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2024 Maryland Government Training Academy

June 4, 2024

Welcome and Housekeeping



CPE certificates will be emailed within 4 weeks following today's presentation to the email that was used to register.



7 recommended CPE credits will be issued to those who attend today's entire CPE session from 8:30 – 4:30 p.m.



All presentations will be available on CLAAconnect.com under the **past events** page at the end of the week.





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Industry Discussion

June 4, 2024

Learning Objectives

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

- Identify upcoming GASB pronouncements and their potential impact on state and local government financial statements, including GASB 100 and GASB 101
- Identify known changes coming in the FY 2024 compliance supplement and uniform guidance





Economic Environment



Economic Environment

- Revenues
 - General fund revenues slowed considerably in 2023 (0.9% increase)
 - Tax cuts
 - Calendar year 2022 declined stock market performance
 - Slower consumption growth
 - Changing spending patterns and lower inflation
 - 2022 – 49 States – revenues exceeded budget
 - 2023 – 46 States – revenues exceeded budget
 - Expected to decline 1.8% in 2024 following two consecutive years of double-digit growth in 2022 and 2023



Economic Environment

- Expenditures
 - 2023 State Annual General Fund Spending increased 11.8%; building upon a baseline increase of 16% in 2022 from 2021
 - Strong tax collections and one-time expenditures from surplus funds
 - 21 States reported net mid-year increases in general fund spending resulting in a net mid-year increase of \$7.9B across States
 - Supplemental appropriations, one-time investments, and disaster relief appropriations



Economic Environment



Reserves

- “Rainy Day Funds”- median rainy day fund balance increased from 10.8% in 2022 to 12.3% in 2023
 - Projected to reach 13.8% in 2024
- Total general fund balances have grown significantly and are expected to reach 23.2% of expenditures; nearly double the level of the Great Recession
- Pension/OPEB liability Funded Ratio Medians
 - Pension – 73.6% (7.6% decrease)
 - OPEB – 9.7% (3.6% increase)
 - Investment performance drivers

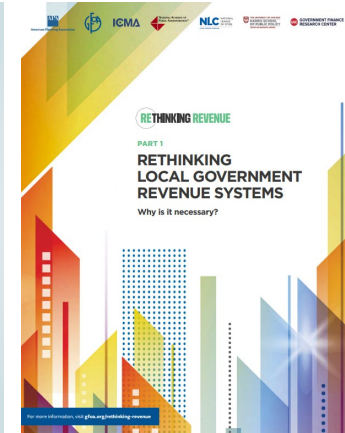
<https://www.nasbo.org/reports-data/fiscal-survey-of-states>

<https://www.spglobal.com/ratings/en/research/articles/230907-u-s-state-pension-and-opebs-funding-progress-is-likely-to-pick-up-in-2023-after-slipping-in-2022-12833080>



Time to Rethink?

- Public engagement
- Rethinking Budget
 - Should last year's budget become next year's budget?
- Revenue
 - Local government revenues have not remained aligned with modern economic realities
- Reserves
- Financial Reporting



Policy Issues

Artificial
Intelligence

Homelessness

Elections

Opioids

Social Media

Mental Health

Electric
Vehicles

Clean Energy

Affordable
Housing

Healthcare



Citations

Information Technology

- <https://www.nascio.org/press-releases/>

Economic Environment Survey Data

- <https://www.nasbo.org/reports-data/fiscal-survey-of-states>

Talent Shortage

- <https://www.cpajournal.com/2023/12/01/the-accounting-profession-is-in-crisis>

AICPA Pipeline

- <https://www.aicpa-cima.com/resources/article/draft-plan-to-accelerate-talent-pipeline-solutions>





Information Technology



The Roles of the Chief Information Officer (CIO)



Primary technology business leader of the State



Anticipate policy implications of issue and cultivate a vision of technological needs



Plan to combine technology with top policy priorities in addressing State services



Responsible for supporting agency infrastructure requirements and security

Changing CIO Priorities -

***#1 / 2- Tie –
Cybersecurity and Risk
Management/Digital
Government and
Digital Services***

***#3 - Artificial
Intelligence and
Process Automation***

***#4 - Legacy
Modernization***

#5 - Workforce

***#6 - Data Management
and Analytics***

***#7 -
Broadband/Wireless
Connectivity***

***#8 - Identity and Access
Management***

#9 - Cloud Services

***#10 - CIO Operating
Model***



Cybersecurity

Risk

- Ransomware – most attacks made on entities in government, healthcare, and education

Responses



“Zero-Trust” model to roll out multifactor authentication as *end users* are most at risk



Initiatives receiving the most attention include endpoint detection, awareness, and training

Artificial Intelligence and Process Automation

- NASCIO State Survey – which area will be most impactful in the next 3 to 5 years?
 - Generative Artificial Intelligence – 53%
- State proactivity:
 - Creation of advisory committees/task forces
 - Responsible use, security, and ethics policies
 - Data governance – concern of integrity and bias of inputs
 - Assess impact on operations on workforce



Artificial Intelligence and Process Automation

Appeals

- Cybersecurity
- Improved customer service
- Fraud detection and prevention through data analysis of large populations

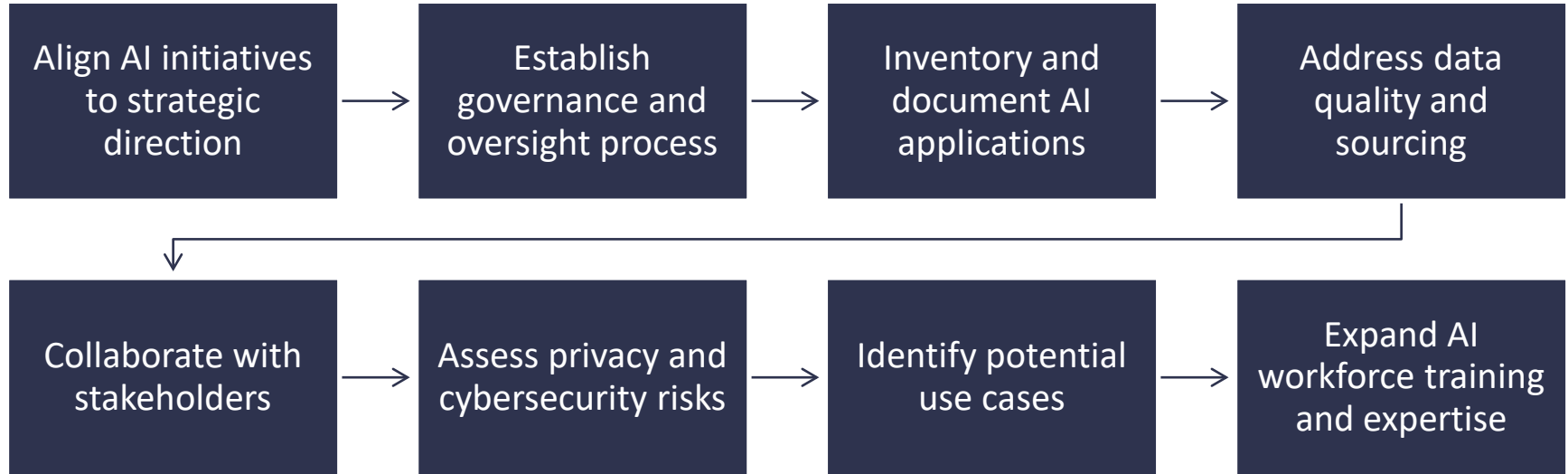
Concerns

- Data integrity and confidentiality
- Critical evaluation and approval of the results
- Analysis paralysis



Artificial Intelligence and Process Automation

NASCIO State Blueprint Objectives



Cyber Insurance Trends

Many states moving
to self-insurance
model

NASCIO encourages
eliminating
unlimited liability
clauses

New commercial
policies are fairly
limited to data
breaches only





Workforce



The Great Resignation



Previous Issues noted:

- Siloed and redundant systems
- Siloed agencies
- Outdated workforce model
- Paper-based processes (including timesheets)
- Aging infrastructure
- Competition
- Burnout

Talent Shortage - Government

- Census.gov – approximately 700,000 open positions in State and Local government industry in January 2024
- Infor survey – March 2024 –
 - 65% of government HR professionals consider retention in top 3 priorities
 - 53% of employees leave government due to compensation concerns
 - 50% of workers are eligible for retirement in the next 10 years
 - 70% of workers are unengaged at work; 20% actively disengaged and sabotaging colleagues



Talent Shortage – Accounting Professionals

- **75%** – AICPA's members were at retirement age as of December 2023
- **33%** – Decline of first-time CPA exam candidates sitting for the exam from 2016 to 2021
- **7.8%** – Decline of accounting students earning bachelor's degrees from 2021 to 2022
- **\$23M** – 2022 AICPA revenue shortage projection due to decrease in CPA exam candidates



Talent Shortage



Competitive
Compensation



Flexible Work
Arrangements



Career Paths



Government
Benefits



Work/Life
Balance

Talent Shortage

- Virtual CFO's
- Just-in-time talent solutions
- Automated processing (invoices, bank reconciliations)
- Revisiting application process
- Revisiting requirements (4-year degree, CPA)



Talent Shortage

Appeals



Flexibility



Cost savings
(benefits)



Reallocation of
employees



Analysis and
transparency

Concerns



COMMUNICATION
(REMOTE)



ONBOARDING



SEAMLESS
INTEGRATION
CURVE



SUCCESSION

Talent Shortage

- AICPA's initiative to improve the CPA pipeline
 - **Awareness** – Increasing awareness about the accounting profession and promote the benefits of a career in accounting
 - **Improved perceptions** – Dispelling outdated perceptions and updating positive messaging to students about the profession
 - **Training and Education** – Providing high-quality accounting education and training opportunities
 - **Firm culture and business models** – Equipping firms with tools to offer competitive salaries and benefits
 - **Diversity, equity, and inclusion:** Attracting and retaining a broader range of talent



Talent Shortage

- SLG Perspectives – Retention Strategy:
 - Present accounting as meaningful work - impacts everyone
 - Blend position to other passions (public safety, public health, education)
 - Raising salaries (\$15,000 plus in certain states)
 - Camaraderie – people want to come to work
 - Recruiting across state agencies
 - Encouraging the substitution of qualifications (alternate certifications and experience)





GASB Update





GASB 100 Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62

Effective date is fiscal years beginning after June 15, 2023
(6/30/24 & 12/31/24)



GASB Statement No. 62 Categories

Prior-Period
Adjustments

Change in
Accounting
Principle

Change in
Accounting
Estimate

Change in the
Reporting Entity

Correction of an
Error



GASB Statement No. 100 Categories

~~Change in
Accounting
Principle~~

Change in
Accounting
Principle

Change in
Accounting
Estimate

Change to or
within the
Financial Reporting
Entity

Error Correction



Change in Accounting Principle

- Change from one generally accepted accounting principle to another
 - Only when the new accounting principle is preferable considering qualitative characteristics of financial reporting - understandability, reliability, relevance, timeliness and comparability.
- Implementation of new accounting pronouncement
 - Think GASB 84, 87, and 96.
- Reported retroactively by restating beginning fund balance or net position as needed
- Additional note disclosures are applicable
- Most common one you will encounter (hopefully)



Not a Change in Accounting Principle

Events that are clearly different in substance

Occurring for the first time

Previously insignificant



Change in Accounting Principles (Continued)

- Additional Note Disclosures Required – Update to Note 1: Summary of Significant Accounting Policies

22. Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases. This standard requires the recognition of certain lease asset and liabilities for leases that were previously classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The County adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. Beginning fund balance/net position was not restated due to the implementation of GASB 87. The implementation of this standard resulted in the County reporting right-to-use assets and a lease liability as disclosed in Note 3.A.3. and Note 3.C and leases receivable and deferred inflows related to leases as disclosed in Note 3.A.4.

- Restatement of Note Disclosure beginning balances

Governmental Activities

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 6,065,000	\$ -	\$ 3,415,000	\$ 2,650,000	\$ 555,000
Bond Premium	282,220	-	99,966	182,254	-
Total Bonds Payable	6,347,220	-	3,514,966	2,832,254	555,000
Compensated Absences	3,225,493	3,218,730	3,061,931	3,382,292	169,115
Lease Liability	348,603	113,575	78,853	383,325	99,439
Governmental Activity					
Long-Term Liabilities	<u>\$ 9,921,316</u>	<u>\$ 3,332,305</u>	<u>\$ 6,655,750</u>	<u>\$ 6,597,871</u>	<u>\$ 823,554</u>

*The beginning balance of long-term liabilities were restated due to the implementation of GASB Statement No. 87.

Change in Accounting Estimate

- Estimates are amounts subject to measurement uncertainty
- Should be justified on the basis that the newly adopted measurement methodology is preferable to the previous methodology used
 - Basis for determination – understandability, reliability, relevance, timeliness, consistency, and comparability
- Reported prospectively by recognizing the change in accounting estimate in the reporting period in which change occurs
- Additional note disclosures are applicable



Notes for Change in Accounting Estimate



Nature of the change in accounting estimate – including financial statement line items affected



Change in measurement methodology

Reason for change

Explanation of why new measurement methodology is preferable – Exception if required by GASB pronouncement

Change in Accounting Estimate (Continued)

- GASB has added clarification between an actual change in accounting estimate and an error correction:
 - Were there facts about conditions that existed as of the financial statement date that should have been taken into account when developing the estimate?
 - Could it be reasonably foreseen that the government should have known about the facts at the time the estimates were prepared?
- If you answer yes to both of those questions, the most likely result is this was an error correction.



Potential Change in Accounting Estimate Examples

OPEB Liability

Net Pension
Liability

Landfill Post-
Closure Liability

If measurement methods for any of these were changed due to a new preferable method, the results would be adjusted through the current year.



Change to or Within the Financial Reporting Entity

- Addition/removal of a fund resulting from movement of continuing operations within the primary government (including blended CUs)
- A change in a fund's presentation as major or nonmajor
- Addition or removal of a component unit, except for those included pursuant to GASB 90 and GASB 69
- Change in presentation of component unit as blended or discretely presented
- Beginning net position/fund balance should be adjusted for the effect of the change at the beginning of the reporting period
- Additional note disclosures are applicable



Change within the Entity Example:

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances					
	Funds	Government-Wide		Component Units	
	Enterprise Fund D	Governmental Activities	Business-Type Activities	QRS Foundation	XYZ Foundation
12/31/X1, as previously reported	\$ 74,831	\$ 768,033	\$ 543,163	\$ -	\$ -
Change from blended to discrete presentation	(2,184)	-	(2,184)	2,184	-
Addition of discretely presented component unit	-	-	-	-	1,500
Error correction	-	71,312	-	-	-
12/31/X1, as restated	\$ 72,647	\$ 839,345	\$ 540,979	\$ 2,184	\$ 1,500



Error Correction

- Mathematical mistake
- Mistake in application of accounting principle
- Oversight or misuse of facts that existed at the time financial statements were issued
 - Facts that could reasonably be expected to have been obtained and considered regarding conditions that existed as of the financial statement date
- Reported retroactively by restating beginning fund balance/net position
- Additional note disclosures are applicable



Error Correction Example:

- Krysta in AP is new and missed a large payable in the previous year:

	Governmental Activities	General Fund	Total
Fund Balance/Net Position, December 31, 2022, as Previously Reported	\$ 100,000,000	\$ 10,000,000	\$ 110,000,000
Affect of Correction of an Error in Accounts Payable	100,000	100,000	200,000
Fund Balance/Net Position, December 31, 2022, as Restated	<u>\$ 100,100,000</u>	<u>\$ 10,100,000</u>	<u>\$ 110,200,000</u>

- Note that while the \$100,000 might not be material to Governmental Activities, management can decide to adjust it as well to avoid reconciliation differences

Notes for Error Correction



Effects on beginning net position, fund balance, or fund net position



Nature of error and correction,
including f/s line items impacted

Single period – effect on the prior period's change in net position, fund balance or net position, as if the error didn't happen

Comparative – effect of the error correction on the prior period change in net position, fund balance or fund net position

Retroactive Treatment – Comparative

Retroactively restate all prior periods presented

If not practicable to restate all prior periods, restate to earliest period practicable, ***except for errors***





GASB 101 Compensated Absences

Effective date is fiscal years beginning after December 15, 2023 (12/31/24 and 06/30/25)



The Basics



Replaces GASB Statement
No. 16



Creates a more consistent
model that can be applied to
all types of compensated
absence arrangements



Attempts to address
inconsistencies arising from
types of leave not originally
contemplated by GASB
Statement No. 16.

What are Compensated Absences?

- Leave for which employees may receive one or more of the following:
 - Cash payments when the leave is used for time off
 - Other cash payments, such as payment for unused leave upon termination of employment
 - Noncash settlements, such as conversion to defined benefit post-employment benefits



What's Changing

GASBS 101

- Consistent model applied to all leave types (limited exceptions)
- “More likely than not” (MLTN) threshold for recognition
- Removes certain disclosure requirements
 - Gross additions and deductions to the liability
 - Fund used to liquidate

GASBS 16

- Different rules for different leave types (for example, sick leave)
- “Probable” threshold for recognition
- Disclose gross additions/deductions
- Disclose fund(s) used to liquidate



GASB 101 –What's Not in Scope?

Termination
benefits
(GASB 47)

Sabbatical, if
performing
other duties



Compensated Absences Recognition

Leave that has not
been used

Leave that has
been used but not
paid or settled



Recognition – Leave Not Used

Leave is attributable to
services already
rendered

Leave accumulates

Leave is more likely
than not to be used for
time off or otherwise
paid or settled



What is “More Likely Than Not”? (MLTN)

Defined in GASBS No. 101 as a likelihood of more than 50 percent



Generally viewed as a *lower* threshold for recognition than “probable” in GASBS No. 16



MLTN – What to Consider?



