

LOCAL FINANCE NOTICECHRISTINE TODD WHITMAN
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DIRECTOR**2000 Single Audit Update:**

Expenditure of Awards – Federal and State Financial Assistance

Schedule of Expenditures of Federal Awards

Schedule of Expenditures of State Awards

Basis of Accounting

Introduction

The Single Audit Act Amendments of 1996 substantially revised the various provisions of the Single Audit Act of 1984. Both the federal and state Office of Management and Budgets (OMB) revised their single audit circulars to include the audit requirements in the 1996 Amendments. Prior to the revisions, local units were only required to prepare the Schedules of Expenditures of Federal and State Awards, and auditors determined whether the schedules were presented fairly in all material respects in relation to the auditee's financial statements taken as a whole.

As a result of the 1996 Amendments, counties and municipalities (local units) who are recipients of federal and state awards now have the additional responsibilities to report to the Division (or State Cognizant Department) the total amount of federal and state financial assistance expended during its fiscal year, and the type of audit required to comply with circulars OMB A-133 and OMB 98-07. This Notice reviews the details of these requirements that are now taking effect.

Expenditures of Awards - Federal and State Financial Assistance

Beginning with the calendar year ending 12/31/00, all local units must complete the schedule, "Expenditures of Awards - Federal and State Financial Assistance" (EOA) in the Annual Financial Statement (AFS). This Schedule was previously titled, "Report of Federal and State Financial Assistance Expenditures of Awards" (Sheet #1d) in the AFS. The EOA (Exhibit A) requires local units to segregate the expenditures of federal pass-through funds awarded by the State from federal funds that are received directly from the federal government or indirectly from entities other than state government. This information is needed by the Division and other State Cognizant Departments to monitor federal pass-through funds awarded by the State in accordance with the Circulars.

As in the past, local units will continue to report the expenditures of State awards in a separate column whether the funds were received directly from the State or indirectly from entities other than state government. **State aid programs such as CMPTRA, Energy Receipts Tax, etc. are to be excluded from the EOA and the Schedule of Expenditures of State Awards since there are no compliance requirements.**

Circular A-133 requires federal agencies and pass-through entities to identify federal awards by informing each recipient or sub-recipient of the Catalog of Federal Domestic Assistance (CFDA) title and number. When some of this information is not available, the federal agency or pass-through entity is required to provide the information necessary to describe the federal award clearly. Local units can identify federal pass-through funds awarded by the State by the CFDA number in the state's grant/contract agreements. Furthermore, local units can track the receipts of federal pass-through funds awarded by the state by requesting the awarding agency to include the CFDA title and number in the Payee Reference Field on the State of New Jersey Payment Voucher (vendor invoice). The information in the Payee Reference Field is printed on check stubs and the Automated Clearing House (ACH) Payments. Bank statements do not identify the 30 characters in the Payee Reference Field.

In some instances, the State has found it necessary to combine federal pass-through funds and State assistance (i.e., the match requirement for specific federal programs) to provide financial assistance to local units. If the award(s) cannot be separated to identify the individual funding sources (that is, federal and State), then the total amount of the award expended should be reported in the EOA, under the column titled, Federal Programs Expended (administered by the state). It must also be shown in the Schedule of Expenditures of Federal Awards as pass-through funds with a footnote describing the nature of the funds.

All *local units* must have an annual financial statement audit performed in accordance with Government Auditing Standards (Yellow Book). However, *local units* that expend \$300,000 or more in federal financial assistance or state financial assistance within their fiscal year are also required to have a single audit performed in accordance with the circulars.

Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards (Exhibit B), prepared by the grantee (or local government), reports the total expenditures for each federal program for the period covered by the auditee's financial statements. This schedule must identify the expenditures of federal funds received directly from the federal government or indirectly from the State or other non-federal entities. The redistribution of federal awards by the State or other non-federal entities should be treated as though they were received directly from the federal government.

The Schedule of Expenditures of Federal Awards is to include the name of the pass-through entity, CFDA number and title, and the identification number assigned to the award. For example, the State Account Number is the identification number for a grant awarded by the state.

At a minimum, the Schedule of Expenditures of Federal Awards should:

- List individual federal programs by federal agency.
- Include the name of the pass-through entity, CFDA number of the federal program, and the identification number (i.e., state account number) assigned by the pass-through entity when federal funds are received by a subrecipient.
- Include notes that describe the significant accounting policies used in preparing the schedule.
- Provide the total federal awards expended for each individual federal program and the CFDA number or other identifying number when the CFDA information is not available.
- Identify, to the extent practical, the total amount provided to subrecipients by pass-through entities from each federal programs.

- Include, in either the schedule or a note to the schedule, the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end.

Schedule of Expenditures of State Awards

The Schedule of Expenditures of State Awards (Exhibit C), prepared by the grantee (or local government), reports the total expenditures for each state program for the period covered by the auditee's financial statements. This schedule must identify the expenditures of all state awards received directly from the state or indirectly from entities other than state government as required by OMB Circular 98-07. *As noted previously, if federal pass through funds are combined with other sources of funds (that is, state and local), and the funds can not be identified to the individual sources, then the entire amount expended in the program should be reported in the Schedule of Expenditures of Federal Awards in accordance with OMB A-133.*

The Schedule of Expenditures of State Awards must identify for each state program:

- State Grantor Department
- Program Title
- State Account Number
- Program Amount (Amount of Funds Received)
- Program Grant (Contract) Period
- Total Disbursement

The Circulars requires the auditor to assess the appropriateness and completeness of the auditee's identification of federal and state programs in the Schedules of Expenditures of Federal and State Awards. When the auditee is unable to identify the sources of the expenditures of federal and state programs in the schedules, the auditor will consider whether a reportable condition exists. If it does, a finding is reported in the Schedule of Findings and Questioned Costs.

