



CLA Presents:

The 2022 Summer Omnibus



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Learning Objectives

At the end of this session, you will be able to:

- Recognize changes to the standard auditor's report
- Apply amended auditing standards to related parties and significant unusual transactions
- Recognize the GASBS requiring implementation for June 30, 2022 and 2023 year ends
- To identify major changes to the single audit compliance supplement, federal programs and audit requirements
- Identify challenges with SEFA preparation and common errors





Updated Auditor Reporting Standards

SAS 134 -140

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Overview

Several new standards will affect audits of financial statements for periods ending on or after December 15, 2021. These standards are frequently referred to as the **auditor reporting standards**, but they affect a variety of auditing matters unrelated to the new auditors' report.

SAS No. 134 - Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements

SAS No. 137- The Auditor's Responsibilities Relating to Other Information Included in Annual Reports

SAS No. 138- Amendments to the Description of the Concept of Materiality

SAS No. 139- Amendments to AU C Sections 800, 805, 810 to Incorporate Auditor Reporting Changes from SAS No. 134

SAS No. 140- Amendments to AU C Sections 725, 730, 930, 935, and 940 to Incorporate Auditor Reporting Changes from SAS Nos. 134 and 137

SAS No. 141- Amendments to the Effective Dates of SAS Nos. 134 137



Big Picture



Present opinion section first, followed by the basis for the auditors' opinion.



Enhance reporting related to going concern.



Expand description of the auditors' responsibilities



Reporting and communication with governance will change significantly.



The phrase “significant unusual transactions” was introduced to audit literature which may require further consideration.



Additional procedures may be performed for related-party transactions



Report Structure Changes – Old vs New

Report Structure – Current	Report Structure – SAS No. 134
1. Introduction	1. Opinion
2. Management's Responsibilities for the Financial Statements	2. Basis for Opinion (*New)
3. Auditor's Responsibility	3. Key Audit Matters (*New) – if engaged to communicate
4. Opinion	4. Responsibilities of Management for the Financial Statements
5. Report on Other Legal and Regulatory Requirements	5. Auditor's Responsibilities for the Audit of the Financial Statements
	6. Report on Other Legal and Regulatory Requirements





Key Audit Matters

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SAS 134 – Section 701 Communicating Key Audit Matters in the Independent Auditor’s Report

- Key Audit Matters are defined as those matters that, in the auditor's judgement, were of the most significance in the audit of the financial statements
- SAS No. 134 does NOT require the communication of KAMs.
- When engaged to include key audit matters(KAMs), section 701 addresses both the auditor’s judgement about what to communicate in the auditor’s report and the form and content of such communication.
 - Disclose definition and matter





SAS No. 135, Omnibus Statement on Auditing Standards

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SAS No. 135, *Omnibus Statement on Auditing Standards*

Purpose

- SAS No. 135 is intended to more closely align AICPA auditing guidance with that of the Public Company Accounting Oversight Board (PCAOB).
- Impact

Auditor's
communication
with Governance

Audit procedures
over significant
unusual
transactions

Audit procedures
over related party
transactions



SAS No. 135 – Section 240

The term “significant unusual transactions” is introduced and defined.

Requirements are established for basic procedures for obtaining information and evaluating significant unusual transactions. Guidance and conforming changes related to significant unusual transactions also are included.

- New required inquiries for significant unusual transactions of:
 - Internal Audit
 - Those Charged with Governance
 - Management



SAS No. 135 – Section 260

Section 260, *Communications With Those Charged With Governance*.

Additional communications are required on the auditors' views relating to:

- Significant unusual transactions
- Difficult or contentious matters for which the auditor consulted outside the engagement team *and* that the auditor believes are significant and relevant
- Potential effects of uncorrected misstatements on future-period financial statements



SAS No. 135 – Section 550

Section 550, *Related Parties*.

