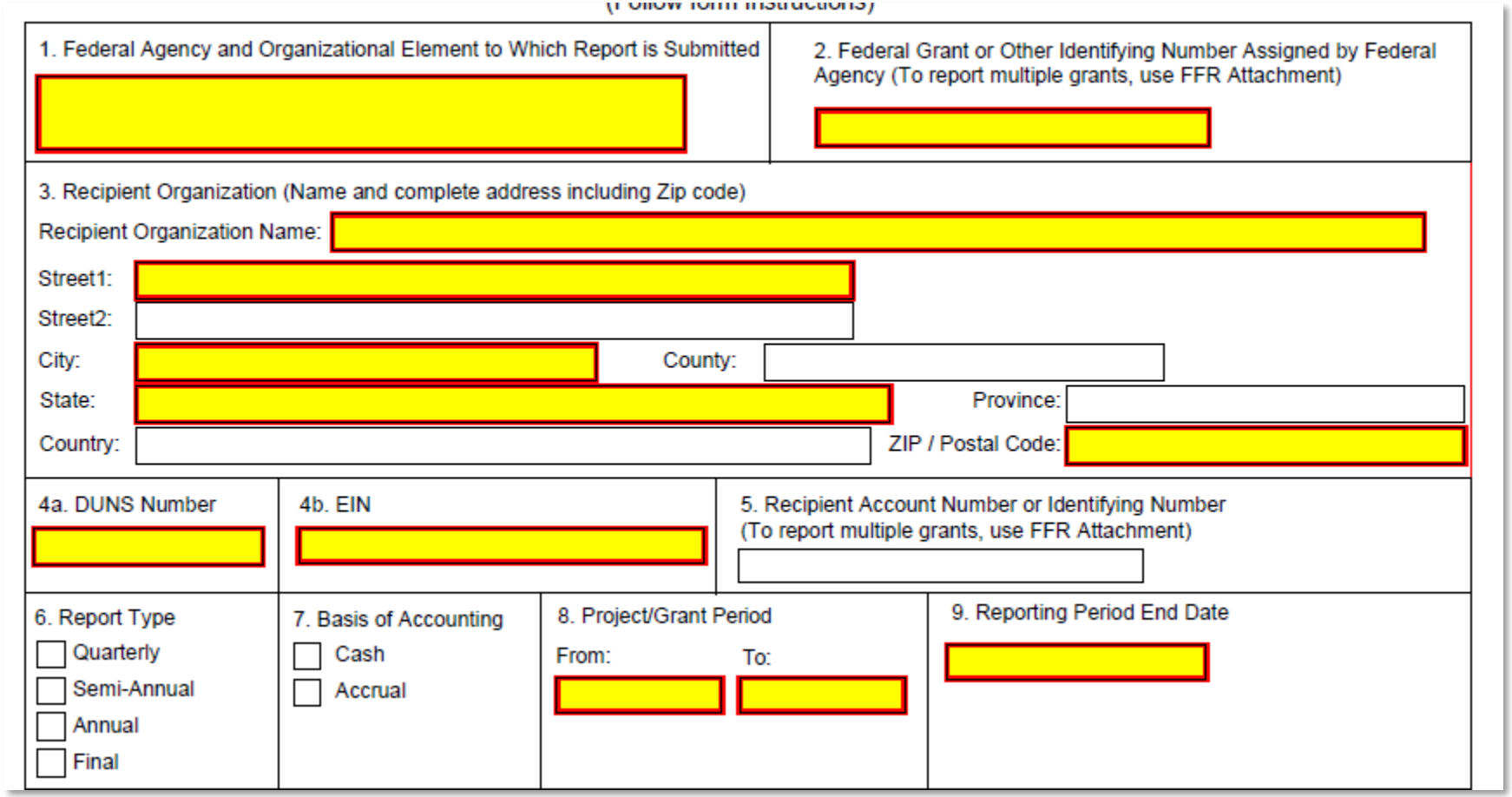
- **Clearly define roles and responsibilities**
- **Make sure you have a copy of the grant award letter**
- **Read and understand the grant award letter for financial reporting requirements**
- **Your Federal agencies may provide training on how to prepare SF425 --- take the training and understand the requirements**
- **Make sure your accounting system (not just Excel spreadsheet) is properly set up to track grant specific cash receipts, disbursements, expenditures, program income/expenditures and indirect**
- **If you use Excel document to track grant activities -- make sure you reconcile the AFRS data to Excel document and resolve or explain all variances**
- **Cross reference supporting documentation to SF425**
- **Records retention -- Maintain copies of supporting documentation for SF425 and copies of signed and submitted SF425.**