Basis of Accounting

The Circulars do not prescribe the basis of accounting that must be used by *local units* to prepare the Schedules of Expenditures of Federal and State Awards. Some *local units* may be obligated to prepare the schedules on a basis of accounting that is different from that in the financial statements. In any case, *local units* must describe the basis of accounting and the significant accounting policies used in preparing the schedules. This information can be included in the schedules or as an additional schedule in the audit report. Local units must also be able to reconcile amounts presented in the financial statements to related amounts in the Schedules of Expenditures of Federal and State Awards.

Additional information and illustrative schedules can be found in AICPA's Statement of Position 98-3.

If you have any questions on information in this Notice, contact the Bureau of Financial Regulation and Assistance at (609) 292-4806. Downloadable versions of the three Exhibits are available on the Local Finance Notice section of the Division web site (www.state.nj.us/dca/lgs).



Ulrich H. Steinberg, Jr., Director
Division of Local Government Services

Distribution: Municipal and County Chief Financial Officers, Registered Municipal Accountants

Exhibit A
Sample Report Only

Federal I.D. #

Municipality

County

Expenditures of Awards

Federal and State Financial Assistance

Fiscal year ending: _____

	(1)	(2)	(3)
	Federal Programs Expended (administered by the state)	State Programs Expended	Other Federal Programs Expended
Total	\$ _____	\$ _____	\$ _____

Type of Audit required by OMB A-133 and OMB 98-07:

_____ Single Audit

_____ Program Specific Audit

_____ Financial Statement Audit Performed in Accordance
with Government Auditing Standards (Yellow Book)

Note: All local governments, who are recipients of federal and state awards (financial assistance), must report the amount of federal and state funds expended during its fiscal year and the type of audit required to comply with OMB A-133 (Revised June 24, 1998), and OMB 98-07. Expenditures are defined in Section 205 of OMB A-133.

- (1) Report expenditures from federal pass-through programs received directly from state government. Federal pass-through funds can be identified by the Catalog of Federal Domestic Assistance (CFDA) number reported in the State's grant/contract agreements.
- (2) Report expenditures from state programs received directly from state government or indirectly from pass-through entities. **Exclude state aid (CMPTRA, Energy Receipts Tax, etc.) since there are no compliance requirements.**
- (3) Report expenditures from federal programs received directly from the federal government or indirectly from entities other than state government.

Signature of Chief Financial Officer

Date

Exhibit B

City of Anyware
Schedule of Expenditures of Federal Awards
Year ended December 31, 1999

Sample Report Only

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA#	Pass-Through Entity ID#	Grant Period	Cash Received	Program Expenditures
<u>U.S. Department of Justice:</u>					
Community Oriented Policing Services	16.512		4/1/99 to 3/31/02	\$ 50,000.00	\$ 75,000.00
				<u>\$ 50,000.00</u>	<u>\$ 75,000.00</u>
<u>U.S. Environmental Protection :</u>					
Pass Through New Jersey Department of Environmental Protection: Water Quality Management Program (1)	66.454	042-4891-100-025-6110	1/1/99 to 12/31/99	\$ 365,000.00	\$ 365,000.00
				<u>\$ 365,000.00</u>	<u>\$ 365,000.00</u>
<u>U.S Dept of Housing and Urban Development:</u>					
Pass Through County of Union: Community Development Block Grant	14.218	099-031	9/1/99 to 8/31/00	\$ 25,000.00	\$ 20,000.00
				<u>\$ 25,000.00</u>	<u>\$ 20,000.00</u>
<u>Total Federal Assistance</u>				<u>\$ 440,000.00</u>	<u>\$ 460,000.00</u>

Notes:

(1) Grant award includes an undetermined amount of state financial assistance.

Exhibit C

City of Anyware
Schedule of Expenditures of State Awards
Year ended December 31, 1999

Sample Report Only

State Grantor/Pass-Through Grantor/Program	Pass-Through Entity ID#	State Account Number	Grant Period	Cash Received	Program Expenditures
<u>N.J. Department of Health:</u>					
Division of Senior Affairs: H.I.N.T. Program		046-4006-100-097-6610	1/1/99 to 12/31/99	\$ 111,364.00	\$ 113,306.00
				<u>\$ 111,364.00</u>	<u>\$ 113,306.00</u>
<u>N.J. Department of Human Services:</u>					
Division of Youth and Family Services: Youth Incentive Program		054-7570-100-361-6130	1/1/1999 to 12/31/99	\$ 222,453.00	\$ 224,268.00
				<u>\$ 222,453.00</u>	<u>\$ 224,268.00</u>
<u>N.J. Department of Treasury</u>					
Pass Through County of Union: Governor's Council on Alcoholism and Drug Abuse: Municipal Alliance Grant	98-ALL-106	082-2000-100-044-6010	1/1/99 to 12/31/99	\$ 36,800.00	\$ 34,525.00
				<u>\$ 36,800.00</u>	<u>\$ 34,525.00</u>
Total State Financial Assistance				<u>\$ 370,617.00</u>	<u>\$ 372,099.00</u>