Requirements are enhanced for identifying previously unidentified or undisclosed related parties or significant related-party transactions. Also, enhanced is the auditors' response to the risks of material misstatement associated with related-party relationships and transactions.

- New audit procedures for related party transactions
 - Test the accuracy and completeness of the related-party relationships and transactions identified by the entity, taking into account the information gathered during the audit



New Related Party Communications

- Identification of related parties that appear to lack a business purpose
- If management included a disclosure in the financial statements that a transaction with a related party was conducted as an arm's-length transaction





*AU-C 720, The Auditor's
Responsibilities Related to
Other Information Included in
Annual Reports*

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SAS 137 – Section 720 *The Auditor's Responsibilities Related to Other Information Included in Annual Reports*

Purpose

- Enhance transparency and consistency relating to the auditor's responsibilities for other information included in annual reports.

Impact

- Management must provide written acknowledgment regarding which documents are considered annual reports (engagement letter).
- Auditors will review for material inconsistencies with the financial statements.
- Opinion modification when the auditor has performed these procedures at the date of the auditor's report.



What is an Annual Report?

- Popular Report
- Annual reports of organizations for charitable or philanthropic purposes that are available to the public.
- Other factors may need to be considered to determine whether a document comprises the annual report. For example, annual reports are generally:
 - Prepared by management or those charged with governance
 - Issued only once a year
 - Delivered to owners (or similar stakeholders)
 - Prepared in accordance with law, regulation, or custom
 - Provide information on an entity's operations, results, and financial position, as set out in the financial statements





GASB Update

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Would GASB please just go away!

- We have reached triple digit GASBS with 100 and 101 being issued
- Latest GASBS issued:
 - No. 98, *Annual Comprehensive Financial Report*
 - No. 99, *Omnibus 2022*
 - No. 100, *Accounting Changes and Error Corrections (2024)*
 - No. 101, *Compensated Absences (2024)*



GASBS effective for June 30, 2022

- No. 87, *Leases*
 - If you haven't started, you could be in trouble
 - You will need more than your auditors' help
 - Implementation Guide No. 2019-3
- No. 89, *Accounting for Interest Costs Incurred before the end of a Construction Period*
 - Most early implemented since it required less work
- No. 92, *Omnibus 2020*



GASBS effective for June 30, 2022

- No. 93, *Replacement of Interbank Offered Rates (IBOR)*
- No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*
- No. 98, *The Annual Comprehensive Financial Report*
 - Most implemented in prior year
- No. 99, *Omnibus 2022*
 - Some provisions not applicable until 2023



GASBS effective for June 30, 2023

- No. 91, *Conduit Debt Obligations*
 - Disclosure, most not impacted
- No. 94, *Public-Private and Public-Public Partnerships and Availability Payments Arrangements (PPPs and APAs)*
- No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*
 - GASB encourages implementing with No. 87
 - This is the next big one





Single Audit Update

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Time When Federal Compliance Ruled



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2022 Compliance Supplement

- Issued May 12, 2022 (earliest it's been issued in 15 years)
- No Addendums

• **NO EXTENSIONS**



2022 Compliance Supplement

- New programs include:
 - Emergency Rental Assistance (ERA)
 - 93.671 Family Violence Prevention and Services Act
 - 21.029 Coronavirus Capital Projects Fund (CPF)
 - 21.026 Homeowners Assistance Fund Program (HAF)
 - 32.009 Emergency Connectivity Fund Program (ECF)
 - 59.075 Shuttered Venue Operators Grant (SVOG)



Higher Risk Programs per the supplement

Agency	Assistance Listing (CFDA) Number	Title
Education*	84.425	Education Stabilization Fund
FCC*	32.009	Emergency Connectivity Fund Program
HHS*	93.461	Testing for the Uninsured
HHS*	93.498	Provider Relief Fund
HHS**	93.778/93.777/93.775	Medicaid Cluster
Transportation**	20.106	Airport Improvement Program
Transportation**	20.500/20.507/20.525/20.526	Federal Transit Cluster
Transportation**	20.315	National Railroad Passenger Corporation Grants
Treasury*	21.023	Emergency Rental Assistance
Treasury*	21.027	Coronavirus State and Local Fiscal Recovery Funds

Note:

* These programs were created by one of the laws cited at the beginning of this section and are thus considered 100% COVID-19 funding.