The government's employment policies related to compensated absences



Whether leave that has been earned is, or will become, eligible for use or payment in the future



Historical information about the use, payment, or forfeiture of compensated absences



Information known to the government that would indicate that historical information may not be representative of future trends or patterns

Exceptions To MLTN

- Leave that is dependent on the occurrence of an event that affects only a small proportion of employees
 - Recognize during the reporting period when leave has begun
 - Examples – Parental Leave, Military Leave, and Jury Duty
- Recognize unlimited leave and holiday leave that must be used on a specific date once it has been used
- MLTN to be converted to DB pension plan



Exceptions - Example

- Parental leave of three months is more likely than not to be paid, and a qualifying employee begins parental leave on June 1, a government with a June 30 fiscal year end would report a liability for the remaining two months of leave in financial statements dated June 30, because the leave had already begun
- Government would include no liability for other employees who are entitled to and may take such leave in the future

[Source: GASB 101. Literally. \(gfoa.org\)](https://www.gfoa.org)



Recognize if Not Used

Vacation

Sick

Holiday

Sabbatical, if
unrestricted



Recognize When Leave Commences (Sporadic)

Military

Parental

Jury Duty



GASB 101 – Recognize Only When Leave is Taken

Holiday – if based
on specific date and
not at discretion of
employee

Unlimited Leave



Calculating the Liability

- Use the rate of pay in effect as of the balance sheet date when calculating the liability, with limited exceptions:
 - Arrangement calls for a different rate of pay at the time of payment (for example, sick pay being paid at 50% of the employee's actual pay rate)
 - Shared leave pool - measure the liability using an estimated pay rate that is representative of the eligible employee population
 - If MLTN to be settled through noncash means other than conversion to DB plan



Recognition – Leave Used

Leave is used for time off but not yet paid in cash or settled through other means

Measure at the amount of the cash payment or noncash settlement to be made

Include applicable salary-related payments



Salary-Related Payments



Obligations that a government incurs related to providing leave in exchange for services rendered



May be directly associated or incrementally associated with the leave



Common example – Employer payroll taxes


DC and DB Pension Plans

- Defined contributions (DC) plan
 - Leave that has not been used - liability is recognized whenever a compensated absence liability would be recognized and reported as pension or OPEB expense
 - Leave that has been used – include in pension/OPEB liability
- Defined benefit (DB) plan
 - Payments related to a DB pension or OPEB plan should NOT be included in the measurement of the liabilities for compensated absences




Post-Employment Benefit Plans

Include in compensated absence liability if:



MLTN to be paid through distribution to an individual account to be used for specified purposes (for example, payment of future premiums)



Leave has not been used



Otherwise meets criteria for recognition



Example – Vacation and Sick Leave

December 31, 2024 year end

Employment contract allows for the following:

- Maximum accumulation of 300 vacation hours
- 300 sick hours not paid upon termination
- DC pension with 10% employer contribution
- Paid holiday on 1/1/2025
- Government estimates 50% of sick leave MLTN to be used as paid leave.



Example – Vacation and Sick Leave

- Employee has the following:
 - 325 vacation hours
 - 20 sick hours
 - \$20/hour pay rate



Example – Vacation and Sick Leave Calculation

	Hours Accrued	Rate	Accrual	7.65% FICA	DC pension	Total Comp Abs
Vacation	300	20	6,000	459	600	7,059
Sick	10	20	200	15	20	235
Holiday	-	20	-	-	-	-
						7,294



Example – Vacation and Sick Leave Explanations

- Sick leave is accrued at 50% as the government has estimated it is MLTN that 50% will be used as paid leave
- Holiday leave is not accrued because it is date specific and not at the discretion of employees
- FICA Accrual – Directly associated with payment
- DC pension – Report as part of compensated absences liability for leave not used



Note Disclosure:

Disclosure should present either:

- Separate increases/decreases
- Net increase or a net decrease

If presenting net, indicate it is a net amount.

Illustration 3—Note Disclosure—Net Change in the Liability

COUNTY OF KLAUS NOTE X—DETAIL NOTES ON ALL FUNDS LONG-TERM DEBT Long-Term Liability Activity					
	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 9,520,000	\$ 1,201,000	\$ (600,350)	\$ 10,120,650	\$ 817,200
Notes Payable	945,600	75,000	(115,000)	905,600	116,500
Total Bonds and Notes Payable	10,465,600	1,276,000	(715,350)	11,026,250	933,700
Other Liabilities:					
Compensated Absences	310,430	143,545*	-	453,975	382,673
Other Obligations	40,820	-	-	40,820	-
Total Other Liabilities	351,250	143,545	-	494,795	382,673
Governmental Activities Long-Term Liabilities	\$ 10,816,850	\$ 1,419,545	\$ (715,350)	\$ 11,521,045	\$ 1,316,373
Business-Type Activities					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 12,275,600	\$ 890,000	\$ (1,100,700)	\$ 12,064,900	\$ 988,700
Sales Tax-Backed Bonds	6,670,000	-	(810,000)	5,860,000	635,000
Total Bonds and Notes Payable	18,945,600	890,000	(1,910,700)	17,924,900	1,623,700
Other Liabilities:					
Compensated Absences	56,710	-	(24,985)*	31,725	19,570
Developer Agreements	1,920,909	87,220	(64,932)	1,943,197	-
Other Obligations	37,503	-	-	37,503	-
Total Other Liabilities	2,015,122	87,220	(89,917)	2,012,425	19,570
Business-Type Activities Long-Term Liabilities	\$ 20,960,722	\$ 977,220	\$ (2,000,617)	\$ 19,937,325	\$ 1,643,270

*The change in the compensated absences liability is presented as a net change.



Note Disclosure

- No longer required to disclose:
 - Which governmental funds typically have been used to liquidate other long-term liabilities (such as compensated absences) in prior years
 - Prior year example:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance (Continued)

7. Vacation, Sick Leave, and Compensated Absences (Continued)

All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources. The County's compensated absences are liquidated by the General Fund, Human Services Fund, and Roads and Bridges Fund.



Preparing for the New Standard

- Identify relevant documents
 - Employee handbooks and policies
 - Employment contracts
 - Collective Bargaining Agreements
- Understand systems/IT Controls used to track leave
- Identify documentation to support inputs, such as wage rates and hours earned
- Check to validate maximums have not been exceeded





GASB 102 Certain Risk Disclosures

Effective date is fiscal years beginning after June 15, 2024
(6/30/25 & 12/31/25)



GASB 102 – Certain Risk Disclosures

- State and local governments face a variety of risks
- Risks refer to conditions that give rise to the potential for loss or harm to a government
- Requirements exist already for certain risk exposures governments face, but there are other prevalent risks not routinely disclosed because they aren't explicitly required
- Statement looks to expand on disclosures around risks of concentrations and constraints



GASB 102 Risk Type Definitions

- Concentrations
 - Defined as a lack of diversity related to an aspect of a significant inflow or outflow of resources
- For example, significant vendor or customer that accounts for a large portion of the governments expenditures/revenues
- Constraints
 - Defined as a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority
- A limitation placed on a government to prevent an acquisition of resources or control spending



Disclosure is Required if:

A concentration or constraint is known to the government prior to issuance

The concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact

Event(s) associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued



Notes to Financial Statements

Information required to be disclosed if all the requirements are met is as follows:

What the concentration or constraint is

Each event associated with the concentration or constraint that could cause a substantial impact if the event occurred or had begun to occur prior to issuance

Actions taken by the government prior to issuance to mitigate the risk



What is Considered a ‘Substantial Impact’

- Intended to convey the fact that a risk is more than only the existence of a concentration or constraint
 - For instance, a debt limit placed on a municipality
- More stringent criterion than materiality was needed to focus on circumstances that make a government have a heightened possibility of loss or harm
- In the end, the Board believes that professional judgement of both the quantitative and qualitative factors should be used in each circumstance



What is Considered an ‘Event or Events’

- This term has not been defined specifically
- Ultimately means an event that *could* cause a substantial impact on a government’s existing concentrations or constraints
- Governments don’t need to go searching for potential events, but instead disclose information about events when they become aware of them



What Happens if a Government Takes Mitigating Action?

If a Government discovers an event that will cause a substantial impact to its concentrations or constraints and takes action:

- The mitigating action should be disclosed in the notes if the event is not remediated by the financial statement issuance date
- If the situation is resolved, and there is no longer a risk of substantial impact to the government, no note disclosure is required



Example: Concentration of Financial Resource Provider

- Pilot City's Airport Fund—a major enterprise fund that accounts for the City's airport operations—reports a liability for revenue debt outstanding. Charges for services, such as landing fees and terminal rentals paid by the airlines that use the airport, are a significant revenue of the Airport Fund. In the bond indenture for the Airport Fund's revenue bonds, the charges for services are identified as the sole source of repayment for those bonds, which funded the construction of certain improvements to the airport. Model Airways—the airport's largest airline customer—accounts for 75 percent of the Airport Fund's revenue generated from charges for services.
- During the City's fiscal year ended June 30, 2025, Model Airways notified the City that due to declining demand from the airline's customers, it will terminate its lease and discontinue service to the City's airport by December 31, 2025. The City's financial statements as of June 30, 2025, were issued on October 15, 2025. The City is in the process of developing plans to attract new airline customers to the airport.



Example: Concentration of Financial Resource Provider

- Assessment of disclosure criteria: In addition to assessing the disclosure criteria for the primary government reporting unit, the City assessed the disclosure criteria for the Airport Fund because it reports a liability for revenue debt.
- Concentration: 75 percent of the Airport Fund's charges for services are associated with a single airline customer. Charges for services are a significant revenue of the Airport Fund.
- Vulnerability to the risk of a substantial impact: Management of the City has determined that the concentration of resources provided by a single airline (Model Airways) makes the Airport Fund vulnerable to the risk of a substantial impact.
- Occurrence of an event or events and their timing: An event associated with the concentration occurred when Model Airways notified the City that it will not renew its lease. That event is the beginning of the airline's discontinuation of services to the Airport, which the management of the City has determined could cause a substantial impact to the Airport Fund.
- Mitigant: The City is planning to implement certain measures to attract new airline customers to mitigate potential losses from a discontinuation of services related to Model Airways. Because those mitigating actions had not occurred prior to the issuance of the financial statements, a description is not included in the disclosure.



Example: Concentration of Financial Resource Provider

- Example Note Disclosure:
- Note 9. Concentration of Financial Resource Provider.
- The Airport Fund accounts for the City's airport operations and reports \$10 million of revenue bonds outstanding on June 30, 2025. The bond indentures state that the revenue generated by airport operations is pledged as the sole source of repayment for the bonds. 75 percent of the Airport Fund's revenues are associated with a single airline customer who has notified the City that it plans to terminate its lease and discontinue service to the City's airport by December 31, 2025. A loss of revenue from that airline could adversely affect the Airport Fund.





GASB Implementation Guidance



GASB Implementation Guide 2021-1, Question 5.1

- Q – Should a government's capitalization policy be applied only to individual assets or can it be applied to a group of assets acquired together? Consider a government that has established a capitalization threshold of \$5,000 for equipment. If the government purchases 100 computers costing \$1,500 each, should the computers be capitalization?
- A – Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture, and library books are examples of asset types that may not meet a capitalization policy on an individual basis, yet could be significant collectively. In this example, if the \$150,000 aggregate amount (100 computers costing \$1,500 each) is significant, the government should capitalize the computers.



Implementation Guide 2023-1 Short-Term Leases

- Q – A lease contract states that it will remain in effect for three years unless terminated before then. The lessee can terminate the lease for any reason within 60 days' notice, and the lessor can terminate the lease within 60 days' notice only if the lessee defaults on payment. Is this a short-term lease?
- A – No. The option for the lessor to terminate is conditional and does not count as a cancellable period



Implementation Guide 2023-1 SBITAs

- Q – Is a licensing agreement for a vendor's computer software that automatically renews until cancelled a licensing agreement that provides a perpetual license?
- A – No. If automatic renewals occur annually, there is technically an option to terminate the agreement at each renewal date
- Likely a short-term SBITA because every period is cancellable



Implementation Guide 2023-1 Accounting Changes and Error Corrections

- Q – Upon completion of a capital project during the year, a government closes out a major capital projects fund and moves remaining resources to the general fund. Does this count as a change to the financial reporting entity that has to be disclosed?
- A – No. The removal of a fund in this case does not result from a movement of continuing operations. Should be reported as interfund activity as previously done; no additional disclosure necessary





Auditing Standards



SAS 145, Understanding the Entity and Its Environment And Assessing the Risks of Material Misstatement

Will enable auditors to appropriately address the following:

- Understanding the entity's system of internal control, specifically, relating to the auditor's work effort to obtain the necessary understanding
- IT considerations, including addressing risks arising from entity's use of IT
- Determining risks of material misstatements, including significant risks



SAS 145, Summary of Notable Changes

Clarified
requirements
related to
evaluating the
design and
determining the
implementation
of controls

- New and revised risk assessment terminology and concepts, including significant risks
- Clarified work effort related to understanding each of the components of internal control, including enhanced guidance on information technology
- Focus on scalability (exercise professional judgment in applying the requirements, considering the complexity of the entity)
- Several new requirements:
 - Separately assess inherent risk and control risk
 - “Maximum” control risk when controls are not tested for operating effectiveness
 - Risk assessment “stand-back”



SAS 145 -New and Revised Risk Assessment Terminology and Concepts

Inherent risk factors

Spectrum of inherent risk

Significant class of transactions, account balance, or disclosure

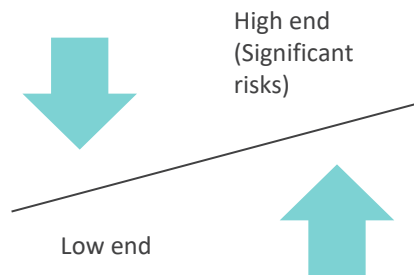
Relevant assertion and reasonable possibility

Significant risk



Spectrum of Risk

Concept of spectrum of risk



Amended definition of significant risks

Significant risk: An identified risk of material misstatement:

- For which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk due to the degree to which inherent risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement *occur*; or.
- That is to be treated as a significant risk in accordance with the requirements of other AU-C sections.

SAS No. 148, Amendments to AU-C section 935

Effective dates align with SAS 142 and SAS 145; Changes in Appendix are already effective (to align with SAS 142) and the rest of the standard is effective for audits of periods ending on or after December 15, 2023.

- Amends AU-C section 935, *Compliance Audits* to update the appendix "AU-C Sections , That Are Not Applicable to Compliance Audits"
- Conforms AU-C section 935 to reflect the issuance of:
 - SAS No. 142, Audit Evidence (AU-C section 500)
 - SAS No. 145, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement (AU-C section 315)
- Identified controls for which the auditor evaluates design and determines implementation differ from financial statement audit
 - Do not include controls over significant risks
 - Include controls required to be tested for operating effectiveness by the governmental audit requirement



SAS No. 148 - Reminders, Clarifications and Changes Regarding Risk Assessment

Refer to the Appendix of A-UC 935 to understand requirements in GAAS that do not apply to compliance audits.

- For identified risks of material noncompliance for each applicable compliance requirement, the auditor should assess inherent risk by assessing the likelihood and magnitude of noncompliance
- For identified risks of material noncompliance for each applicable compliance requirement, the auditor should assess control risk based on the auditor's understanding of controls and the auditor's plan to test the operating effectiveness of controls.
 - If controls are not tested for operating effectiveness, control risk is at the maximum level
- Document identified and assessed risks and rationale for significant judgments



Information-Processing Activities

- How information flows through information system, including how:
- Transactions are initiated, and how information about them is recorded, processed, corrected as necessary, incorporated in the general ledger, and reported in the financial statements
- Information about events and conditions, other than transactions, is captured, processed, and disclosed in the financial statement
- The accounting records, specific accounts in the financial statements, and other supporting records relating to the flows of information in the information system
- The financial reporting process used to prepare the entity's financial statements, including disclosures
- The entity's resources, including the IT environment



Information-Processing Activities Considerations in Governmental Entities



Investments and
equity interests



Revenues and
receivables



Capital assets



Expenses or
expenditures



Interfund, internal,
and intra-entity
activities

Walk-Throughs

Involve following a transaction from origination through the entity's processes, including information systems, until it is reflected in the entity's financial records, using the same documents and IT that entity personnel use.

May assist in understanding the information system, including information-processing activities for SCOTABD

- Different types of significant transactions that may be handled
- Points at which important processing procedures occur
- Points at which controls are missing or not designed effectively



Risks Arising from the Use of IT

Susceptibility of information-processing controls to ineffective design or operation, or risks to the integrity of information in the entity's information system, due to ineffective design or operation of controls in the entity's IT processes.

Consider risks related to:

- How the entity manages **access**, including privileged access
- How the entity **manages program or other changes**
- How the entity manages IT **operations**, including batch or job scheduling





GAO - Yellow Book - 2024 Revision Issued



GAO - Yellow Book - 2024 Revision Issued

New Chapter 5 titled, Quality Management, Engagement Quality Reviews, and Peer Review

Clarifies when the concept of reporting key audit matters, previously introduced in AICPA auditing standards, might apply

Effective date aligns with AICPA's SOMS standards

- Effective for financial audits, attestation engagements and reviews of financial statements for periods beginning on or after December 15, 2025.
- Early implementation is permitted

[Access the standards](#)



Yellow Book - 2024 Revision Issued

- Nongovernment audit organizations subject to the AICPA's quality management standards should comply with those quality management requirements, as well as specific additional requirements as follows:
 - If an engagement is terminated before it is completed and an audit report is not issued, a requirement to document the results of the work to the date of termination and why the engagement was terminated.
 - If auditors change the engagement objectives during the engagement, a requirement to document the revised engagement objectives and the reason for the changes.
 - Quality objectives relevant to resources should address that auditors performing work in accordance with the Yellow Book meet its CPE requirements



2024 Yellow Book

In January 2023, GAO proposed to update Chapter 5, Quality Control and Peer Review, and add application guidance for Chapter 6, Standards for Financial Audits.

GAO received 43 comment letters with over 600 individual comments during the exposure period.

GAO issued the 2024 revision of the Yellow Book on February 1, 2024.



Why Update Quality Standards?

- Global concern about audit quality, including:
- Lack of consistency in engagement performance
- Poor audit quality for infrequent issuers of audit and attest reports
- Reliance on generic quality control resources
- Challenges experienced by small audit organizations
- Need to upgrade audit organization governance and leadership responsibilities for quality



Two New Components

2018 GAGAS

- Leadership Responsibilities
- Independence, Legal, and Ethical Requirements
- Initiation, Acceptance, and Continuance of Engagements
- Engagement Performance
- Human Resources
- Monitoring of Quality

2024 GAGAS

- Quality Management Risk Assessment Process (new)
- Governance and Leadership
- Independence, Legal, and Ethical Requirements
- Acceptance, Initiation, and Continuance of Engagements
- Engagement Performance
- Resources
- Information and Communication (new)
- Monitoring and Remediation Process





Green Book Update



Why is the Green Book Being Updated?

- *Standards for Internal Control in the Federal Government* (known as the Green Book) was last revised in 2014
- Recent events such as pandemics and cyber-attacks highlighted the challenges management faces when addressing risks related to
 - Fraud, improper payments, information security, and
 - The implementation of new or substantially changed programs, including emergency assistance programs



Green Book Revision – Objective



Provide additional requirements, guidance, and resources for addressing risks related to fraud, improper payments, information security, and implementation of emergency assistance programs



Continue harmonizing with COSO Internal Control - Integrated Framework.



Make other modifications to clarify the intent of requirements.

Green Book Revision – Key Changes Proposed

- Key Changes proposed for the 2024 Exposure Draft
 - Fraud, Improper Payments, and Information Security Risks
 - Emergency Assistance Programs
 - Responsibility for Internal Control
 - Prioritize Preventive Control Activities
 - Information Technology Control Activities





Opioid Settlement



Opioid Settlement

- Named Party in Settlement (litigating Party)
 - Exchange transaction
 - Recognize revenue receivable on settlement date (in govt fund need to consider modified accrual basis)
 - Restricted Purpose-Opioid Abatement
- Non-litigating Party
 - Non-Exchange transaction
 - Eligibility Requirements
 - Resources received before eligibility should be deferred
- GASB Technical Bulletin 2004-1 (re: tobacco settlement)



FY 2024 Opioid Settlements

- 2024 Final Allocation Settlements are in process
 - Walgreens
 - Walmart
 - Allergan
 - Teva
- Prior Year Adjustment
 - Distributors and JJ
 - Early Payment





Financial Data Transparency Act (FDTA)



Financial Data Transparency Act

S4295

- Establish (New) Data Standards
- Reporting of Financial Information

Unfunded mandate?