REPORT TYPE

- **Quarterly**
- **Semi-Annual**
- **Annual**
- **Final**

- **More than one report may be due for the same grant. For example: an annual report may be due end of Federal fiscal year-end (9/30) after 30 days and final report may be due no later than 120 days after grant period end. Read the Grant Agreement for reporting requirements**

COMPLETING THE SF425



(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted

2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)

3. Recipient Organization (Name and complete address including Zip code)

Recipient Organization Name:

Street1:

Street2:

City:

County:

State:

Province:

Country:

ZIP / Postal Code:

4a. DUNS Number

4b. EIN

5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)

6. Report Type

- Quarterly
- Semi-Annual
- Annual
- Final

7. Basis of Accounting

- Cash
- Accrual

8. Project/Grant Period

From:

To:

9. Reporting Period End Date

COMPLETING THE SF425

Block	Suggestions
1-3	All the information you need should appear on Grant Award Agreement
4	EUI and EIN numbers – your agency may have multiple EUI and EIN numbers. Make sure to enter the number on Grant Award Agreement.
5	Recipient account number --- use the Program Index code(s) or project for the grant used in AFRS.
6	Select the right report type (discussed on slide 6)
7	The terms and conditions of award shall prescribe whether the report shall be on a cash or accrual basis
8	Project/grant period -- this information comes from the Grant Award Agreement. Enter the full period of Performance including month/day/year
9	Reporting period end date – Enter the period end date for which the SF425 is being submitted

COMPLETING SF425 (BLOCK 10) a-c CONTINUE

10. Transactions	Cumulative
(Use lines a-c for single or multiple grant reporting)	
Federal Cash (To report multiple grants, also use FFR attachment):	
a. Cash Receipts	
b. Cash Disbursements	
c. Cash on Hand (line a minus b)	0.00

Block	Suggestions
10a	Cash Receipts: Enter the amounts of Federal funds received (amount of draw pending are not included)
10b	Cash Disbursements: Enter the total amount of Federal funds disbursed against grant award as of the reporting period end date. (in most instances 10b should not exceed 10a) (disallow costs should not be included)
10c	Cash on Hand: Calculation - line 10a Minus 10b (cash on hand cannot be negative)

COMPLETING SF425 (BLOCK 10) CONTINUE

c. Cash on Hand (line a minus b)	0.00
(Use lines d-o for single grant reporting)	
Federal Expenditures and Unobligated Balance:	
d. Total Federal funds authorized	
e. Federal share of expenditures	
f. Federal share of unliquidated obligations	
g. Total Federal share (sum of lines e and f)	0.00
h. Unobligated balance of Federal Funds (line d minus g)	0.00
Recipient Share:	

Block	Suggestions
10d	Total Federal Fund Authorized: Enter total amount of award per Grant Award Agreement
10e	Federal Share of Expenditures: Enter the total amount of award dollars expended, (Expenditures are considered sum of cash disbursements (DO not include any program income expended)
10f	Federal Share of Unliquidated Obligations (accrual basis): Unliquidated obligationsare obligations which have been incurred, but for which expenditure has not been recorded (paid) (on the Final report this line should be zero)
10g	Total Federal Share: Enter the sum of Federal share of expenditures and federal share of unliquidated Obligation (line 10e + line 10f)
10h	Unobligated Balance of Federal funds line 10d Minus 10g): Enter the difference between Total Federal Funds Authorized (line 10d) and Total Federal Share (line 10g)