** These programs were existing programs that received additional funding from one or more of the laws cited at the beginning of this section.



Issues Noted

- Part 2 and Part 4 Matrix are inconsistent with regards to some compliance requirements for particular programs
- Federal Funding Accountability and Transparency Act (FFATA) requirements in special reporting which reference Part 3
- Guidance links in the program requirements which are not clear on testing requirement



Duns is Done

- Effective April 4, 2022 the use of DUNS numbers was replaced with Unique Entity Identifier (UEI)
- SAM.gov has assigned UEI and have issued guidance to getting your UEI





COVID-19 SEFA Requirements

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COVID-19 SEFA Reporting Requirements

COVID-19 Reporting Requirements: Found in Appendix VII of the 2021 Compliance Supplement

- Must separately identify COVID-19 programs/expenditures on the SEFA and in the Data Collection Form
 - Use COVID-19 prefix for all COVID-19 expenditures
 - Subtotal programs with mixture of COVID-19 and non-COVID-19 expenditures

Federal Agency/Program and Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
COVID-19 - Community Services Block Grant	93.569		6,992,828	-
Community Services Block Grant			9,865,432	9,250,004
Total Community Services Block Grant	93.569		16,858,260	9,250,004



Reporting COVID-19 Expenditures in a Cluster

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture			
<i>Child Nutrition Cluster</i>			
COVID-19 - School Breakfast Program	10.553	23,622,259	23,622,259
School Breakfast Program		120,140,938	120,140,938
Total School Breakfast Program	10.553	143,763,197	143,763,197
COVID-19 - National School Lunch Program	10.555	41,098,915	41,098,915
National School Lunch Program		222,666,599	222,666,599
Total National School Lunch Program	10.555	263,765,514	263,765,514
COVID-19 - Special Milk Program for Children	10.556	1,610	1,610
Special Milk Program for Children		24,983	24,983
Total Special Milk Program for Children	10.556	26,593	26,593
COVID-19 - Summer Food Service Program for Children	10.559	56,941,166	56,941,166
Summer Food Service Program for Children		170,118,744	169,037,016
Total Summer Food Service Program for Children	10.559	227,059,910	225,978,182
<i>Total Child Nutrition Cluster</i>		634,615,214	633,533,486



COVID-19 Requirements (continued)

- 84.425 – Education Stabilization Fund
 - Report expenditures by sub-program (i.e., 84.425C, 84.425E, etc.)
 - Include a total for the program 84.425

Federal Agency/Program and Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Education				
Education Stabilization Fund	84.425			
COVID-19 - Governor's Emergency Education Relief Fund	84.425C		5,642,296	5,642,296
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D		77,941,988	14,789,158
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U		9,786,453	790,547
Total Education Stabilization Fund	84.425		93,370,737	21,222,001



COVID-19 Requirements (continued)

- Numerous new COVID-19 programs
 - 97.050-Presidential Declared Disaster Assistance to Individuals and Households - Other Needs (aka FEMA Lost Wages Assistance)
 - Might be reported incorrectly under 17.225-Unemployment Insurance
 - 10.542-Pandemic EBT Food Benefits
 - Might be reported incorrectly under 10.551-Supplemental Nutrition Assistance Program (SNAP)
 - 93.499-Low Income Household Water Assistance Program
 - Originally issued under 93.568-LIHEAP



COVID-19 Requirements (continued)

- Donated Personal Protective Equipment (PPE)
 - Report fair market value of PPE at time of receipt in a footnote
 - Unaudited
 - Not reported as an expenditure
 - Not included in calculation of Type A/B programs