- Reconfiguration of financial systems
- Implementation of new software
- Authorizes “joint rulemaking” of entities with no jurisdiction
- Identical taxonomies across all types of public entities





EPA PFAS Enforcement



EPA PFAS Enforcement

- On May 8, 2024, the U.S. Environmental Protection Agency (EPA) published in the Federal Register the final rule designating perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS), including their salts and structural isomers, as “hazardous substances” under section 102(a) of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). The final rule is effective July 8, 2024.
 - Community Water Systems (treatment of PFAS contaminated sources)
 - Municipal separate storm sewer systems
 - Municipal solid waste landfill (acceptance of PFAS)
 - Airports and local fire departments (Aqueous film forming foam/fire fighting foam)



GASB 49

- Pollution remediation obligation – is an obligation to address the current or potential detrimental effects of existing pollution remediation activities. The examples of the pollution remediation activities include obligations to clean up spills of hazardous wastes or hazardous substance and to remove contamination such as asbestos, superfund sites.
 - Pre-cleanup activities
 - Cleanup activities
 - External government oversight and enforcement-related activities
 - Operation and maintenance of the remedy



GASB 49

- In financial statements prepared using the economic resources measurement focus and the accrual basis of accounting, an expense normally is recognized as soon as a pollution remediation obligation is incurred. Obligating events are as follows:
 - Imminent endangerment.
 - Violation of a permit or license.
 - Naming as a (potentially) responsible party.
 - Object of a lawsuit.
 - Voluntary commitment.





Financial Reporting Model Improvements



Overview of the Proposals

Measurement focus and basis of accounting for the governmental funds

Format of governmental funds financial statements

Clarification of operating and nonoperating in proprietary funds

Presentation of proprietary funds statement of revenues, expenses, and changes in fund net position

Management's discussion and analysis

Budgetary comparisons

Major component unit presentations

Unusual or infrequent items





Reporting Entity



Reporting Entity



Primary Government

Major Funds

- A new major fund is often missed due to consolidation of funds or new funds added
- Revisit once draft statements are complete

Component Units

- Determination of discretely vs blended



Management Discussion and Analysis (MD&A)



MD&A Common Mistakes

Does not
include
comparison of
prior year

- Single year statements – 2-year comparison
- Comparative statements – 3-year comparison

Length

- Should be high level overview (not a novel)
- Missing required elements (e.g., description of currently known facts, decisions, or conditions affecting the future)



MD&A Common Mistakes (continued)

Editorial
comments

- Keep to a minimum
- Not a political document

Use of
acronyms

- Not defined
- Not well thought out

Use of
charts

- Percents don't add to 100%
- Doesn't agree to financial numbers



MD&A Common Mistakes (continued)

Interest as a percent of revenues increase because there was more interest income.

VS.

Interest income increased 7% due to an increase in interest rates of 4.5% and additional funds from ARPA invested during the year.



Explanations for changes don't make sense or are only an explanation of math





Financial Statements



Financial Statement Mistakes

Incorrect terminology | format

- “as of” vs. “year ended”
- Statement of Net Position vs. Balance Sheet
- Statement of *Fiduciary* Net Position and Changes in *Fiduciary* Net Position
- Deferred vs. Unearned vs. Unavailable revenue
- Restated
- Net position (deficit)
- Capital assets, net of depreciation *and amortization*
- Overuse of “\$” signs and underlines



Financial Statement Mistakes (continued)

Net Position

- Incorrect calculation of net investment in capital assets
 - Omits unspent bond proceeds
 - Omits deferred inflows/outflows related to refunding gain and losses
 - Doesn't included leased assets (GASB 87 and 96)
 - Doesn't include retainage and accounts payable related to construction
 - For GFOA Certificate – must submit GFOA form on calculation
- Restricted net position
 - OPEB asset is not restricted under net position
 - Restricted fund balance not restricted net position



Financial Statement Mistakes (continued)

Statement of Cash Flows

- Incorrect method used – must be direct method
- Operating income doesn't reconcile to statements
- Ending cash doesn't reconcile to statements
- Net cash provided by/used in terminology
- 4 categories: operating activities, noncapital financing activities, capital and related financing activities, and investing activities
- Noncash items not disclosed (capital contributions)



Financial Statement Mistakes (continued)

Nonmajor Funds

- Use of more than one column
- Doesn't agree to combining schedules

Fiduciary Funds

- One column for pension and OPEB trust funds combined
- One column for custodial funds
- Use combining schedules in supplementary information to show breakout



Financial Statement Mistakes (continued)

Budget to actual comparison

- Doesn't include all major governmental funds with a legally adopted budget
- Not shown at the legal level of budgetary control
- Must include both original and final budgets
- Title –if not GAAP, must indicate Non-GAAP
 - Reconciliation required to GAAP



Financial Statement Mistakes (continued)

Deferred inflows and outflows

- Incorrectly included as part of assets and liabilities
- If categories not broken out in statements, must include footnote detail
- Deferred inflows related to leases should be same from balance sheet to statement of net position





Footnote Disclosures



Mistakes in Footnote Disclosures

Summary
of
Significant
Accounting
Policies

- Not updating for current year
 - Changes in financial reporting entity
 - New standards
 - New financial statement items
 - New major funds
 - Changes in discretely or blended component units
 - Changes in accounting policies



Mistakes in Footnote Disclosures (continued)

- Cash and investments
 - Cannot tie back to financial statements
 - Missing GASB 40 disclosures
 - Failure to explain how investment categories are actually valued
 - Levels 1, 2, and 3
 - Missing NAV disclosures
 - Unfunded commitments, redemption frequency, redemption notice period
 - Description of actual investments



Mistakes in Footnote Disclosures (continued)

Capital Assets

- Not breaking out intangible right to use assets separately
- Decreases to CIP are more than increases to capital asset additions
- Depreciation/amortization expense by function does not agree to increases in accumulated depreciation/amortization on roll forward



Mistakes in Footnote Disclosures (continued)

- Debt
 - Missing maturity dates and/or interest rates for individual debt issues
 - Debt service table
 - Separate principal and interest columns
 - 5 individual years; increments of 5 years thereafter
 - Doesn't agree to maturity disclosed
 - Refunding – defeasance vs. current refunding
 - Two different footnotes for defeasance
 - The initial disclosure during year of defeasance
 - Subsequent years until debt finally retired



Mistakes in Footnote Disclosures (continued)

Debt

- Missing amount unused lines of credit
- Missing assets pledged as collateral for debt
- Missing which governmental funds are used to liquidate compensated absences, pensions, and OPEB
- Changes in long term liabilities – increases and decreases are not reported separately



Mistakes in Footnote Disclosures (continued)

- Interfunds
 - Missing detail disclosures for aggregate amounts on financial statements
 - Transfers
 - Due to/from
 - Purpose of interfund balances/transfers not disclosed



Mistakes in Footnote Disclosures (continued)

Self insurance

- Only including one year of changes in the balances of claims liabilities – two years required
- Not indicating whether settlement amounts exceeded insurance coverage for the past three years



Mistakes in Footnote Disclosures (continued)

- Pension and OPEB
 - Missing GASB 67 and 74 disclosures when separately issued statements are not issued
 - Information in footnotes doesn't agree to RSI
 - Multiple plans
 - Traceability to financial statements
 - Incorrect disclosures dependent on type of plan



Mistakes in Footnote Disclosures (continued)

- Fund balance
 - Missing detail disclosures for aggregate amounts on financial statements
 - Missing minimum fund balance policy
 - Missing disclosures for stabilization arrangements
 - The authority for establishing the arrangements
 - Requirements for additions to stabilization amount
 - Conditions under which stabilization amounts can be spent
 - Stabilization balance



Mistakes in Footnote Disclosures (continued)

- Miscellaneous
 - Does not disclose deficit fund balance/net position in any individual fund not visible on financial statements
 - Budget violations not disclosed
 - Lack of disclosures for restatement
 - Missing subsequent events
 - Missing disclosures for material violations of finance related legal or contractual provisions
 - Actions taken by government to address violation





Required Supplementary Information (RSI)



Mistakes in RSI

- Pension and OPEB
 - Information doesn't agree to the footnotes
 - Not including ten years of information
 - Not including proper information dependent on type of plan
 - Agent
 - Single Employer
 - Multi-Employer



Mistakes in RSI (continued)

- Budgetary Comparison Schedules
 - Not including a budgetary comparison schedule for all legally adopted budgets
 - Actual data does not use budgetary basis of accounting
 - Schedule is not correctly titled as such
 - Does not demonstrate compliance with legal level of budgetary control
 - Does not include a reconciliation to GAAP, if different





Supplementary Information



Mistakes in Supplementary Information



- Combining statements in total do not agree to basic financial statements



Statistical Section



Mistakes in Statistical Section

- Missing ten years of data
- Inconsistencies from basic financial statements, where applicable
- Missing 4 main sections:
 - Financial Trends
 - Revenue Capacity
 - Debt Capacity
 - Demographic and Economic Information





Internal Integrity



Internal Integrity

- Interfund balances do not agree
 - Due to does not equal due from
 - Transfers in does not equal transfers out
- Net position does not agree between balance sheet and operating statements
- Restricted net position is greater than restricted fund balance
- Footnotes do not agree to financial statements
- Combining schedules do not agree to primary statements



Internal Integrity (continued)

- Statistical schedules do not agree to primary statements and footnotes
- Relationships are not maintained throughout
 - Debt activity - payments and other financing sources do not agree to long term debt roll forward schedule
 - Capital outlay varies from increases in capital assets





Questions?



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15 Minute Break





We'll get you there.

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IRA — Inflation Reduction Act

Monetizing Clean Energy Tax Credits

June 4, 2024



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Learning Objectives

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

- Describe the various tax credit opportunities created by the IRA
- Recall how credit refunds and transfers operate under the IRA
- Describe the latest legal and regulatory updates under the IRAs
- Identify how to plan for clean energy investments within your agency or entity
- Recognize grant opportunities for local governments included in the IRA and Infrastructure Law



IRA Snapshot

Creates and modifies a number of renewable energy credits as well as financing programs

Creates new monetization options for tax-exempt and taxable entities

Section 6417 provides an elective pay option (i.e., cash refund) for:

- Tax-exempt organizations
- State and local governments
- Tribal governments
- Rural electric cooperatives

Section 6418 provides a transferability option for for-profit organizations

- Taxpayers can buy and sell credits for cash

IRS portal launched in Dec. 2023

Treasury and IRS have released some guidance, but more to come



Opportunities for SLGs



New building construction and renovations



Fleet electrification and charging infrastructure



HVAC improvements



Solar panel installations



Pricing leverage for Section 179D allocations



Capital project forecasting

Refundable/Transferable Credits

§30C Alternative fuel vehicle refueling property credit

§45 Electricity produced from certain renewable resources, etc.

§45Q Credit for carbon oxide sequestration

§45U Zero-emission nuclear power production credit

§45V Credit for production of clean hydrogen

§45W Credit for qualified commercial clean vehicles (elective pay only)

§45X Advanced manufacturing production credit

§45Y Clean electricity production credit

§45Z Clean fuel production credit

§48 Energy credit

§48C Advanced energy project credit

§48E Clean electricity investment credit





Specific Credit Opportunities



Section 48 Energy Investment Tax Credit

Tax credit for a percentage of the cost of placing specified energy property into service

Base credit rate is 6%

30% base credit rate if less than 1 MW for certain technologies

ITC applies to:

- Solar
- Wind
- Biogas
- Geothermal
- Energy storage property
- Combined heat and power systems
- Microgrid controllers
- Electrochromic glass
- And several other technologies



Section 45 Production Credit

Per kWh credit for production of electricity from renewable sources

Rates vary depending upon energy source

Prevailing wage and other bonus credits available

Applies to:

- Solar
- Wind
- Municipal solid waste
- Geothermal
- Biomass
- Hydroelectric



Section 30C EV Charger Credit

- 6% of the cost of any single item of qualified property not meeting prevailing wage, up to \$100,000.
- 30% of the cost of qualified property if prevailing wage is met, up to \$100,000.
- Must be installed in locations that meet the following census tract requirements:
 - The census tract is not an urban area
 - A population census tract where the poverty rate is at least 20%; or
 - Metropolitan and non-metropolitan area census tract where the median family income is does not exceed 80% of the state median family income level



Section 45W Clean Vehicle Credit



Applies to clean commercial vehicles and mobile machinery acquired or leased after 2022 and before 2033



Credit equals the lesser of:

- 15% of the vehicle's basis (30% if fully electric) or
- Incremental cost of the vehicle



Max credit is:

- \$7,500 for vehicles less than 14,000 GVWR, and
- \$40,000 for all others



Bonus Credits



Prevailing Wage And Apprenticeship (PWA)

- Increases base credit by 5X (from 6% to 30%) – if project meets 1-MW or construction date exceptions, PWA is not needed.
- Requires that all laborers and mechanics employed on an energy construction project are paid at least the prevailing wage rates for the type of work performed in the geographic area of the facility as determined by the Department of Labor in accordance with the Davis-Bacon Act.
- Must maintain strict recordkeeping of each laborer or mechanic's hourly rates, hours worked, deductions from wages, and actual wages paid, among other records.



Prevailing Wage And Apprenticeship (PWA)

- A taxpayer and its contractors and subcontractors who employ four or more workers on an energy construction project (including repair work) must hire at least one qualified apprentice.
- For construction beginning in 2023, at least 12.5% of the total labor hours on a construction project (including repair work) must be performed by a qualified apprentice from a registered apprenticeship program. This percentage increases to 15% for projects beginning in 2024 or after.
- Good faith exception for apprenticeship requirements if qualified apprentices have been requested from a registered apprenticeship program and either (i) the request was denied for reasons other than the taxpayer, contractor, or subcontractor's refusal to comply with the program's standards and requirements, or (ii) the program failed to respond within five business days of receiving a request.



Domestic Content

- Projects are eligible for a bonus credit of 10% (2% if 5X multiplier is not met) if:
 - 100% of any steel or iron that is a component of the facility/project is produced in the United States
 - Applicable percentage of manufactured components of the facility/project are produced in the United States (currently 40%)
- Thresholds are based on cost of the items.

100% of steel and iron
produced in the US

At least 40% of
manufactured components
produced in US



Domestic Content Bonus Cont'd

- Notices 2023-38 and 2024-41 provide guidance on DC.
- Notice 2024-41 provides elective safe harbor for solar, land-based wind, and battery energy storage systems.
 - Uses assigned cost percentages for applicable projects
 - If elected, must use in its entirety for that project
- In practice, DC has been contentious.
 - Manufacturers are reluctant to hand over cost data
 - Safe harbor should simplify things to some extent



Energy Communities

- Projects are eligible for an additional bonus credit of 10% (2% if 5X multiplier is not met) if the facility is located in any of the following:
 - A brownfield site
 - An area that:
 - Has (or, at any time during the period beginning after December 31, 2009, had) 0.17% or greater direct employment or 25% or greater local tax revenues related to the extraction, processing, transport, or storage of coal, oil, or natural gas, or
 - Has an unemployment rate above the national average for the previous year, or
 - Has a census tract or a census tract that is adjoining a census tract in which a coal mine has closed after 1999 or a coal-fired electric generating unit was retired after 2009



Low-Income Communities

- Applies only to solar and wind projects that are less than 5-MW.
- New allocation round recently opened.

Project built in a low-income community as defined by the New Markets Tax Credit or on Indian Land can receive an increased tax credit of 10%.

Project associated with a low-income residential building project, or a low-income economic benefit project, can receive an increased tax credit of 20%.





Credit Monetization



Claiming Direct Payments

Pre-filing registration

- Must be completed prior to filing the tax return where a direct pay election is made
- IRS is advising a minimum of 120 days to process registration
- Must provide certain information about organization, the credits you intend to claim, and details regarding the property giving rise to the credit
- A registration number will be issued that will be required when making the election on tax return
- IRS will issue a separate registration number for each applicable credit property

Making the election on a tax return

- Must be filed on Form 990-T by due date along with:
 - Form 3800 (General Business Credit)
 - Applicable credit form and registration info from above
- State and local governments that do not file a tax return will need to file a Form 990-T for this limited purpose
- Final regulations allow SLGs to elect a calendar or fiscal year for 990-T purposes





Section 179D Deduction Allocations



Section 179D Energy Efficient Building Deduction

How it works

- Per square foot deduction for the construction or renovation of energy efficient buildings
- Sliding scale up to \$5.36 per sq. ft. if prevailing wage/apprenticeship requirements are met
- Based on ASHRAE energy efficiency standards
- Buildings must be modeled and certified by third-party engineer

Opportunity for SLGs

- Deduction can be allocated by SLGs to designers of building systems (often this will be the architect)
- Allocation process is simple (standard letter template)
- Could mean indirect benefit to through pricing negotiations
- Plan for it during bid and proposal phase of projects



Questions?



Thank you!

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Workforce Training



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Learning Objectives

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

- Recognize the importance of taking care of your workforce and how it can positively impact your organization
- Discuss what inspires employees
- Recall the various ways in which you can support your employees' well-being, including mental health, physical health, and work-life balance
- Identify practical tips and strategies for creating a supportive and inclusive workplace culture that promotes employee engagement and retention
- Review current market trends





Why This Session?

The workforce has changed

All levels

- Leadership
- Management
- Staffing

What changed

- Purpose and motivations
- Preferences
- Expectations



Active poll

0



Join at
slido.com
#1043 167

Please fill in the survey





Current Market Trends



COVID Impact is Significant and Permanent

- March 11, 2020 to May 11, 2023.
 - The period the World changed.
- The Who, What, When, Where, Why, and How (5W1H) we worked changed at all levels.



Workforce Trends

Purpose

Learning and
development

Return to
office

Hiring,
Retention, and
Succession

Expectations



Purpose



Why Do People Work?

