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OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY

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Inspector General
Accredited

Coronavirus State and Local Fiscal Recovery Funds & Annual Audit Requirements

Municipalities may be subject to additional annual audit requirements due to the expenditure of Coronavirus State and Local Fiscal Recovery Funds.



On March 11, 2021, the President of the United States signed the American Rescue Plan Act (ARPA) into law. ARPA established the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) that allocated \$350 billion to state, local, and Tribal governments to support their efforts to respond to the COVID-19 pandemic and its economic effects and to build a stronger, more equitable economy during the recovery. CSLFRF funds may only be used for eligible costs¹ incurred within a specific time period, beginning March 3, 2021, with all funds obligated by December 31, 2024 and all funds spent by December 31, 2026. Florida local governments and municipalities were allocated \$2.93 billion, of which Palm Beach County was allocated \$290,730,026, and municipalities within Palm Beach County were allocated a total of \$229,727,979.

Local governments that expend more than \$750,000 in CSLFRF funds in their fiscal year are subject to an audit under the Single Audit Act; however, certain local governments may be eligible for an alternative to the Single Audit, a CSLFRF compliance examination engagement.

Single Audit Act

The Single Audit Act of 1984, later amended in 1996 (Single Audit Act), established requirements for audits of states, local governments, Indian tribal governments, and non-profit organizations that administer federal financial assistance programs. The Single Audit Act requires that a non-Federal entity that has received and expended \$750,000 or

¹ The Department of Treasury's Final Rule, 31 CFR Part 35, states the eligible uses of CSLFRF funds consist of four categories:

- 1) Responding to the public health and negative impacts of the pandemic,
- 2) Providing premium pay to essential workers,
- 3) Providing government services to the extent of a reduction in general revenue due to the pandemic, and
- 4) Making necessary investments in water, sewer, and broadband infrastructure.

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more in federal funds during their fiscal year must have a Single Audit conducted.^{2,3} Chart 1 detailing CSLFRF fund allocations to each municipality within Palm Beach County of \$750,000 or more is located at the end of this report.

Single Audit Reporting & Deadline

The Single Audit requires the auditee to prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. In addition to financial statements, the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA), which accounts for all federally funded expenditures.⁴ At a minimum, the SEFA should include:

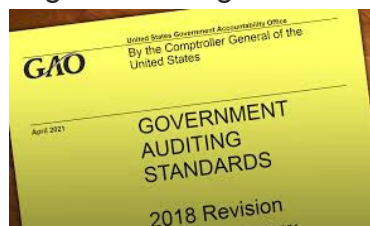
- A list of individual Federal programs by Federal agency;
- Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included;
- Total federal awards expended for each Federal program and the Assistance Listing number or other identifying number;
- Total amounts provided to sub-recipients from each Federal program; and
- Disclosures in the schedule's notes section for loan or loan guarantee programs, significant accounting policies used in preparing the schedule, and whether the auditee elected to use the 10 percent de minimis cost rate as covered in 2 CFR §200.414.



Single Audit reports should be filed with the Federal Audit Clearinghouse within 30 days after the receipt of auditor's report(s) or nine (9) months after the end of the audit period, whichever is earlier.

Alternative CSLFRF Compliance Examination Engagement & Deadline

Eligible local governments have the option to engage a practitioner to perform a compliance examination engagement in accordance with the Government Accountability Office Government Auditing Standards, rather than a Single Audit. This engagement, which results in an opinion on compliance, is focused on determining whether the recipient of CSLFRF funds used the



² The Office of Management and Budget (OMB) originally issued implementation guidance for the Single Audit Act with OMB Circular A-128, "Audits of State and Local Governments" In 1990, OMB administratively extended the single audit process to non-profit organizations by issuing OMB Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Organizations." OMB revised OMB Circular A-133 to implement the 1996 Amendments to the Single Audit Act; extend the circular's coverage to states, local governments, and Indian tribal governments; and rescind OMB Circular A-128. On December 26, 2013, OMB Circular A-133 was superseded by the issuance of 2 CFR Part 200, Subpart F. Among other things, those changes increased the audit threshold to \$750,000.

³ This excludes an auditee that expends Federal awards under only one Federal program (excluding R&D) and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the auditee.

⁴ Refer to 2 CFR §200.502, for guidance on the basis for determining Federal awards expended.

funds for ineligible uses and significantly deviated from its established practices and policies regarding the incurrence of costs.

Local governments that expend \$750,000 or more during their fiscal year in federal awards that meet **both** of the following criteria may follow the alternative CSLFRF compliance examination engagement:

- 1) Total CSLFRF award received is at or below \$10 million, **and**
- 2) Other federal award funds expended (not including the CSLFRF award funds) are less than \$750,000 during the fiscal year.⁵

The Practitioner's Examination Report and Schedule of Findings and Responses (if applicable) for compliance examination engagements should be filed with the Federal Audit Clearinghouse within 30 days after the receipt of auditor's report(s) or nine (9) months after the end of the audit period, whichever is earlier.

Suggestions

We recommend that local governments:

- Review their CSLFRF expenditures and the Department of Treasury's compliance and reporting guidance to ensure that their expenditures and reporting meet compliance requirements.
- Communicate with their external auditors to determine whether a Single Audit or alternative CSLFRF compliance examination engagement is required if they expended \$750,000 or more in federal funds, including but not limited to CSLFRF funds, in a fiscal year. Local governments should plan accordingly as either engagement may require additional time and resources compared to normal annual audits of their financial statements. Additionally, check with the OMB's website (see below) to see if there are changes or updates to filing deadlines.

For further information regarding CSLFRF recipient compliance and reporting responsibilities, visit the Department of Treasury's website at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds/recipient-compliance-and-reporting-responsibilities>.

For further information regarding the Single Audit Act and related audit requirements and implementation guidance, visit the OMB's website at <https://www.whitehouse.gov/omb/office-federal-financial-management/>.

⁵ 2 CFR Part 200, Appendix XI, Compliance supplement 2022, April 2022, Title 21.027 Coronavirus State and Local Fiscal Recovery Funds.

Chart 1