COVID-19 Requirements (continued)

New SEFA Footnotes

- Identified in Compliance Supplement Addendum II
 - CCDF Cluster
 - Break out program components (CCDBG, CCDF Mandatory and Matching, CCDF Disaster Relief, CCDF CARES, CCDF CRRSA, CCDF ARP supplemental, CCDF ARP Child Care Stabilization Funds)
 - Housing Voucher Cluster
 - Emergency Housing Vouchers issued under ARPA
 - Can be reported as separate line on SEFA instead of in footnotes





SEFA Reporting Challenges

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SEFA Preparation Challenges

- Keeping up with changes in reporting requirements
- Identification of Clusters
 - Programs included in clusters may change from year to year
For example: TANF is no longer a cluster
- Assistance Listing & Program Name Changes
- Identifying pass-through entity identifying numbers
- New programs may be missed altogether
- Identification of non-monetary expenditures



COVID Funding Reporting Challenges

- Influx of COVID funding has strained accounting systems and resources
- Identification of COVID programs
 - COVID portion of existing programs must be separately reported, but may be difficult to separate





Common SEFA Errors

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Common SEFA Errors

- COVID programs not properly identified or separated
- New programs missing
- SEFA does not tie to financial statements – may contain mathematical errors
- Non-monetary programs not properly reported
- Formatting issues



Common SEFA Formatting Issues

- “CFDA” is now “Assistance Listing”
- Missing Federal Agency headers/totals
- Missing Cluster headers/totals
- Subrecipient expenses greater than total
- Missing Pass-Through identifying numbers
- Invalid Assistance Listing numbers
- Incorrect Federal program names
- Mathematical Errors



SEFA Formatting Errors

ORGANIZATION NAME
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Agency	Federal Program	CFDA Number	Pass-Through Entity	Pass-Through / Grantor Number	Total Federal Expenditures	Passed Through to Subrecipients
Department of Commerce	Coastal Zone Management Estuarine Research Reserves	11.420	Department of Natural Resources	P06-PY20-A-432	\$ 890,000	\$ 890,000
Department of Defense	Community Economic Adjustment Assistance for Advance Planning and Economic Diversification	12.614	Economic Recovery Center		375,000	375,000
Department of Labor	WIOA Adult Program	17.258	N/A		458,800	355,450
	WIOA Adult Program	17.259	State Department of Labor	P00P94-SQ-PY18-Y, P06-SQ-PY19-Y	255,000	27,555
	Dislocated Worker Formula Grants	17.278	State Department of Labor		700,050	625,380
			Cluster total		<u>1,413,850</u>	<u>1,008,385</u>
Department of Health and Human Services	Coronavirus Relief Fund	21.019	Department of Budget	2050-2021-A45	2,675,000	-
Department of Housing and Urban Development	Federal Voucher Cluster					
	Section 8 Housing Choice Vouchers	14.871	N/A		58,000	-
	Mainstream Vouchers	14.879	N/A		178,000	-
			Cluster total		<u>236,000</u>	<u>-</u>
	COVID-19 Community Development Block Grant Cluster	14.CDBG	N/A		313,094	-
	Community Development Block Grant Cluster	14.CDBG	N/A		466,657	-
						<u>-</u>
Total Federal Awards Expended					<u>6,369,601</u>	<u>2,273,385</u>



SEFA Formatting Errors (continued)

Federal Agency	Federal Program	Assistance Listing Number		Pass-Through / Grantor Number	Total Federal Expenditures	Passed Through to Subrecipients
		CFDA Number	Pass-Through Entity			
Department of Commerce	Coastal Zone Management Estuarine Research Reserves	11.420	Department of Natural Resources	P06-PY20-A-432	\$ 890,000	\$ 890,000
					Missing Federal Agency Total	
Department of Defense	Community Economic Adjustment Assistance for Advance Planning and Economic Diversification	12.614	Economic Recovery Center	Missing identifying number	375,000	375,000
					Missing Federal Agency Total	