Pre-COVID

- Economic necessity
- Career advancement
- Social interaction
- Productivity and performance
- Professional identity

Post-COVID

- Careers re-evaluated looking for more personal fulfillment and value alignment
- Job preference and alternative career paths
- Work models and flexibility



Strategies to Help Provide Purpose



- Clarify and communicate purpose
- Encourage a sense of purpose outside of work
- Make work matter and celebrate meaningful work
- Create learning and growth opportunities

Learning and Development



Top Trends in Learning and Development

Upskilling, reskilling, and right-skilling

Generative AI

Data-driven learning

Mico-learning

Just-in-time learning/on-demand

User-generated content



Virtual vs. In-Person – Benefits

Virtual

- Flexibility
- Cost-effective
- Scalability
- Accessibility

In-person

- Personal interaction
- Few distractions, increase focus
- Networking
- Immediate support



Virtual vs. In-Person – Draw Backs

Virtual

- Technical issues
- Requires self-motivation to stay engaged
- Isolation
- Lack of personal interactions

In-person

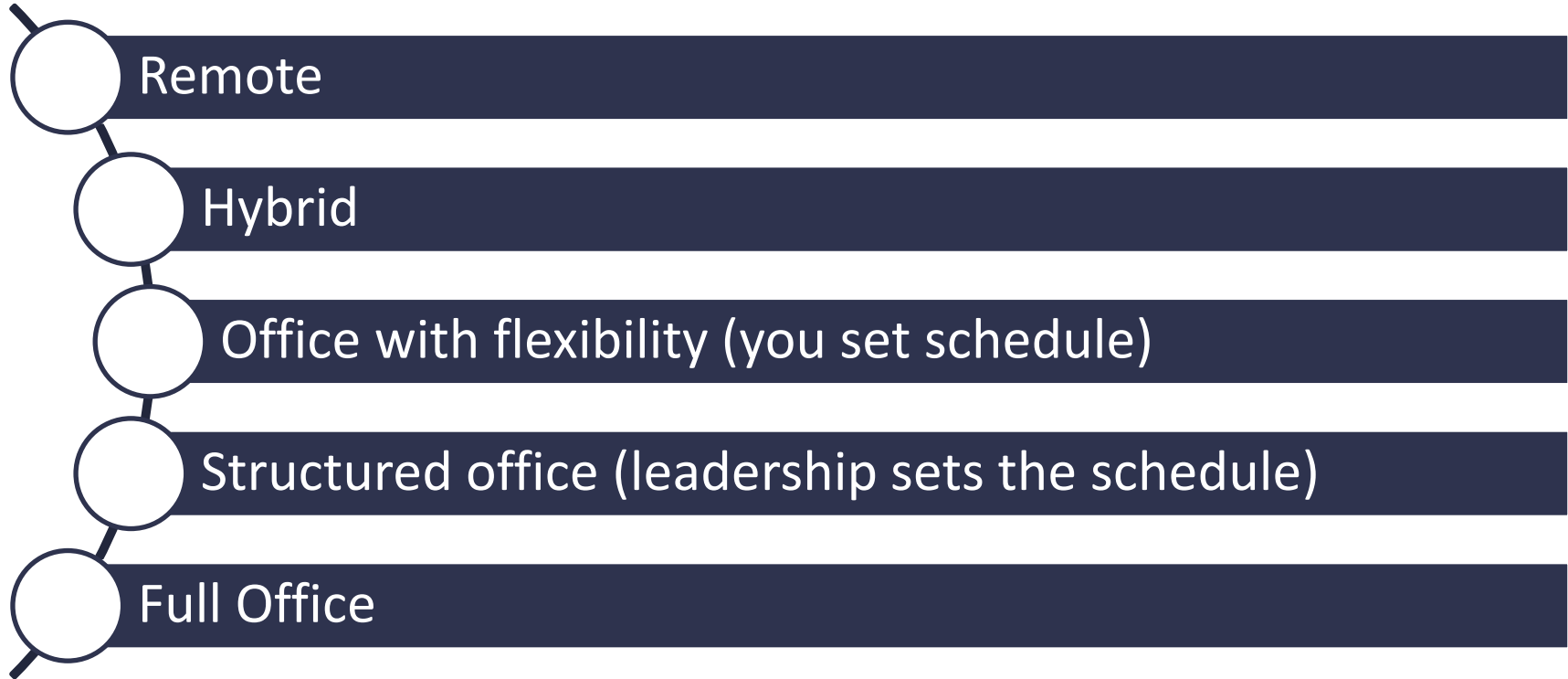
- Cost
- Inflexibility
- Time-consuming
- Geographical limitations
- Low scalability



Return to Office



The Office



Management Strategies

- Output-based performance not presence-based evaluations
- Encourage self-management and self-less behaviors
 - What about the greater team?
- Set clear expectations and goals (time-bound)
- Develop relationships with employees including remote employees
- Fully use the technology, camera's on always!
- Regular one-on-one conversations



The Ugly Truth

- Working multiple jobs
- Quiet quitting
- Absenteeism and false claims
- Time theft
 - Personal activities on company time
 - Excessive engagement in social media and streaming services
- Productivity manipulation – fake activity and automation



Hiring, Retention, and Succession



Hiring, Retention, and Succession Challenges

Review salary and benefit packages

Recognize achievements

Make a succession plan and be ready for change

Avoid desperation hiring



Expectations



What Do Employees Expect?

- Flexible work arrangements
- Health and safety
 - Safe work environment
 - Mental health support
- Work-life balance
 - Clear boundaries between work and personal time
 - Supportive policies (PTO, parental leave)
- Career development
- Employee well-being
 - Wellness programs
 - Positive workplace culture
- Open communication
- Technology and tools
- Good compensation
- Job security





CLA's Workforce Journey



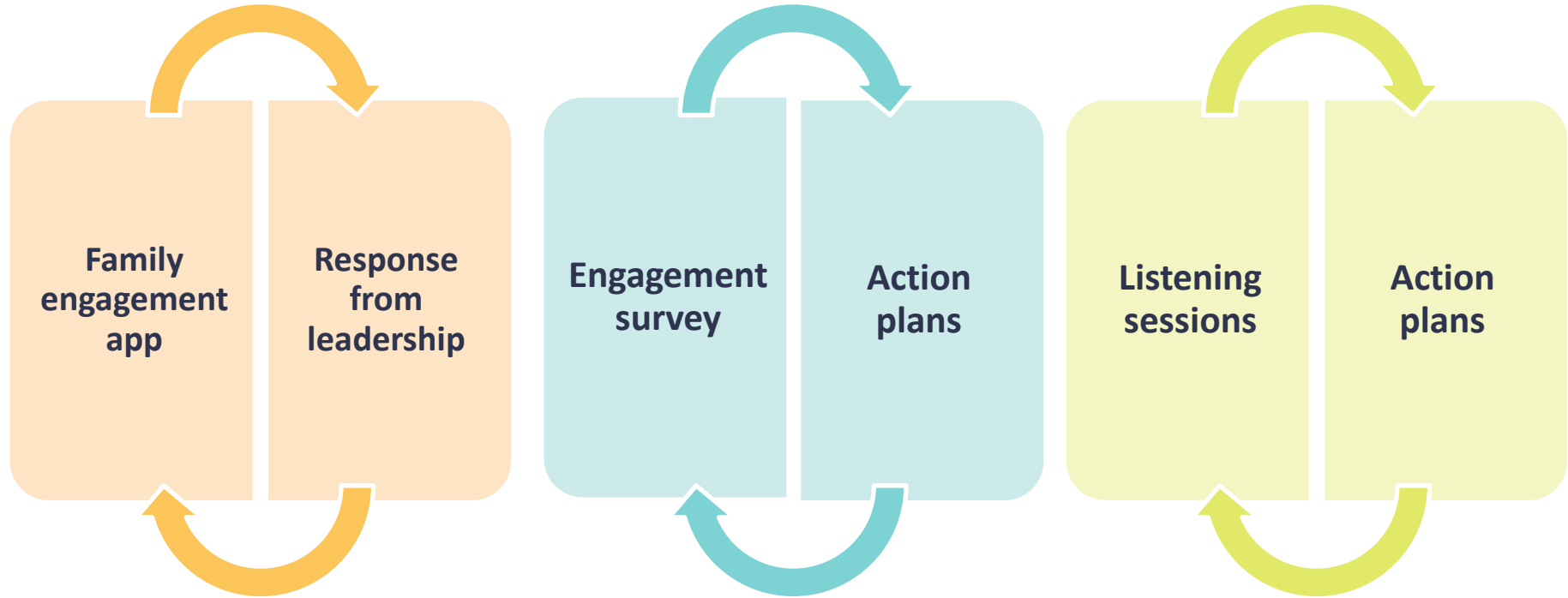
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Our Purpose

CLA exists to create opportunities – for our clients, our people, and our communities.

Inspired Careers

Feedback Loop: We Listen and *Take Action*



Well-being



We Welcome and Care for the Whole Person

Personal and
leadership
development



Wellness:
Thrive,
wellness stipend,
mental health
ease of access



Diversity, Equity and
Inclusion



Return to Office



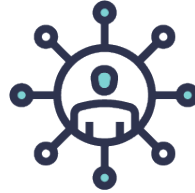
Better Together Tenets



Wellness



Inclusion



Relationships



Vibe



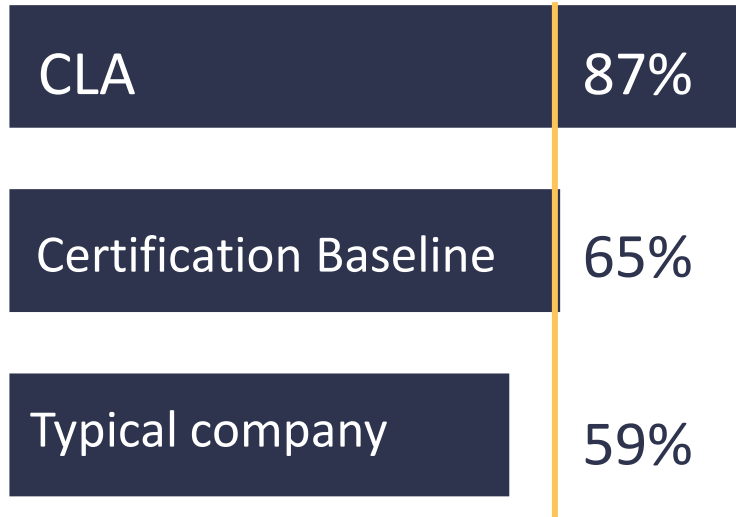
Development



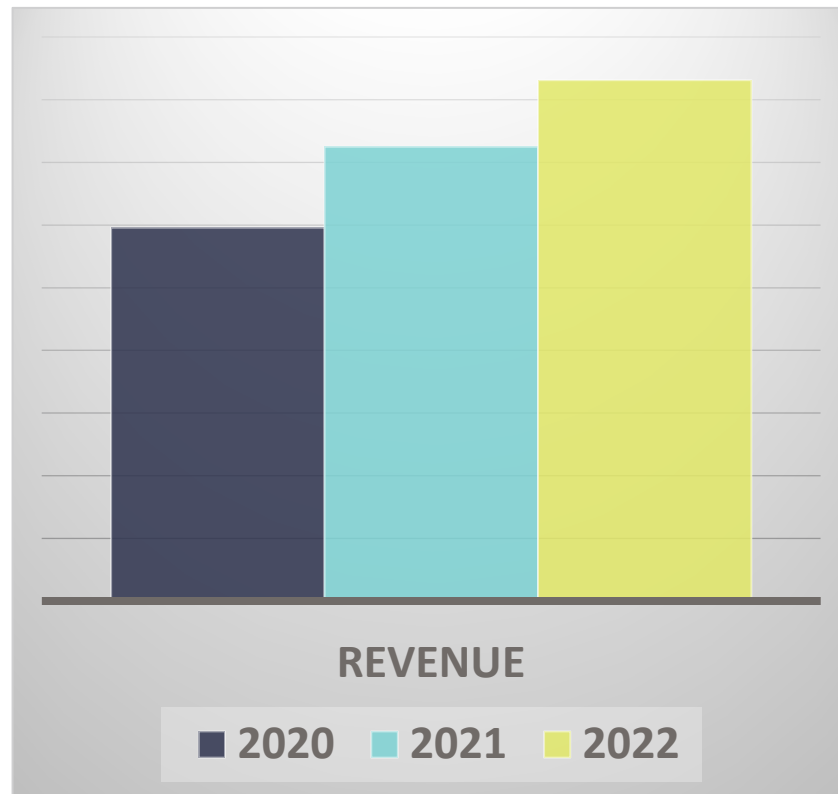
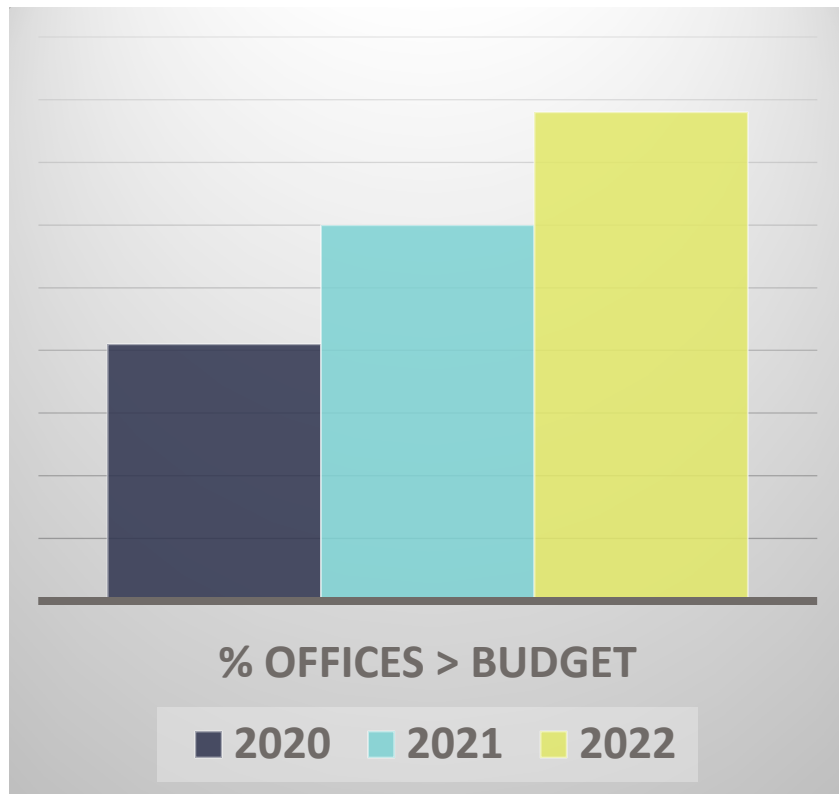
Is it working
for us?



CLA is Certified as a Great Place to Work



CLA Results



Questions?



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Lunch 12:30-1:30





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Effective Risk Assessment, Risk Management and Review

June 4, 2024



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Learning Objectives

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

1. Explain how to identify, assess, and prioritize risks and recognize the key items to build an effective risk assessment and management program
2. Identify factors driving the need for Risk Assessment and Risk Management functions and processes
3. Discuss processes for identifying, assessing, and prioritizing risks, and how to align this with strategic/organizational objectives
4. Recognize key items and leading practices for building a robust, mature, and effective risk assessment (and risk management) program



Innovation vs. Disruption and Risk



What is?

Internal Audit

Risk
Assessment

Enterprise
Risk
Management



What is Enterprise Risk Management (ERM)?

Process designed to:

Identify potential events that may affect the entity,

Manage risk to be within the risk appetite, and to

Provide reasonable assurance regarding achievement of objectives.



SHOULD include:

Board of directors,

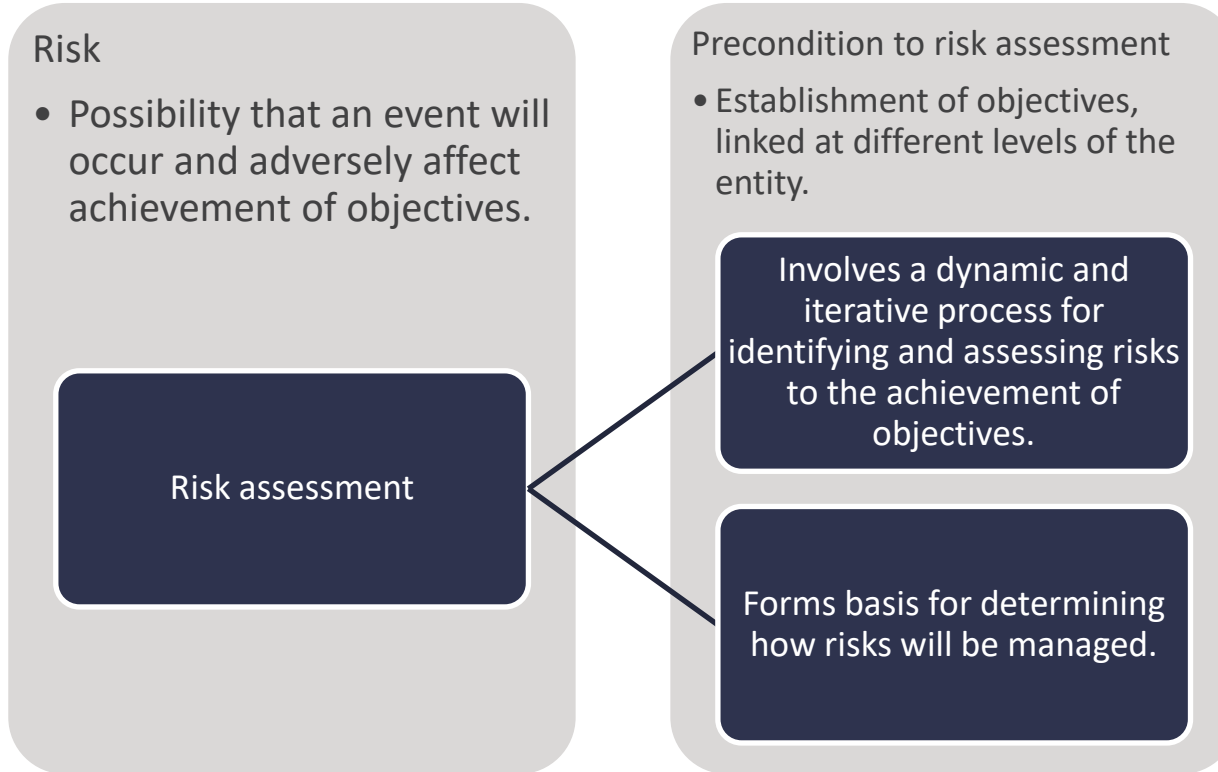
Management, and

Other personnel



Applied in strategy-setting and across the enterprise.

What is Risk Assessment?



Benefits of Risk Management

Create risk-aware culture

Align risk appetite and strategy

Enhance risk response decisions

Minimize operational surprises and losses

Identify and manage cross-enterprise risks

Provide integrated responses to multiple risks

Seize opportunities

Support cost management efforts

Improve operational performance

Provide better basis for allocating resources

Retain/enhance board and executive trust and confidence in metrics/data

Protect and increase value for institution and your customers

Better align management decisions, investments, strategy, etc.





