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Audit Alert
SEFA Preparation

As more local governments are receiving federal assistance due to the COVID-19 pandemic, it is time to consider the impact this funding may have on your SEFA preparation. All units of government who spend federal funds are required to complete a report known as a Schedule of Expenditures of Federal Awards, usually referred to as a SEFA. Additionally, a unit of government that spends \$750,000 or more in federal funding is required by the Federal Single Audit Act to have what is known as a “single audit” in addition to the normal financial statement audit. A properly prepared SEFA is an important tool to determine whether a single audit is required. The APA has historically issued audit findings to government units that do not meet these federal requirements, and given the amount of new federal funding coming into Kentucky due to the COVID-19 pandemic, below is some basic guidance to help with your SEFA preparation.

Trying to determine whether funding your county received is subject to a single audit and needs to be reported on the SEFA is challenging. If you are unsure, a good place to start is the grant agreement or related contract which, if subject to a single audit, should associate an award with a specific identifying number. This is called the CFDA number, which stands for the Catalog of Federal Domestic Assistance. In addition, the grant agreement or contract may reference audit requirements under 2 CFR 200 Subpart F.

If the CFDA number isn't provided, look to see if the agreements mention a federal program name. The program name, if provided, can be used to find out if the funding is potentially federal by searching for the name in the Assistance Listing on beta.sam.gov. If no CFDA number or program name is included in the grant agreement or contract, and there otherwise is no reference to Uniform Guidance or 2 CFR part 200, reach out to the funding or pass-through agency.

The SEFA should include ALL federal funds spent during the fiscal year. Remember the SEFA is based on the date of the expenditure, not on the date you receive the funds.

Special Note about Coronavirus Aid, Relief, and Economic Security (CARES) Funding:

The federal government has not provided comprehensive guidance for how to report CARES funding on the local government's SEFA. Because of this, it is important for local governments to treat CARES funds as federal expenditures and find a way to separately track these receipts and expenditures for reporting purposes, ensure appropriate internal controls are in place, and retain

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all supporting documentation related to these funds. When the federal government clarifies guidance, it may be necessary for local governments to update/revise their SEFA to comply with federal reporting requirements.

The SEFA should include any CARES related expenditures incurred during the fiscal year for which the local government will be reimbursed by Department for Local Government (DLG). Payments from CARES funds may only be used to cover necessary expenditures incurred due to COVID-19 during the time period 3/1/2020 through 12/30/2020. So, CARES expenditures can affect both FYE 6/30/2020's SEFA and 6/30/2021's SEFA.

For the FYE 6/30/2020 SEFA, local governments should include any expenditures they incurred from 3/1/2020 through 6/30/2020 that will be reimbursed by DLG with federal CARES funding.

A county can receive the CARES funds directly from a federal agency or passed through a state agency or office. Even though CARES funds are passed through a state agency or office (for example DLG or Secretary of State), the funds are not state grants. The CARES funds are federal money. Any CARES funds that the county received from another entity (for example Secretary of State) **and spent** during the fiscal year should also be reported on the SEFA.

It has been advised that the CARES funds should be tracked separately from other federal funds on the SEFA. Examples on how to do this are not available yet, but we recommend including "CARES" in the grant title to identify CARES funds. For example xxx-CARES or CARES-xxx.

Donated items such as PPE from federal sources should be included on the SEFA as well.

It is very important that the SEFA is accurate, so the county obtains a proper audit. If the amount of federal expenditures is overstated, and results in the local government exceeding the Single Audit Act audit threshold, it may subsequently be determined that the local government unnecessarily completed an audit in accordance with the Single Audit Act. On the other hand, if the amount of federal expenditures is understated and is not sufficient to require a Single Audit, it may be subsequently determined that the local government met the Single Audit Act audit threshold, in which case the local government would have to retroactively comply with the audit requirement.

After considering this information, if you need to correct your SEFA to accurately report federal expenditures spent during FYE 6/30/2020, submit a revised SEFA to DLG.