- CFDA Number column-heading is now be Assistance Listing Number
- Missing totals for Federal agencies
- Missing Pass-Through identifying number



SEFA Formatting Errors (continued)

Department of Labor	Missing Cluster					
	WIOA Adult Program	17.258	N/A		458,800	355,450
	WIOA Adult Program	17.259	State Department of Labor	P00P94-SQ-PY18-Y, P06-SQ-PY19-Y	255,000	27,555
	Dislocated Worker Formula Grants	17.278	State Department of Labor		700,050	625,380
	Incorrect program name					
			Cluster total		1,413,850	1,008,385
					Missing Federal Agency Total	
Department of Health and Human Services	Coronavirus Relief Fund	21.019	Department of Budget	2050-2021-A45	2,675,000	-
	Missing COVID prefix					
	Incorrect Federal Agency				Missing Federal Agency Total	

- Missing Cluster Title
- Invalid program name
- Incorrect Federal Agency
- Missing COVID-19 prefix for COVID program



SEFA Formatting Errors (continued)

Department of Housing and Urban Development	Federal Voucher Cluster Incorrect Cluster Name					
	Section 8 Housing Choice Vouchers	14.871	N/A		58,000	-
	Mainstream Vouchers	14.879	N/A		178,000	
			Cluster total		236,000	-
Invalid program names and AL#s	COVID-19 Community Development Block Grant Cluster		14.CDBG	N/A	313,094	-
	Community Development Block Grant Cluster		14.CDBG	N/A	466,657	
						-
				Missing Federal Agency Total		
Total Federal Awards Expended					6,369,601	2,273,385

- Federal Voucher Cluster - Invalid cluster name
- CDBG: Invalid program and Assistance Listing numbers
 - For a cluster it needs Cluster title and total
 - For a single program with COVID and non-COVID, also need a subtotal for the program



Properly Formatted SEFA

ORGANIZATION NAME
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Agency/Program/Cluster	Assistance Listing Number	Pass-Through Entity	Pass-Through / Grantor Number	Total Federal Expenditures	Passed Through to Subrecipients
Department of Commerce					
Coastal Zone Management Estuarine Research Reserves	11.420	Department of Natural Resources	P06-PY20-A-432	\$ 890,000	\$ 890,000
Total Department of Commerce				890,000	890,000
Department of Defense					
Community Economic Adjustment Assistance for Advance Planning and Economic Diversification	12.614	Economic Recovery Center	436799	375,000	375,000
Total Department of Defense				375,000	375,000
Department of Labor					
WIOA Cluster					
WIOA Adult Program	17.258	N/A		458,800	355,450
WIOA Adult Program	17.259	State Department of Labor	P00P94-SQ-PY18-Y, P06-SQ-PY19-Y	255,000	27,555
Dislocated Worker Formula Grants	17.278	State Department of Labor		700,050	625,380
WIOA Cluster total				1,413,850	1,008,385
Total Department of Labor				1,413,850	1,008,385
Department of Treasury					
COVID-19 - Coronavirus Relief Fund	21.019	Department of Budget	2050-2021-A45	2,675,000	-
Total Department of Treasury				2,675,000	-
Department of Housing and Urban Development					
Housing Voucher Cluster					
Section 8 Housing Choice Vouchers	14.871	N/A		58,000	-
Mainstream Vouchers	14.879	N/A		178,000	-
Housing Voucher Cluster total				236,000	-
CDBG Entitlement Grants Cluster					
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218	N/A		313,094	-
Community Development Block Grants/Entitlement Grants		N/A		466,657	-
Total Community Development Block Grants/Entitlement Grants				779,751	-
CDBG Entitlement Grants Cluster total				779,751	-
Total Department of Housing and Urban Development				1,015,751	-
Total Expenditures of Federal Awards				\$ 6,369,601	\$ 2,273,385





Questions?

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