Navigating Audit, Fraud, Compliance, and Risk

Factors Driving Risk Management



Key Perspectives on Risk and Compliance



<https://www.isaca.org/resources/isaca-journal/issues/2019/volume-4/understanding-compliance-risk-in-finance-and-banking>

Risk Management

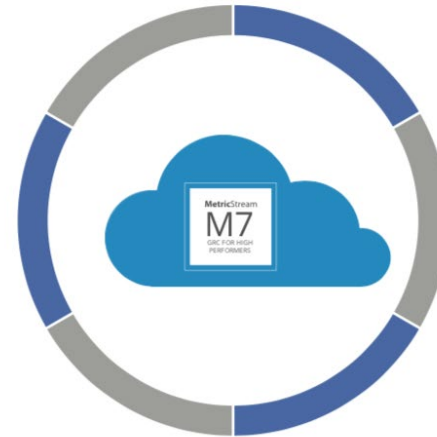
- Enterprise Risk Management
- Operational Risk Management
- Business Continuity Management

Regulatory and Corporate Compliance Management

- Policy and Document Management
- Compliance Management
- Regulatory Engagement Management
- Regulatory Change Management
- Case Management
- Survey Management

Audit Management

- Internal Audit Management
- SOX Compliance Management



IT and Cybersecurity

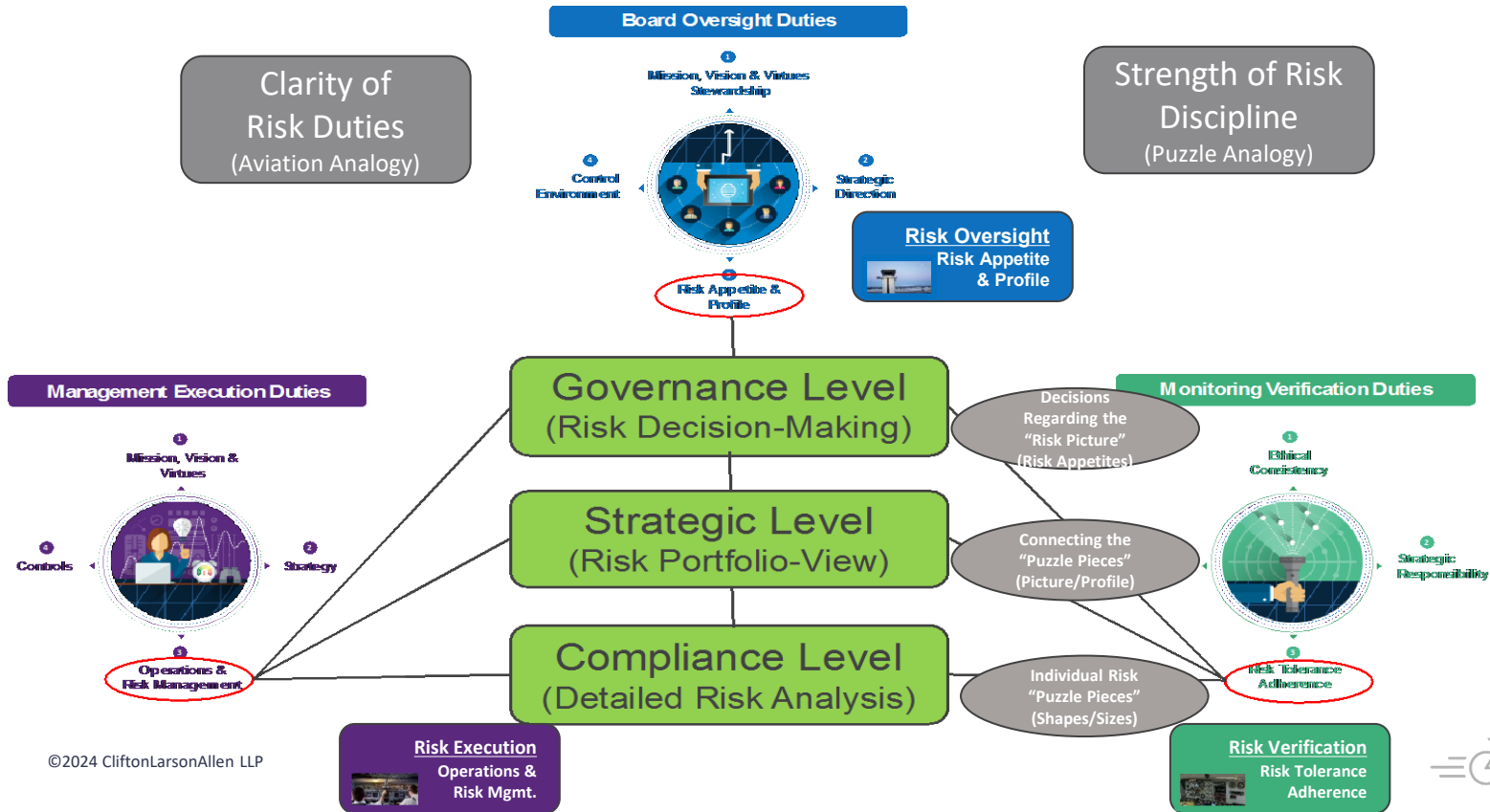
- IT Risk Management
- IT Compliance Management
- Threat and Vulnerability Management

Third-Party Management

<https://ctmfile.com/assets/ugc/images/MetricStreamM7.png>

Risk Governance Process

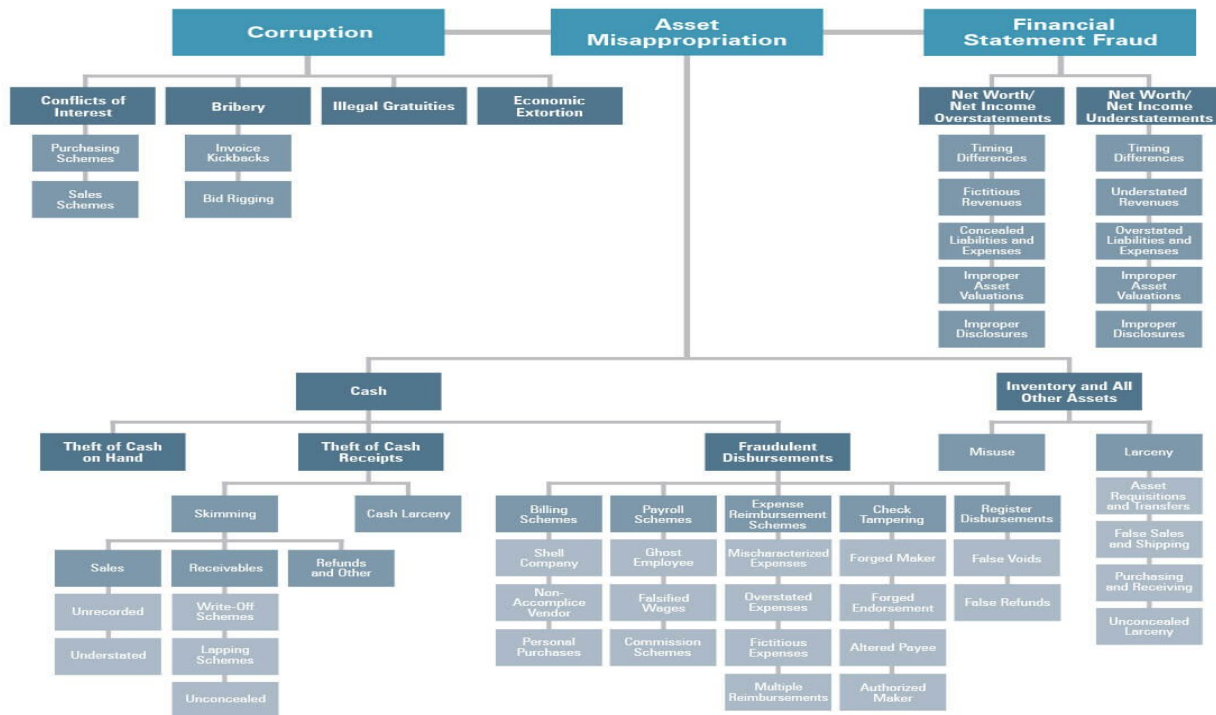
Three Levels of Risk Management Duties and Discipline



Fraud – Why Viewed Separately?

THE FRAUD TREE

OCCUPATIONAL FRAUD AND ABUSE CLASSIFICATION SYSTEM



2020 Report to the Nations.
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Identifying, Assessing, and Prioritizing Risk

How Do You Do It?



Think Differently...

Utilize an approach and framework that works for organization. Should integrate with management, board, and objectives.

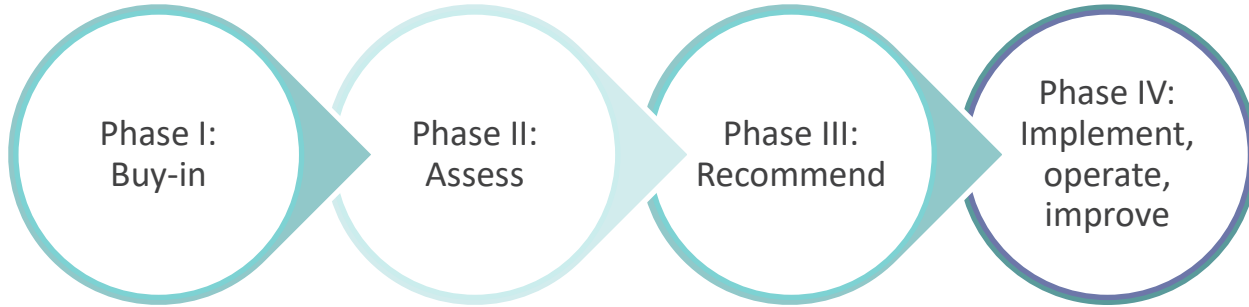
Illustrative Model:

- Level of Control Documentation and Governance
- Size or Volume of Transactions/Accounts
- New Products or Systems
- Personnel Quals and Turnover
- Complexity
- Susceptibility to Fraud
- Results/Time of Last Review or Audit
- Information and Reporting (confidential, financial, sensitive, etc.)
- Prior Issues Reported/unresolved

Evaluate each item on scale, and apply weightings for each risk category across functions, units, processes, etc.



Progression to Integrate Risk Management



- Risk and Audit need to evolve. IIA and other recent studies emphasize how risk assessments as lists/grids simply lose buy-in and value.
- What role can we play to integrate some of these disparate functions?
- How do we enhance and create creditability and sustainability in audit efforts? Risk Assessments simply can't be once-a-year lists.

Risk Integration with Opportunities!

How often do we truly assess strengths and opportunities?

- Risk Management often includes focus on “weakness and threats”



SWOT Analysis
Strengths,
Weakness,
Opportunities, and
Threats



Integrate into ERM approach in order to better invest, capitalize, and differentiate organization!

Progression to Integrate Risk Management

Phase I: Buy-In. Understand, accept, commit to pilot



Phase II: Assess risks and risk management capability

- Value Proposition
- Clarify RM needs & expectations
- **Executive awareness and commitment**
- **Agree on scope, criteria, process**
- Establish RM as a priority
- Communicate

- Set risk appetite & key performance metrics
- Assess vulnerability to selected key risks
- Qualify before quantify
- **Assess interactions and risk experience**
- Assess current capabilities
- **Develop risk profile**
- **Identify gaps & prioritize**

Progression to Integrate Risk Management

Phase III: Detailed recommendations to resolve capability gaps in effectiveness

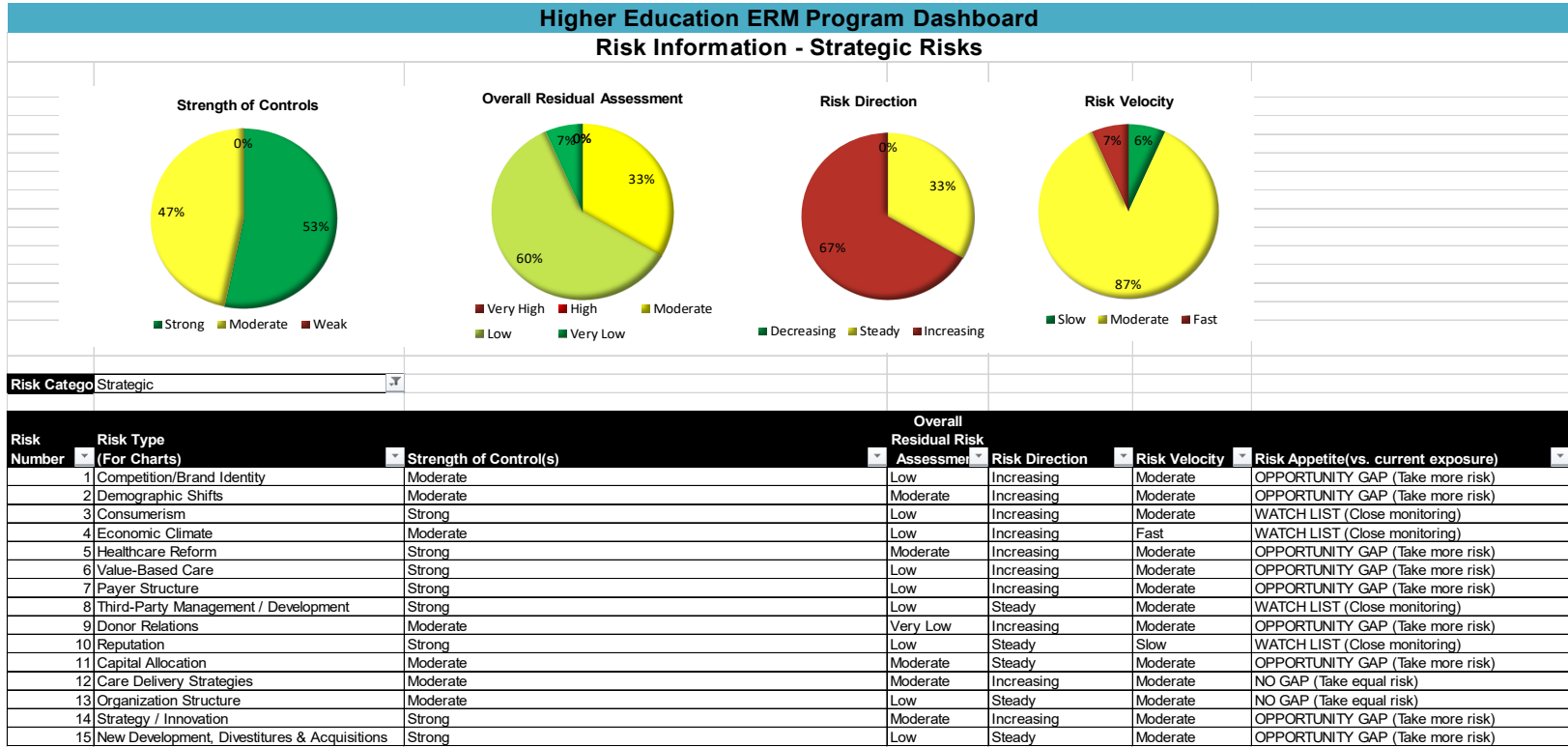
- Define authorities, requirements, resources
- Design sustainable process
- **Identify capabilities for design**
- Design change management
- **Proof of Concept**
- Decision to proceed



Phase IV: Implement, Operate & Continuously Improve.

- Deploy tools
- Train personnel
- **Monitor & Report**
- **Integrate into core management processes**
- Change management
- **Continuously improve**

Strategic Risk Profile/Dashboard Tool Example

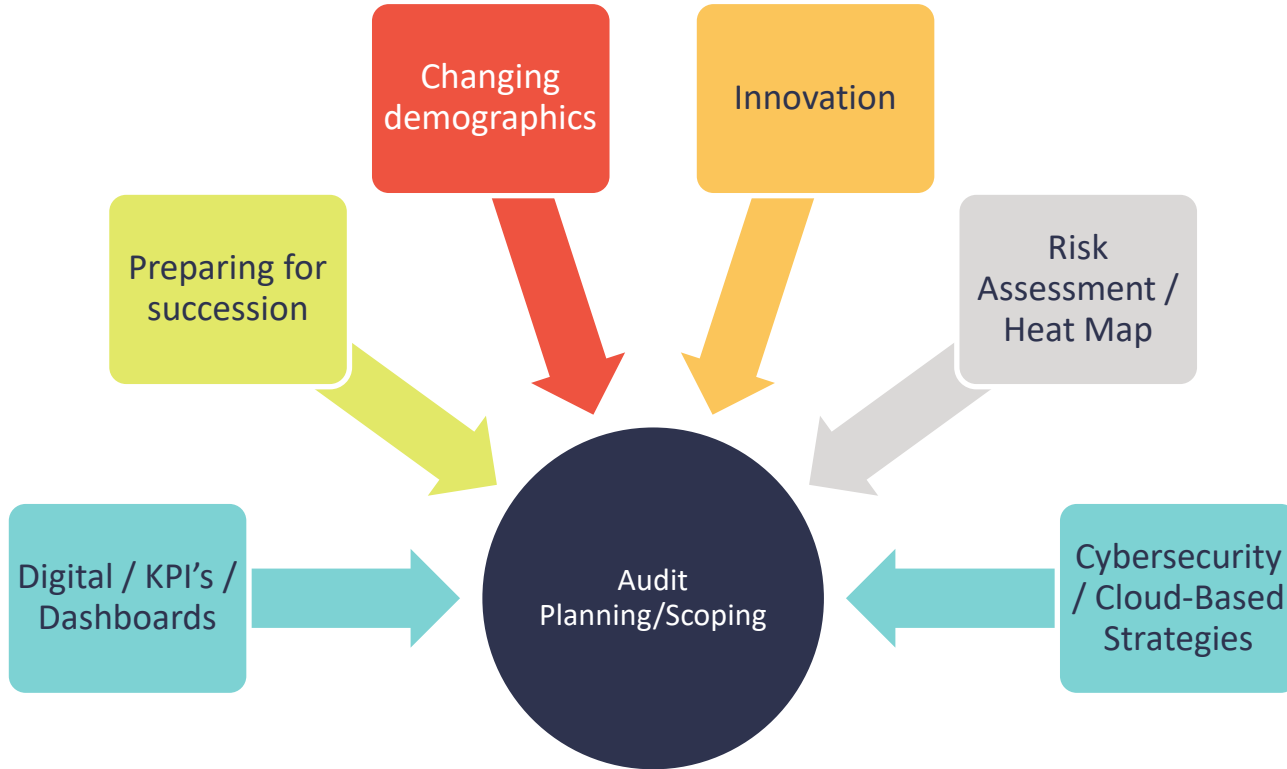




Audit Planning – Risk Integration



Risk Input and Integration



Questions Auditors Should Ask About the RA

- What risks should we be focusing on? Do we know what our true top risks are?
- How well are we doing with the risks we are focusing on?
- How do we capture future risks and integrate them into the process?
- How aligned are we as an organization to make this happen?
- Are key risks and organizational objectives and investment aligned?? What role is audit playing? (consultative, compliance, performance, etc.)



What Components Does Planning Include

- Define Audit Objectives
 - What are the Risks associated?
 - What criteria and/or metrics are involved?
- Define the Scope
 - Includes consideration of the extent and nature
- Research and Knowledge Gathering
 - Background, context, and initial documentation





Case Studies - Discussion

Implementation, Practices, and Complexities



What Is the Proper Risk Universe?

- What are the expectations involved in the extent (number) of discreet risks at an organization?
 - Can be quite extensive
 - Can be “middle of the road”
 - Can be quite limited



What Is the Proper Risk Universe?