COMPLETING SF425 (BLOCK 10) i-k CONTINUE

Recipient Share:	
i. Total recipient share required	
j. Recipient share of expenditures	
k. Remaining recipient share to be provided (line i minus j)	0.00
Program Income:	

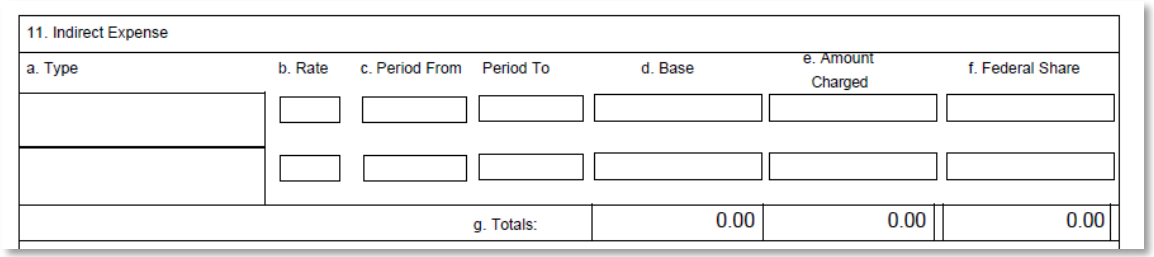
Block	Suggestions
10i - 10K	**Recipient Share: This section must be completed only if there is a cost share or match required by the agreement. Unless you have this requirement per grant award, it should be left blank. (Make sure cost share information align with grant agreement terms. Also ensure the recipient share of expenditure is calculated consistently each period.**

COMPLETING SF425 (BLOCK 10) l-o CONTINUE

Program Income:	
l. Total Federal program income earned	
m. Program Income expended in accordance with the deduction alternative	
n. Program Income expended in accordance with the addition alternative	
o. Unexpended program income (line l minus line m or line n)	

Block	Suggestions
10l - 10o	Federal program Income -- this section must be completed if the recipient will generate any income as result of work performed under the grant agreement
10l	Federal Program Income Earned -- Enter any income earned for the federal program from any source outside of direct funding received from the federal agency. (Typically this is not revenue source 03 or recovery of expenditures. We might be able to use revenue source 04 and 05 to track program income
10m	Amount of Program Income Expended: Enter the amount of program income (10l) expended and used to reduce the federal share of total costs of federal program
10o	Unexpended Program Income: (line 10l less 10o)

COMPLETING SF425 (BLOCK 11) CONTINUE



11. Indirect Expense

a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
			g. Totals:	0.00	0.00	0.00

Block	Suggestions
11	This section must be completed if recipient is charging indirect costs. If no indirect costs leave it blank
11a	Type of indirect Cost Rate: (see Grant Award Agreement to determine type of indirect cost rate allowed)
	Provisional -- a temporary indirect cost rate that is applied for a limited time period
	Predetermined: an indirect cost rate applicable to a specific current or future period, usually the organization's fiscal year
	Fixed with carry forward: An indirect cost rate that is based on the actual costs of a prior period and is adjusted for inflation
11b	Rate: Enter indirect rate (%) in effect during the reporting period
11c	Period From/ Period To: Enter beginning and ending dates for the effective rate. (This may or may be same as grant award period)
11d	Base: Enter amount of base against which the rate was applied. Example: If the agreement provides for indirect costs and the rate negotiated was computed using salaries and wages only then the rate may only be applied to the amount paid for salaries and wages
11e	Amount Charged: Multiply 11b and 11d
11f	Federal Share: 11f should equal 11e unless charging the government less than the indirect costs incurred
11g	Totals: Enter totals for Columns 11d, 11e and 11f

EXAMPLE OF DVA SF-425 SUPPORTING DOCUMENTATION

- **Ensure supporting documentation can be stand alone without explanation**
- **Make sure information ties to the General Ledger**
- **Include adequate information so that person who is not familiar with State of Washington accounting and/or person who is not familiar with SF-425 requirements can understand the supporting documentation**
- **Cross reference**

ANY QUESTIONS

Thank you!

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