- Have you seen risks defined this way? Client uses this as a model...
 - Strategic Risk
 - Operational Risk
 - Financial Risk
 - Human Capital (HR)
 - Information Technology (IT)
 - Regulatory/Compliance
 - Reputational
 - Nuance of client culture for ownership to executives/managers for all risk



Example – What About This? (higher ed client)

Strategic (S)	Operational (O)	Financial (F)	Human Capital (H)	Legal/Regulatory (L/R)	Technology (T)
1. Competition/Brand Identity	14. Operations - Planning	27. Performance Management	33. Leadership	47. Contracts	54. Data Relevance & Integrity
2. Demographic Shifts	15. Process Quality	28. Budgeting/ Planning	34. Skills/ Competency	48. Privacy & Security	55. IT Infrastructure/ Architecture
3. Customer Expectations	16. Process Execution	29. Capital Structure	35. Succession Planning	49. Liability	56. IT Reliability/ Recovery
4. Economic Climate	17. Interdependency	30. Accounting/ Tax Information	36. Diversity	50. Accreditation Agencies	57. IT Security/ Cyber-risk
5. Business Model Disruption	18. Change Integration	31. External Reporting & Disclosure	37. Labor Shortage	51. Regulatory Environment	58. IT Change Controls
6. Partnerships/ Affiliates	19. Customer Satisfaction	32. Liquidity	38. Performance Incentives	52. Legal/ Regulatory Compliance	59. Access Controls
7. Donor Relations	20. Resource Capacity/ Allocation		39. Change Readiness	53. Fraud & Abuse	60. Systems Implementation
8. Reputation	21. Knowledge/ Intellectual Capital		40. Cultural Health		
9. Capital Allocation	22. Channel Effectiveness		41. Communication		
10. Education Delivery Strategies	23. Student/Faculty Safety		42. Employee Engagement		
11. Organization Structure	24. Vendor/ Outsourcing		43. Accountability		
12. Organizational Policies	25. Facilities/Power Outage		44. Labor Relations (Union)		
13. Strategy/Innovation					

1. Common Risk Language

(What does “risk” mean to our organization?)

2. COVID-19 Risk Impacts

(How is our risk profile changing?)

3. “Risk Streams” =

(What risk dynamics exist across risks?)

4. Risk Gaps - Appetite vs. Exposure

(Where do we need to take less/more risk?)



What Is the Proper Risk Universe?

- Is 7 risks appropriate?
 - Probably not. 5-7 Risk Categories may be appropriate, but likely need more depth and context to adequately manage/report risks.
 - Is 60 risks too many?
 - What about 125?.....



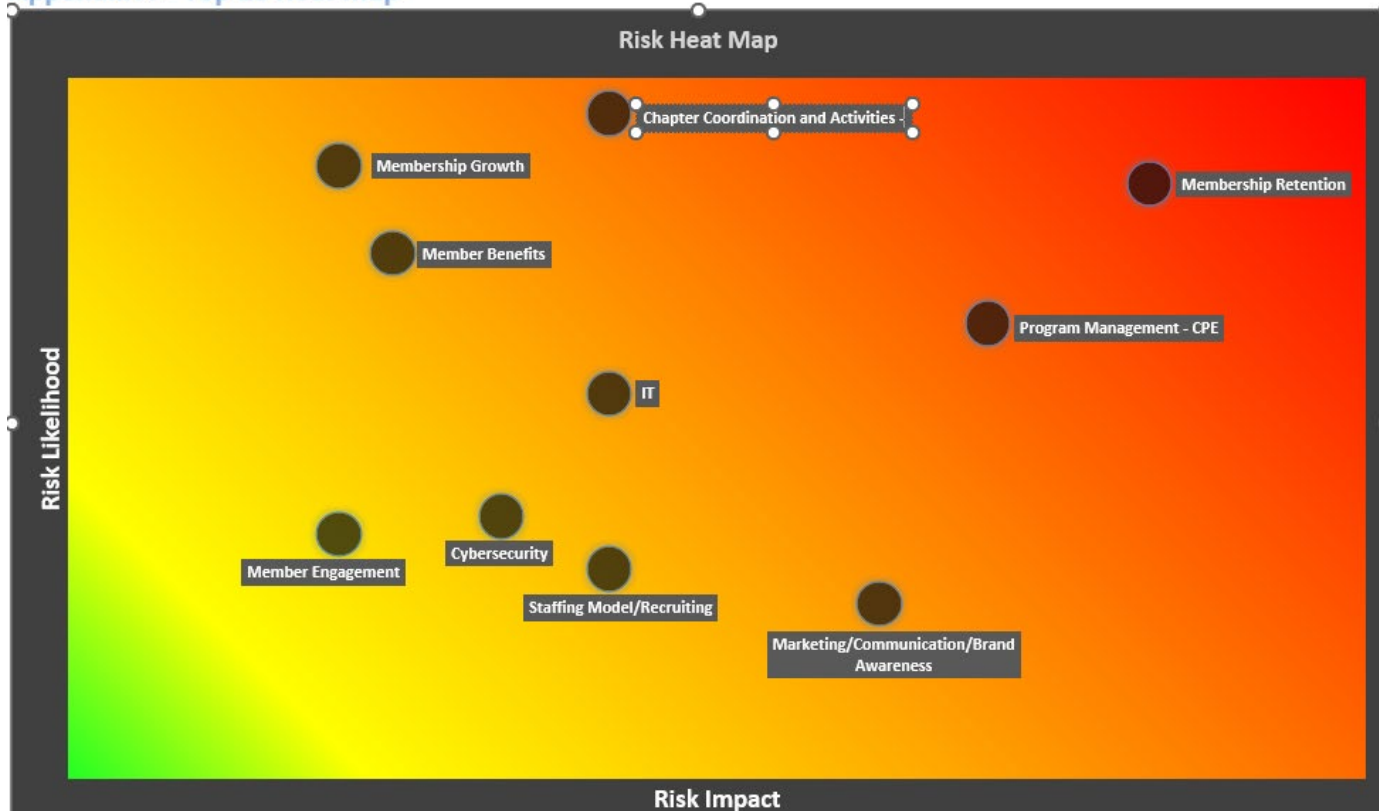
Healthcare Risk Universe

Strategic	Operations	Financial	Regulatory/Compliance
Governance: <ul style="list-style-type: none"> Board performance Tone at the top Control environment Community benefit Corporate sustainability Reputational risks Management fraud Strategy & Major Initiatives: <ul style="list-style-type: none"> Mission, values, culture Planning, execution and integration Change management Measurement and monitoring Tech implementation and support Planning and Resource Allocation: <ul style="list-style-type: none"> Organizational structure Strategic planning Capital planning Physician relationships Partnerships & JV's Payer relationships Annual budgeting & forecasting Outsourcing arrangements Market Forces: <ul style="list-style-type: none"> Healthcare reform Payer mix Competition Consumerism / retail Demographic and lifestyle trends Accessibility and affordability Value based care Mergers, Acquisitions, Divestitures: <ul style="list-style-type: none"> Due diligence Valuation and pricing Execution and integration ROI monitoring Stakeholder Relationships / Communication: <ul style="list-style-type: none"> Regulatory and government affairs Rating agencies Media relations Employee communication Corporate sustainability 	People: <ul style="list-style-type: none"> Culture Recruitment, retention, termination Training, development, performance management Labor relations Compensation & benefits Staff engagement Succession planning Care Delivery: <ul style="list-style-type: none"> Quality, safety, service, access, affordability Utilization, TCOC, P4P Top of scope practice Enabling technology Pricing & partnerships Care delivery network Information Technology: <ul style="list-style-type: none"> IT management, infrastructure, integrity IT security / access IT availability / continuity Physical Assets: <ul style="list-style-type: none"> Reinvest in property, plant, equipment Real estate Loss / theft of assets Supply Chain: <ul style="list-style-type: none"> Procurement Inventory and distribution management Rebate monitoring Variation reduction and planning Sales and Marketing: <ul style="list-style-type: none"> New business development Advertising and marketing Emergency Management: <ul style="list-style-type: none"> Disaster preparedness Biohazards Business continuity planning Research and Health Education: <ul style="list-style-type: none"> Grant compliance Conflict of interest policy Peer review oversight Medical school relationships 	Revenue Cycle: <ul style="list-style-type: none"> Payer contracting Registration and scheduling Charge capture integrity Coding and documentation Billing, collections, denials management Credit balance monitoring CDM maintenance / strategic pricing Bad debt and charity care Accounting and Reporting: <ul style="list-style-type: none"> Accounting, reporting and disclosures Debt structure / levels Department accountability Internal control / SOX Major accounting estimates Bad debt and managed care reserves Malpractice reserves Cost reports Liquidity and Credit: <ul style="list-style-type: none"> Cash management Capital funding Inventory turnover Portfolio management / risk Credit and collections Insurance Capital Structure: <ul style="list-style-type: none"> Debt Equity Pension Funds Stock options Liquidity pressure Tax: <ul style="list-style-type: none"> Maintain 501(c)3 status Tax compliance and audit management / SALT Tax strategy and planning Tax optimization 	Regulatory: <ul style="list-style-type: none"> Compliance management OIG work plan Code of conduct Data protection and security Labor laws (EEOC/FMLA) Anti-Trust / unfair competition EMTALA Sanctioned individuals Payment card industry (PCI) compliance Environmental regulations Securities regulations Healthcare and safety regulations Legal: <ul style="list-style-type: none"> Contracts Claims Malpractice liability Vendor assessment Insurance and risk management HIPAA



How Best to Display Key Risks?

Appendix A – Top 10 Heat Map



15% 10% 10% 15% 10% 10% 10% 10% 10% 100%

249

Impact of Colors and Format and Reporting

- Couple client anecdotes as cautionary tales
 - Misinterpreting Risk Assessment for Findings/Audit
 - Colors – Red = Bad? Green = Good? No color
 - My area is better than Patrick's – so he should be red...
 - Coordination of Action Plans?
 - Provided action plans recommendations – met with pushback.



Questions?



Thank you!

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15 Minute Break





We'll get you there.

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Automation and AI: Use Cases and What's In It For You

June 4, 2024



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Today's Presenters



Ben Rackley, Director
Digital - Data and Automation



Logan Harris, Graduate Intern
Digital - Data and Automation

Learning Objectives

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

- Recognize the basics of AI and automation in finance
- Recall comprehensive insights of how AI and automation technologies work, specifically in the context of accounting and finance
- Review a range of practical use cases of AI and automation in financial processes
- Recall how implementing AI and automation can significantly improve efficiency, reduce errors, further organizational mission, and improve the lives of the workforce
- Identify ways your organization can adapt and stay ahead in this rapidly evolving field, including strategies for implementation and overcoming potential challenges





Basics and Definitions



Automation

Using technology to reduce human intervention to a minimum.

Misconceptions

- Unemployment
- Only impacts low-skill jobs
- Automation is always the one of the leading option
- It's quick and easy
- It's unbiased



What is AI?



Natural Language Processing (NLP): Sentiment analysis and conversational AI



Computer Vision: Image and facial recognition



Machine Learning: Predictive and prescriptive analytics, classification and anomaly detection



Reinforcement Learning: Models that learn from stimuli

What is GPT?



GPT is a kind of large language model, able to generate novel, human-like text, write code, and create datasets



Goal of GPT project was to create chat agent that can interact conversationally, generate coherent, relevant content, answer follow up questions



Trained on websites, books, and online material



Human AI trainers helped GPT models provide more desirable outputs via reinforcement learning



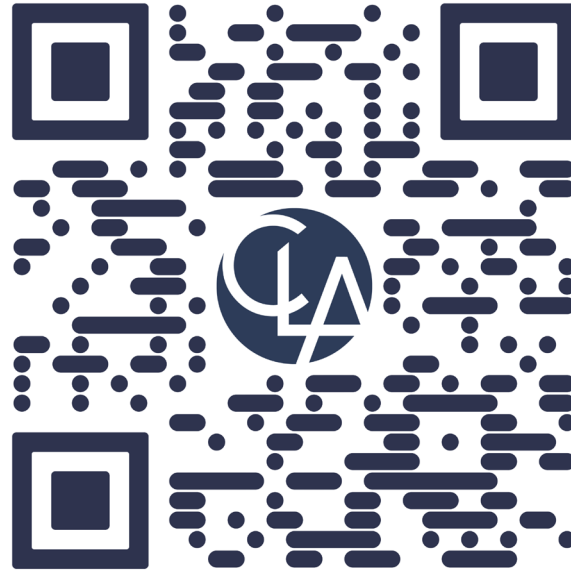
OpenAI released ChatGPT November 2022



Many updates and other new generative AI apps and services

AI Today – Audience Participation

Can you give examples of AI in your daily personal or professional life today?



Scan QR code and send answers!

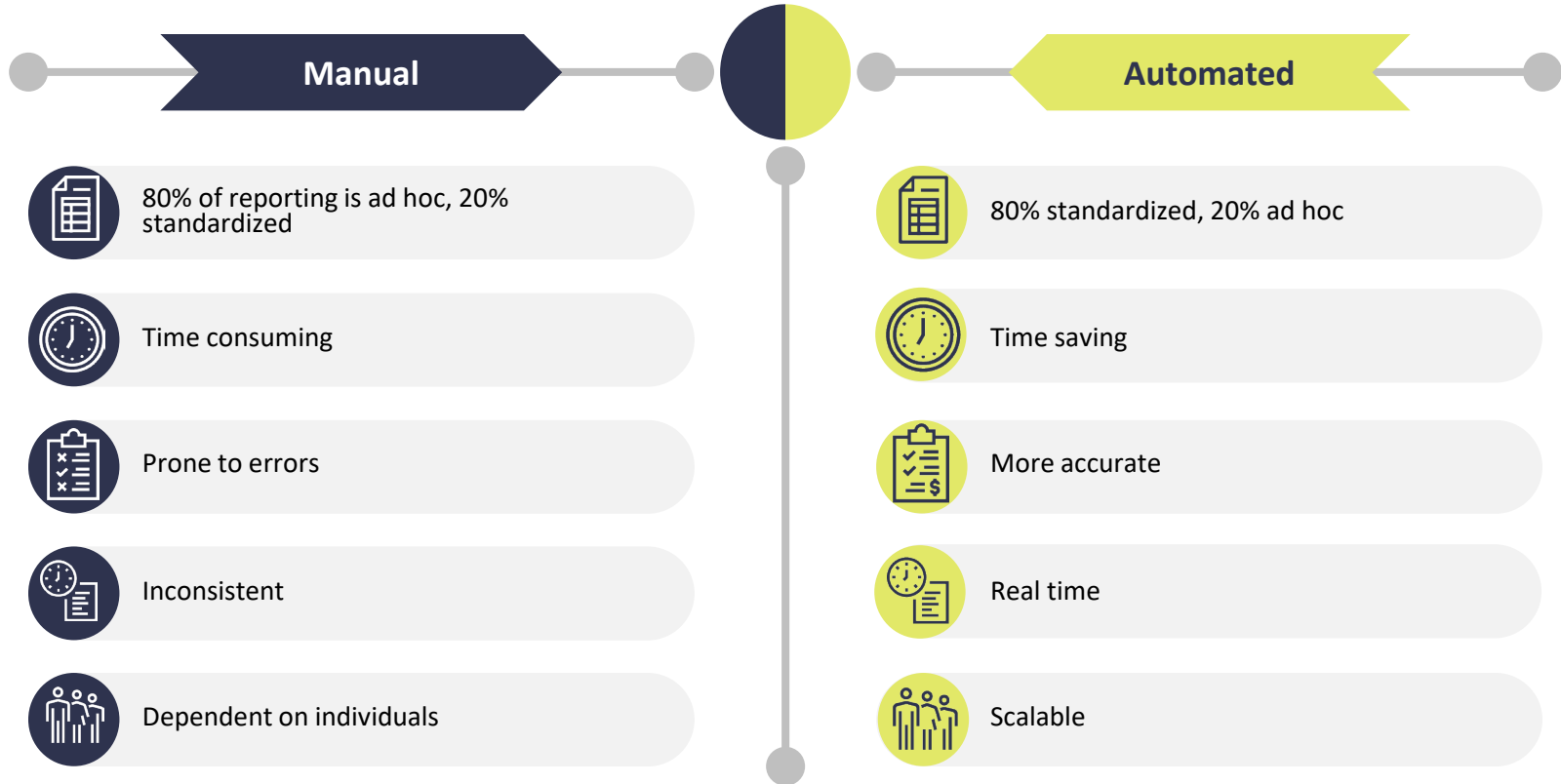




Use Cases



Manual Vs. Automated Reporting



Machine Learning



Forecasting demand for public transportation



Improving energy efficiency in public buildings



Personalized communication to donors



Volunteer matching to project needs from skills, preferences, and availability

Deep Learning



Analyzing satellite images for urban planning



Enhancing public safety through surveillance video analysis



Speech recognition for accessibility with voice-activated controls and transcribing services



Predictive analytics for program success improving allocation of resources

Large Language Models (LLM)



Automating responses to public inquiries in multiple languages



Analyzing public feedback on policies



Automating large bodies of content for conversational retrieval

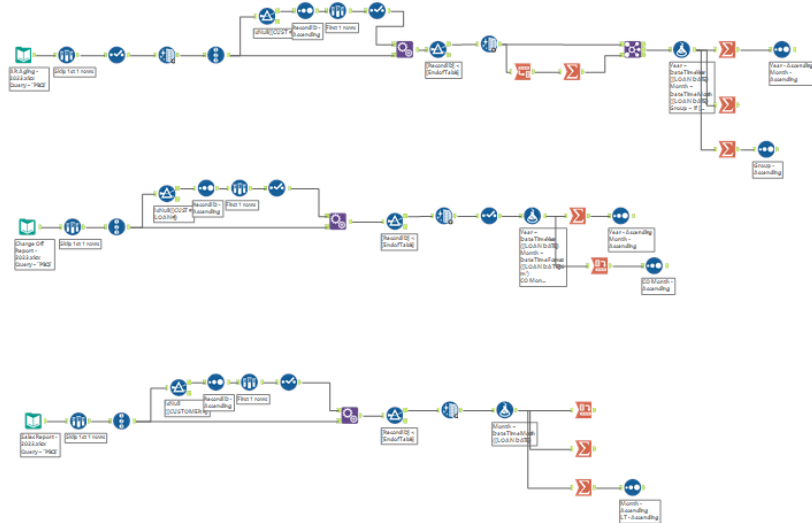


Automated grant proposal review, summarizing key points and alignment with programs

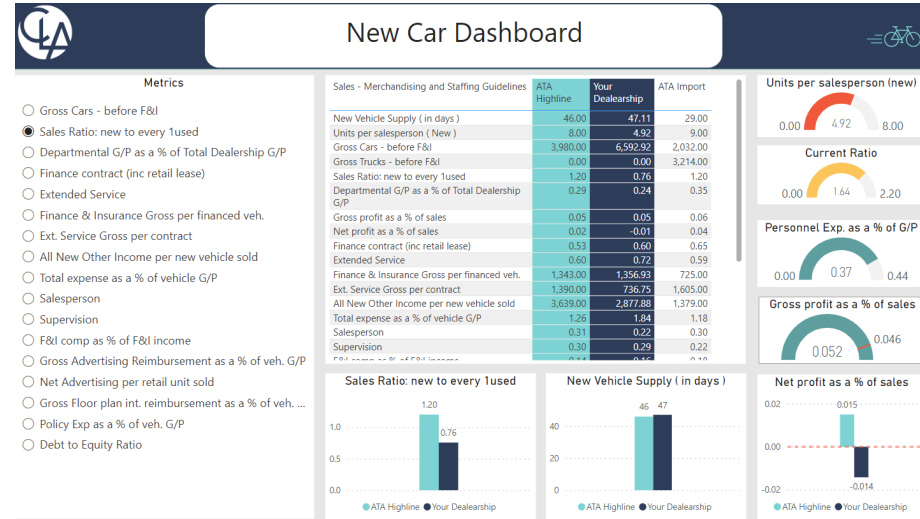


Art of the Possible

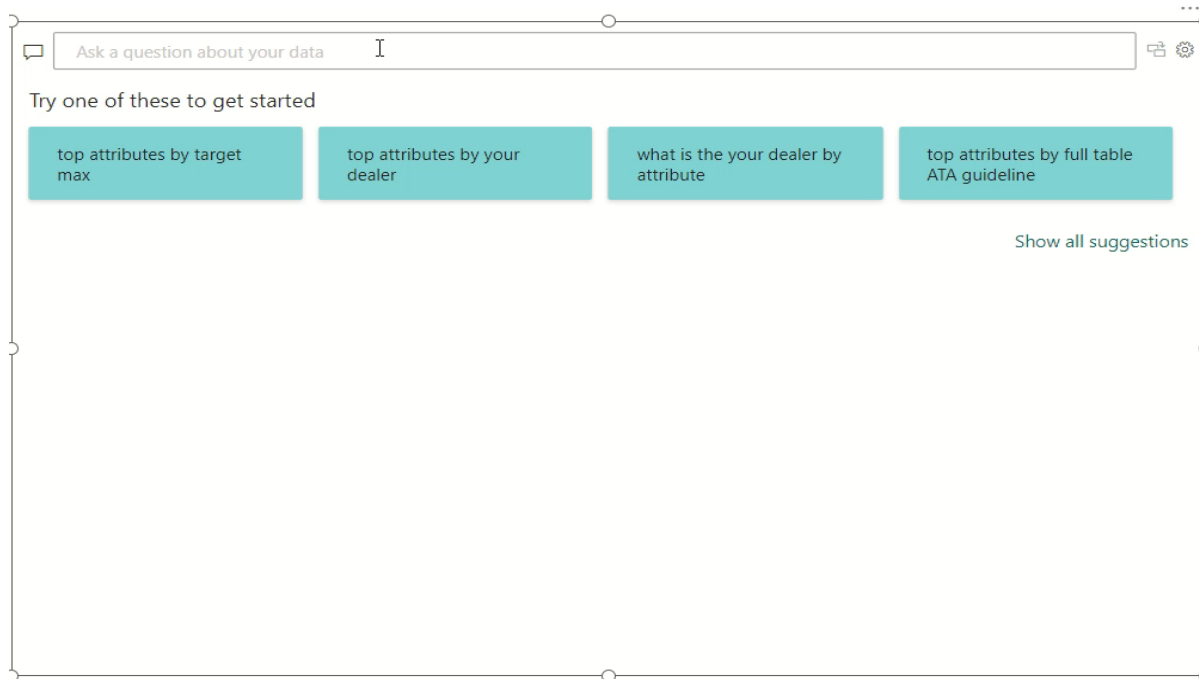
Low-code automation



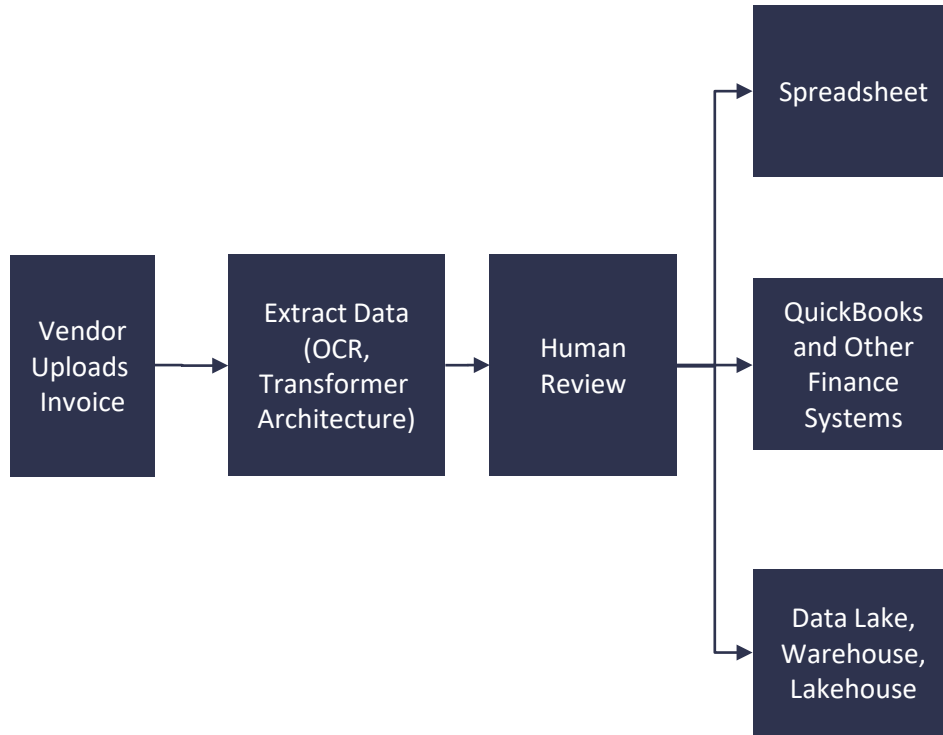
Custom reports/visuals



Some Automation Requires No Configuration



Use Case Study: CLA Auto Extract



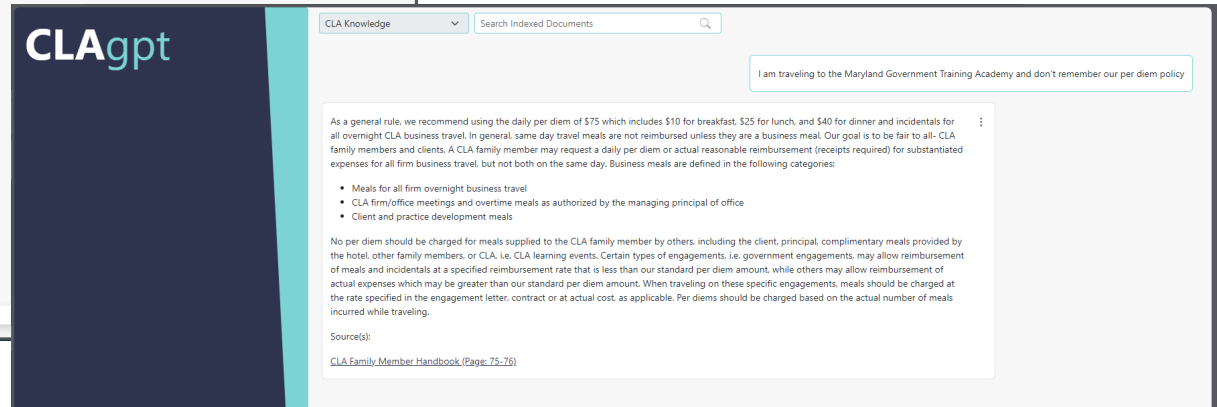
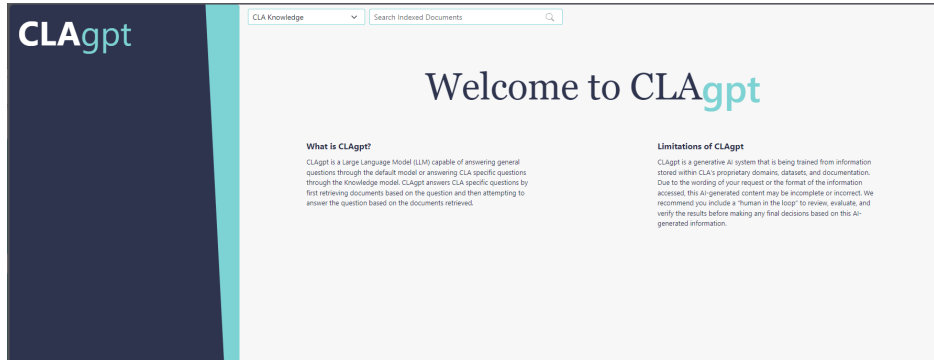
Reduce manual data entry from documents such as invoices

Minimize error associated with manual processing

Integrate with existing workflow and enterprise systems

Reduction in manual invoice processing time with auto extract

Use Case Study: Large Language Models





Benefits, Challenges, Where to Start, Future Trends



Benefits



Improve
efficiency



Improve accuracy



Improve organizational
capabilities



Improve employee
satisfaction

Challenges



Data accuracy



Bias



Security



Trust but
verify



Know the
source



Fear of use of
available tools

How to Get There



Assess current state



Data strategy



Develop a roadmap



Short-term and long-term objectives



Internal working group



Test the technology



Educate yourself

Future Trends



- It's not going away
- Speed of growth will continue to expedite
- Controls
- There will be many models to choose from
- The use cases will become endless



Questions

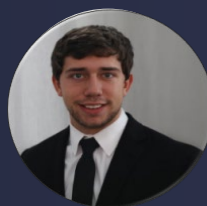




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We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Grant Management – UG Update

Presented by:

Aires Coleman, CPA, Director

Shannon Weiss, CPA, Director

June 4, 2024



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Learning Objectives

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

- Identify upcoming changes to the uniform grant guidance
- Distinguish key changes and actions needed for submitting a data collection form
- Identify common single audit findings
- Identify how to apply lessons learned and leading practices



Introductions



Aires Coleman, CPA

Director

Over 20 years of experience with auditing and accounting services; mainly focusing on Governmental Auditing Standards. Recognized as one of CLA's single audit technical professionals. Presents and trains on the OMB *Uniform Guidance (UG)*.



Shannon Weiss, CPA

Director

Over 15 years of experience with auditing and accounting services; focusing on governmental auditing with an emphasis on state and local government agencies. Performs internal control reviews, reliability of financial reporting and compliance audits in accordance with OMB *Uniform Guidance (UG)*.

Changes To The Uniform Grant Guidance



New Name



Uniform Guidance

The diagram consists of two large, overlapping chevron shapes pointing to the right. The left chevron is teal and contains the text 'Uniform Guidance'. The right chevron is yellow-green and contains the text 'Guidance for Federal Financial Assistance'. The two chevrons overlap, with the yellow-green one positioned slightly to the right and forward of the teal one.

**Guidance for
Federal Financial
Assistance**



Effective Date



OMB released the pre-publication internet version on April 4, 2024 — however, changes are not effective until **October 1, 2024.**



Federal agencies may elect to apply the guidance to federal awards issued prior to that date, but they are not required to do so.

Why the Changes

- Strengthen and streamline administration of federal financial assistance
- Help recipients of federal funding “focus more on the people they serve and to deliver results for their communities”



Summary of the Changes



General changes:
Improved
Readability



Changes for non-
federal entities
(Sections 300 and
400 of 2 CFR 200)



Changes for
auditors of non-
federal entities
(Section 500 of 2
CFR 200)

General Changes



General Changes: Improved Readability

- Changes are focused on making the guidance easier to comprehend by enhancing the language to be more readable and specific. Changes will better align with other federal regulations and standards.

Change “grants and agreements” to **“Federal financial assistance”**.

Use the terms **“recipient,”** **“subrecipient,”** or both in place of “non-Federal entity” throughout part 200 (except for subpart F) to clarify which sections of guidance apply to which entities.

Clarification of which sections apply to the “Federal agency,” “pass-through entity,” or both.

Eliminate acronyms used infrequently and adding others (200.0).

- Added and revised several definitions (200.1).

Provide additional flexibilities with regard to using a language other than English (e.g., reports, correspondence) (200.111)



General Changes : Improved Readability (cont.)

Mandatory disclosures will now more closely align with Federal Acquisition Regulation (FAR) 48 CFR 52.203-13.

Questioned costs definition will clarify what questioned costs represent in audit findings.

Specifically requiring pass-through entities to verify subrecipients are not excluded or disqualified (suspended or debarred) in accordance with 2 CFR § 180.300.

Added requirement for when recipients do not have a final indirect cost rate covering the period of performance.

- A final financial report must still be submitted. The recipient must submit a revised final financial report when all applicable indirect cost rates are finalized.



Changes for Non-Federal Entities



Changes for Non-Federal Entities

2 CFR 200.303 – Internal Controls

- Added a requirement that recipient and sub-recipient internal controls include cybersecurity and other measures to safeguard information.

2 CFR 200.307 – Program Income

- Clarified this requirement, allowing the use of program income for certain closeout costs.

2 CFR 200.309 – Period of Performance

- Added additional clarification that when a federal agency decides not to continue an award with multiple budget periods, the period of performance should be amended to end at the completion of the currently authorized budget period.

2 CFR 200.313 – Equipment

- Revised the threshold value for equipment from \$5,000 to \$10,000. When equipment is purchased at the cost of \$10,000 or under, it can be expensed instead of capitalized.

Changes for Non-Federal Entities (cont.)

2 CFR 200.314 - Supplies

- Revised the threshold for unused supplies from \$5,000 to \$10,000. Title to supplies will vest in the non-federal entity upon acquisition. If a residual inventory of unused supplies exceeds \$10,000, the non-federal entity must compensate the federal government for its share.

2 CFR 200.332 – Requirements for Pass-Through Entities

- Added a requirement for pass-through entities to confirm that potential subrecipients are not suspended, debarred or otherwise excluded from receiving federal funds.

2 CFR 200.414 – Indirect Costs

- Raised the de minimis rate non-federal entities can use for indirect costs from 10% to 15% allowing for a more reasonable and realistic recovery of indirect costs.

Changes for Non-Federal Entities (cont.)

Procurement Standards

- Include “veteran-owned businesses” in contract provisions (§ 200.321).
- Updated “affirmative steps must be taken” to “when possible, the recipient or subrecipient should ensure” in relation to using small businesses, minority businesses, women’s business enterprises, veteran-owned businesses, and labor surplus area firms (§ 200.321).
- Change “small purchases” terminology to “simplified acquisitions” (§ 200.320(2)).
- Remove restrictions related to geographic preference requirements and allow for scoring mechanisms to evaluate bidders committing to U.S. jobs and certain compensation and benefits (§ 200.319).
- Prioritize environmentally sustainable products and services (§ 200.323(b)). This includes consideration of reused, refurbished, and recycled products; biobased or energy and water efficient acquisitions; and purchasing compostable items.



Changes for Auditors of Non-Federal Entities



Changes Affecting Auditors

2 CFR 200.501 – Audit Requirements

- Increased the Single Audit threshold from \$750,000 to \$1,000,000. Organizations expending less than \$1,000,000 of federal financial assistance during their fiscal year will not be subject to a single audit.

2 CFR 200.518 – Major Program Determination

- Increased the threshold for determining Type A programs from \$750,000 to \$1,000,000 if the total annual expenditures of all federal programs for a non-federal entity are \$34 million or less (previously \$25 million or less). Programs with expenditures of over \$1,000,000 will be considered a Type A for major program determination.



Next Steps



Next Steps

- Recipient organizations should consider these slides to be generally helpful as they streamline interpretations and decrease administrative strain.
 - There are a few key changes to prepare for in the intervening months.
- Organizations should review the applicable changes to the uniform guidance and begin revising / implementing their policies, procedures, and internal controls accordingly.



2024 Compliance Supplement

Released May 30, 2024



Appendix IV – Higher Risk Designation

May 2024

Higher Risk Designation

Agency	Assistance Listing Number (ALN)	Title
HHS**	93.778/93.777/93.775	Medicaid Cluster
Treasury*	21.023	Emergency Rental Assistance
Treasury*	21.027	Coronavirus State and Local Fiscal Recovery Funds
Interior**	15.252	Abandoned Mine Land Reclamation (AMLR)

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 IIJA or COVID-19 funding from one or more of the laws cited at the beginning of this section.



Other Notable Changes

- Minor changes to Part 2 – Matrix of Compliance Requirements
- Several changes to Part 4 – Agency Program Requirements
- Part 5 – Clusters of Programs
 - Removed the Community Facilities Loans and Grants Cluster, the Clean Water State Revolving Fund Cluster, the Drinking Water State Revolving Fund, and the Hurricane Sandy Relief Cluster. Removed program 14.182 from Section 8 Project-Based Cluster, and program 20.611 from the Highway Safety Cluster. Added the Tribal Self-Governance and Determination Cluster.



Federal Audit Clearinghouse – Data Collection Form



Data Collection Form (DCF) Changes

Administered by the General Services Administration:

- www.fac.gov
- IDES system no longer available
- Prior year audits have been transferred to GSA

GSA released the Federal Audit Clearinghouse as a Minimal Viable Product (MVP)

- Frequent updates to add functionality and address issues experienced by users
- Description of current and prior updates found here: www.fac.gov/updates/

Submitting Single Audit Reports Using FAC

The Federal Audit Clearinghouse (FAC) is the place to submit federal grant audits.

- All entities that spend \$750,000 or more in federal grant funds in a fiscal year must submit an audit.

The goal is to make the single audit submission process as easy as possible.

- To complete your audit, you'll fill out a series of webforms and upload a PDF of your audit reporting package.
- You'll also submit the SF-SAC as a series of XLSX workbooks.

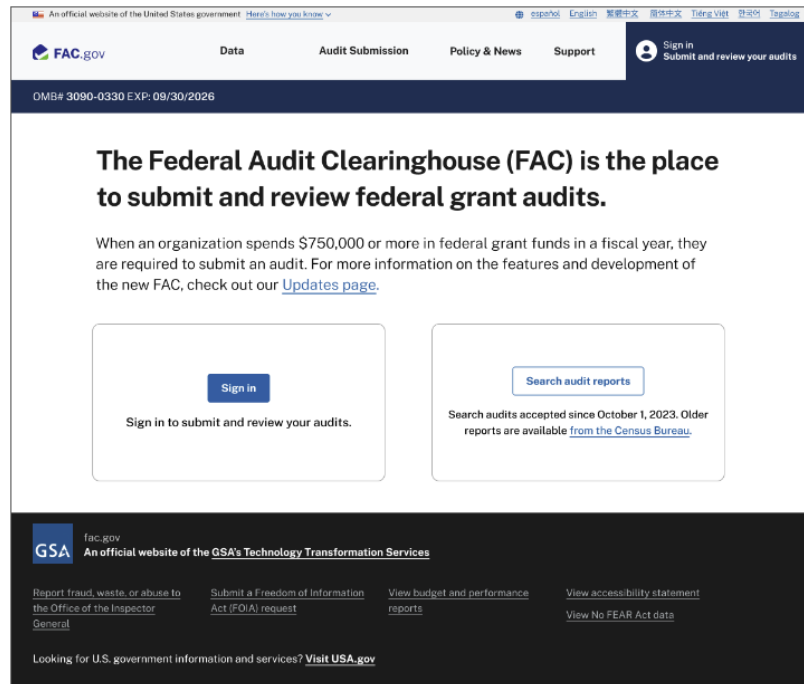
Everyone who edits or certifies a single audit submission must have an account with Login.gov.

- This includes auditees and auditors. Creating a Login.gov account is fully online and secure.

Getting Started

Your submission will begin with the fac.gov homepage.

To submit or review a single audit, you will need to sign in using Login.gov.



Logging in with Login.gov


Everyone involved in the single audit process must have an account with Login.gov.

- This includes auditees and auditors

Creating a Login.gov account is fully online and secure.

- When creating your Login.gov account, be sure to use the email address you want associated with your single audit submission.

LOGIN.GOV | FAC.gov



Federal Audit Clearinghouse (FAC) is using Login.gov to allow you to sign into your account safely and securely.


Email address

Password ☐ Show password

[Sign in](#)

[Create an Account](#)

[Sign in with your government employee ID](#)

 If you're creating an account, you'll need a **current state-issued ID**.

You will also need [+](#)

[Back to FAC](#)

[Forgot your password?](#)

[Security Practices and Privacy Act Statement](#)

[Privacy Act Statement](#)



Your Single Audit Submissions

Once logged in, you can create a new audit and see the status of audits currently in progress.

- You'll be able to view the status of all audits associated with your email address.

If you don't see the audits you expect after signing in, have the audit editor confirm the audit lists the email address on your Login.gov account.

- They can do this by going to the manage user access section of the audit.

Create a new audit

- Unique Entity ID (UEI) is validated
- DUNS no longer entered



Single audit submissions

The audit submissions below are associated with your email address.

Audits in progress

The audits listed below are in progress, and you are still able to edit them before submission. Select an audit by clicking on its Status to make changes and continue the submission process.

Status	Entity name	Report ID	Auditee UEI	Fiscal period end date
Needs certification	CENTRAL KITCHEN, INC. (THE)	2021MRU239	CVBGYLB84S77	6/30/2023

Completed audits

The audits listed below have been submitted to the FAC for processing and may not be edited.

Status	Entity name	Report ID	Auditee UEI	Fiscal period end date
Submitted	CENTRAL KITCHEN, INC. (THE)	2021MRU239	CVBGYLB84S77	6/30/2023

Create a new audit

Before you begin a new audit submission, check the list above to make sure it is not already in progress. Only audit submissions assigned to your email address will show above, therefore we also recommend confirming with your team.

☐ I agree to the [terms and conditions](#).

[Start a new submission](#)



Audit Access

This is where you will list the auditee and auditor certifying officials, as well as anyone who will need to enter data or edit the single audit.

- Be sure to gather the names and email addresses of all individuals who will require access to the audit before proceeding with this step.

Enter the email address for everyone who will need to edit the audit submission. You should include your email address as well.

- Make sure these email addresses match the email addresses connected to the users' Login.gov accounts.

If you need to make changes to users after creating the audit submission, you can find instructions on the manage user access page.

The FAC doesn't notify users when they've been added to a submission. We recommend notifying them yourself.



General/Audit Information Forms

Next, you'll enter general information about the audit and auditee, including the following:

- Audit type
- Audit period
- Fiscal period
- Auditee information
- Auditor information

Then, you will use the audit information form to submit information about the auditee's financial statements and federal programs according to 2 CFR 200.510.

- This is also when you'll identify any federal programs covered in the single audit.



Submission Checklist

Next, you'll see your submission checklist.

- This checklist allows you to track your progress towards completing a single audit submission.

Key information

- Use this checklist to track your progress towards completing a single audit submission.
- You may re-upload revised files at any point before certification.
- Access this page from your [Single audit submissions](#) screen by selecting an in-progress submission.

General information form (Complete)

Enter general information about the single audit submission, such as the audit type and fiscal period. This is also where you'll list the primary auditor and auditee contacts.

Completed Aug 11, 2022 at 6:00 AM PT by Gabby Granter.

[Edit the audit information](#)

Audit information form (Complete)

Select the status of the financial statements and federal programs covered by your single audit.

Completed Aug 11, 2022 at 6:00 AM PT by Gabby Granter.

[Edit the audit information](#)

Audit report PDF (Complete)

Upload the audit report. This should be a single PDF that is unlocked and machine-readable.

Completed Aug 11, 2022 at 6:00 AM PT by Gabby Granter.

[Re-upload the Audit report PDF](#)

Workbook 1: Federal Awards (Complete)

For each federal award received, you'll need the financial and agency details. This is also where you list the number of audit findings. You must complete this workbook first.

Completed Aug 11, 2022 at 6:00 AM PT by Gabby Granter.

[Re-upload Workbook 1: Federal Awards](#)

Upload Workbook 2: Notes to SEFA

This workbook covers notes on the Schedule of Expenditures of Federal Awards (SEFA). Enter the information of each Federal awards program from which the auditee received funds, even if they don't have audit findings.

Upload Workbook 3: Federal Awards Audit Findings

Complete this workbook using the Summary Schedule of Prior Audit Findings and the information in the financial statement audit. If there are no audit findings listed in Workbook 1: Federal Awards, only enter the auditee EIN in this workbook and upload.

Upload Workbook 4: Federal Awards Audit Findings Text

Enter the full text of the audit finding, listing each finding only once, even if they relate to more than one program. Include the audit finding reference number for each. If there are no audit findings listed in Workbook 1: Federal Awards, only enter the auditee EIN in this workbook and upload.

Upload Workbook 5: Corrective Action Plan (CAP)

This information should match the data you entered in the Findings Text workbook. You only need to enter plans for findings once if they relate to more than one program. If there are no audit findings listed in Workbook 1: Federal Awards, only enter the auditee EIN in this workbook and upload.

Key information

- The following steps will remain locked until you have completed all prior steps.
- You cannot re-upload documents after certification by either party.

Pre-submission data validation

Before submitting your audit, use our validation tool to check your workbooks for errors. Once this step is completed, you will not be able to edit or make changes to your data.

Auditor certification

Your certifying auditor must attest and sign the single audit package before submission. In order to unlock this step, you must complete and upload all required workbooks from the previous steps, as well as the single audit report PDF.

Auditee certification

Your certifying auditee must attest and sign the single audit package before submission. In order to unlock this step, you must complete and upload all required workbooks from the previous steps, as well as the single audit report PDF.

Audit submission

This is the last step and must be completed by the certifying auditee.



Upload the Audit Reporting Package DCF

You must merge all components of the audit report package into a single PDF file before uploading. Be sure your PDF file meets the uniform guidelines:

- Less than 30MB
- Unlocked with no password requirements
- Converted from an electronic document and text searchable
- Unencrypted
- Printing and content copying allowed

The reporting package must include the:

- Financial statements and schedule of expenditures of Federal awards outlined in Uniform Guidance codes 2 CFR 200.510(a) and (b), respectively;
- Summary schedule of prior audit findings discussed in 2 CFR 200.511(b);
- Auditor's report(s) discussed in 2 CFR 200.515; and
- Corrective action plan discussed in 2 CFR 200.511(c).

Make sure to remove all Personally Identifiable Information (PII) before uploading your PDF. PII includes but is not limited to:

- Social security numbers
- Account numbers
- Vehicle identification numbers
- Copies of canceled checks
- Student names
- Dates of birth
- Personal addresses, or personal phone numbers.



Upload the SF-SAC

Next, you'll upload the SF-SAC. This is a series of XLSX workbooks that collects the data on any audit findings, corrective action plans, etc, per 2 CFR 200.512(c).

Download links and instructions for each of these workbooks are provided. We recommend reading the instructions carefully as you complete the SF-SAC.

SF-SAC workbooks

Complete your single audit submission by completing the SF-SAC workbooks below and uploading them to the FAC. You can download each workbook and find instructions for completing it on the individual pages.

- [SF-SAC Section 1: Federal awards](#)
- [SF-SAC Section 2: Notes to SEFA](#)
- [SF-SAC Section 3: Federal awards findings](#)
- [SF-SAC Section 4: Federal awards findings text](#)
- [SF-SAC Section 5: Corrective action plan](#)
- [SF-SAC Section 6: Additional UEIs \(optional\)](#)
- [SF-SAC Section 7: Secondary auditors \(optional\)](#)
- [SF-SAC Section 8: Additional EINs \(optional\)](#)



Data Entry

No pre-populated data on template worksheets:

- UEI must be **manually entered** on each worksheet's coversheet
- Award reference number – Created on *Federal Awards* (SEFA) worksheet:
 - Must be **manually entered** on worksheets:
 - Federal Awards Findings
 - Federal Awards Findings Text
 - Initial upload edit will not flag mis-match between Federal Awards worksheet and either Findings worksheet.

Federal Awards worksheet must be entered first



Pre-certification Validation

This step confirms you entered your data correctly throughout your single audit package.

- It also cross-validates the data in the forms and the SF-SAC workbooks against each other.

The system will identify any errors.

- You'll be able to edit/re-upload any affected sections before certification.



Pre-submission data validation

Check to confirm you entered your data correctly throughout your single audit package. This tool also cross-validates the data in the forms and workbooks against each other.

If there are errors, you may re-upload the affected workbooks and/or edit the appropriate forms.

Cell	Field	Help Text
B3	Section	The workbook you tried to upload is for a different section..

[Begin validation](#) [Proceed to certification](#) [Cancel](#)



Lock For Certification

After validation, you'll lock your single audit submission for certification.

If you need to make edits after this step, you may unlock your submission from the audit status page.

Before certification, you will have to re-validate and re-lock your data.



Lock for certification

You are now ready to lock your single audit submission for auditee and auditor certification. Each must review and certify the documents before they can be submitted to the FAC.

Once the single audit submission is locked for certification, you will not be able to edit or make changes to your data.

Make sure you save copies of your documents to your local drive before moving on to the next steps as the FAC does not maintain versions for you.



Making Changes to Your Audit Package

Anyone may unlock the audit package and make changes before final submission.

- To do this, click the "Unlock" button to return to the main audit checklist.
- From here you can edit the webforms and/or re-upload new workbooks for the SF-SAC.

Any changes will have to be re-validated and re-certified by both the auditor and auditee certifying officials.

FAC.gov Data Audit Submission Policy & News Support Sign in Submit and review your audits

OMB# 3090-0330 EXP: 09/30/2026

Submission Checklist: KITCHEN, INC. (THE) [Manage report access](#)

Key information

- Review your submission before certifying by selecting the SF-SAC and PDF download buttons below.
- Select "Unlock" to restore the full submission checklist to re-upload corrected documents.
- You cannot re-upload documents after certification by either party.

[SF-SAC preview](#) [PDF preview](#) [Unlock](#)

[Auditor certification](#)

Your certifying auditor must attest and sign the single audit package before submission. In order to unlock this step, you must complete and upload all required workbooks from the previous steps, as well as the single audit report PDF.

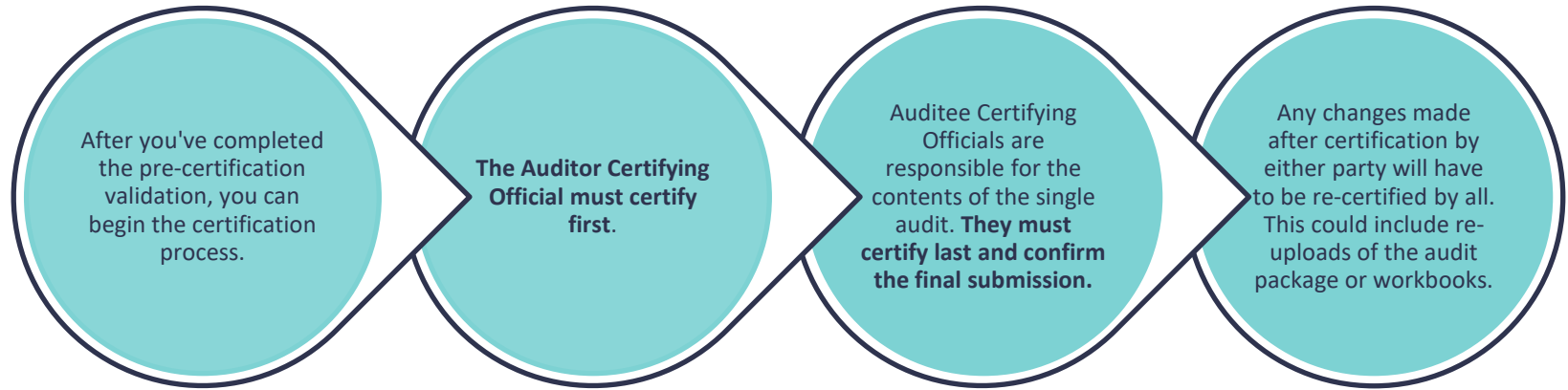
[Auditee certification](#)

Your certifying auditee must attest and sign the single audit package before submission. In order to unlock this step, you must complete and upload all required workbooks from the previous steps, as well as the single audit report PDF.

[Audit submission](#)

This is the last step and must be completed by the certifying auditee.

Audit Certification Process



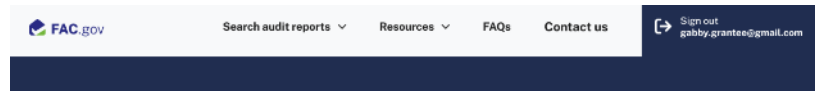
Confirming Submission

The Auditee Certifying Official must complete this step.

Once you submit your single audit package, **you can't make any further changes. What you have submitted is what will be available via the FAC's audit search.**

The date the Auditee Certifying Official confirms submission is recorded as the FAC acceptance date.

We recommend you save a copy of your audit materials on your local machine. If you need to resubmit, having the originals will make the process much easier.



Submit single audit package

Clicking the "Submit single audit package" button below will send your report to the Federal Audit Clearinghouse (FAC).

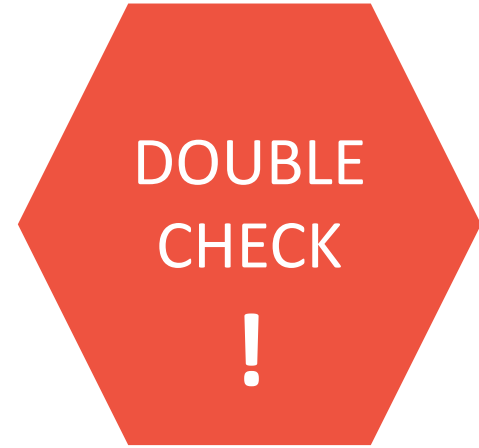


Common Single Audit Findings



What is a Single Audit Finding?

- Audit finding means deficiencies which the auditor is required by 200.516 to report in the schedule of findings and questioned costs.



What is Reported in a Single Audit Finding?

200.516 Audit findings. (a) *Audit findings reported.* The auditor must report the following as audit findings in the schedule of findings and questioned costs:

- Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs.
- Material noncompliance with the provisions of federal statutes, regulations, or the terms and conditions of federal awards related to a major program.
- Known questioned costs that are greater than \$25,000 for a federal program which is not audited as a major program.
- The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for federal awards.
- Known or likely fraud affecting a federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for federal awards.
- Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with § 200.511(b) materially misrepresents the status of any prior audit finding.



Single Audit Findings Effect on the Grantee



The consequences of being found noncompliant can be costly and time-consuming.



If found noncompliant, the federal government may withhold funds until the deficiency is remedied, suspend or terminate the award, initiate suspension or debarment proceedings or withhold further federal awards for the program.



The government may also pursue other available legal actions.

Common Single Audit Findings

Procurement

- Inadequate support for sole source vendor
- Lack of supporting documentation in the vendor file (i.e. vendor selection, 3 quotes for small purchases, cost analysis)
- Lack documentation to support contractor's suspension and debarment status

Subrecipient Monitoring

- Subaward does not contain required information
- Subs are not monitored timely (in accordance with pass-through entity procedures)
- Lack of written procedures over subrecipient process
- FFATA reporting not performed (most common finding)

Common Single Audit Findings (cont.)

Subrecipient Monitoring (cont.)

- Inadequate monitoring documentation maintained
- Subaward does not contain required information
- Lack of proper identification of noncompliant subrecipients and noncompliance remedies

Untimely and Inaccurate Reporting

- Quarterly or annual reports are not filed timely
- Submitted reports are not supported by documentation
- Numerous errors in the reported data (most qualitative finding)

Common Single Audit Findings (cont.)

Time and Effort

- Lack of written procedures for budgetary reporting of time and effort process
- COVID-19 – lack of documentation to support allocation of hours/pay
- Budgetary reporting – lack of documentation to support adjustments to employee hours charged to the grant

Internal Control

- Internal control structure is not documented or consistently performed
- Lack of written procedures as a result continuity of procedures
- Increase in electronic processes - lack of documentation to support review and approval



Recommended Practices

Keep program and accounting staff educated on Uniform Guidance compliance.

- New changes are not always being communicated by grantor.

There are many steps in a single audit so keep coordinated on due dates and project management both internally and with your auditor.

Verify that all relevant policies are documented and available.

- Many transactions are only allowable if under written policies (especially compensation)
- Single audit will test that your entity's policies meet compliance requirements and then test transactions against your policy (procurement, subrecipient monitoring)

Retain documentation throughout the year supporting any judgments on why a cost was reasonable, allocable, allowable and necessary.

Reach out to your auditor with questions throughout the year (we are here to help).



Corrective Action Plan (CAP)

- §200.511(c) of the Uniform Guidance includes specific requirements for the CAP
 - **Auditee must prepare a CAP**, in a document separate from the auditor's findings to address each finding in the current year auditor's reports.
 - The CAPs must:

Provide the name (s) of the contact person(s) responsible for corrective action



The corrective action planned, and the anticipated completion date



Explain and identify specific reasons if the auditee does not agree with the audit findings or believes corrective action is not required



Summary Schedule of Prior Audit Findings (SSPAF)

§200.511(b) also states that the SSPAF must be prepared by the auditee.

The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs.

- The summary schedule must also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected in accordance with paragraph (b)(1) of this section, or no longer valid or not warranting further action in accordance with paragraph (b)(3) of this section.



Resources

UG [Federal Register :: Guidance for Federal Financial Assistance](#)

Implementation Memo [M-24-11-Revisions-to-2-CFR.pdf \(whitehouse.gov\)](#)

Reference Guide [Uniform Guidance Reference Guides FINAL 4-2024.pdf \(cfo.gov\)](#)

FAC Audit Submission Guide [https://www.fac.gov/audit-resources/how-to/](#)



Questions?

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Closing Remarks and Q&A

Thank you for attending!

Please complete the survey on your table and drop off at the registration desk when you sign out.

