



THE COMMONWEALTH OF MASSACHUSETTS

CvRF Risk Management and Compliance Discussion

November 2020

COMPLIANCE PREPARATION

To prepare for long-term compliance activities related to federal funds, municipalities should lean on existing systems, policies, and procedures.

TYPES OF AUDITS



Municipalities should consider four broad types of audits, which will occur several months from funding disbursement

- 1. Single Audit:** The federal government requires any entity receiving more than \$750K to engage an auditor to conduct a “single audit” in accordance with Generally Accepted Government Auditing Standards (GAGAS) and OMB circular 200 (successor to OMB circular A133). This requires the state to produce and have audited a Schedule of Expenditure Federal Awards (SEFA) for the state fiscal year and the auditors confirm compliance with federal requirements which include a requirement that agencies comply with state law and regulation.

If the state issues subgrants to subrecipients **the compliance obligation flows down to subrecipients and monitoring of subrecipient compliance flows to the Commonwealth.** The auditor will also test to see that the Commonwealth has procedures in place to monitor this subrecipient compliance. This audit is released 7 to 10 months after the close of the state FY.

- 2. Single Audit Follow-up:** If item one above results in a compliance finding for a program, the federal granting agency is obligated to follow up. This is typically a letter or some type of desk audit but could result in a subject specific on-site audit by federal auditors.

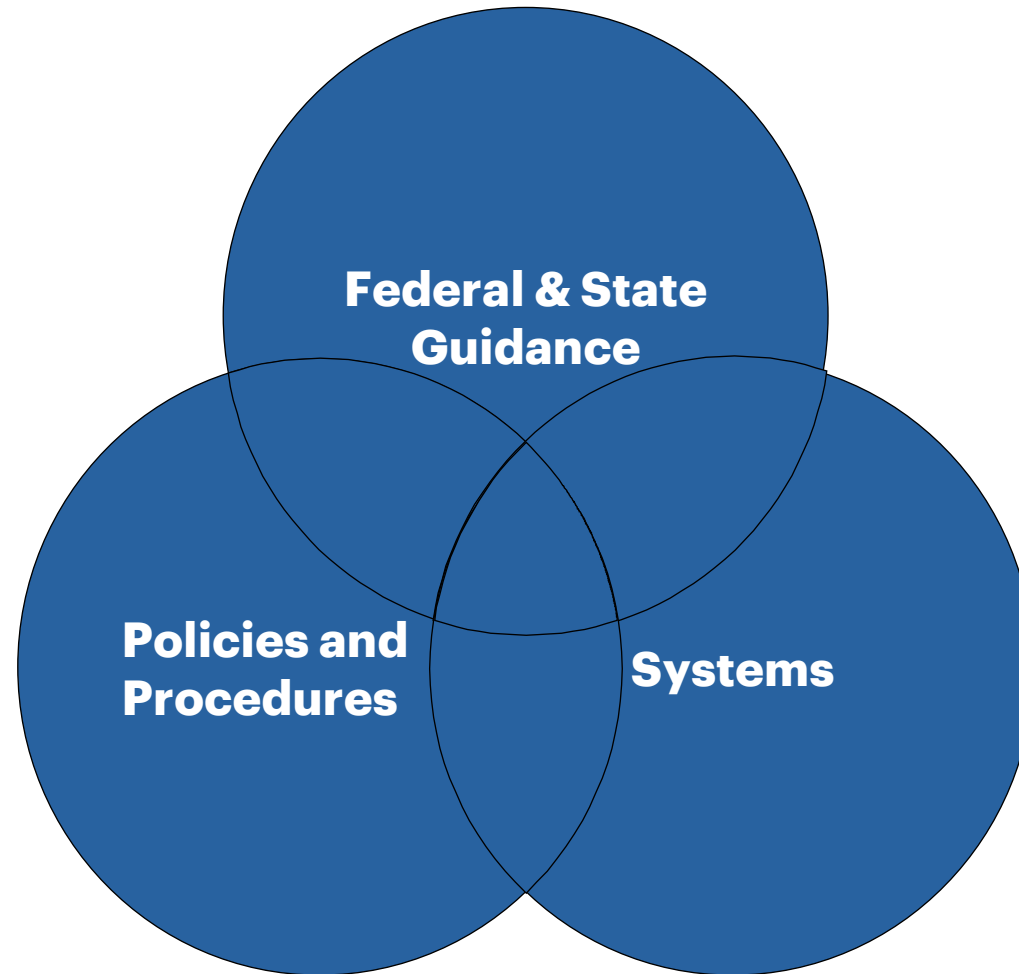
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- 3. State Audit Entities:** The state Auditor tends to conduct performance audits and the Inspector General investigates suspected abuse of law and regulation.
- 4. Special Federal Program Audits:** During ARRA the Government Accountability Office (GAO) launched special teams to monitor the use of ARRA funds. During ARRA, GAO focused on larger states and had a special team who conducted periodic reviews in real time. GAO and Pandemic Response Accountability Committee (PRAC) received a special appropriations for this work in the COVID legislation and we expect they will reach out as they engage.

EXISTING COMPLIANCE TOOLKIT



SYSTEMS



Reporting to A&F should reconcile to Municipal systems

Existing systems, such as financial management and payroll systems can be used to:

1. Track federal funds received by the municipality
2. Create special tracking mechanism to record COVID related spending for federal funds
3. Record all payments, including payments of federal funds
4. Document the name and address, amount obligated, and amount paid to sub-recipients and contractors
5. Track municipal employees' time allocated to federal funds (time and labor systems)

POLICIES AND PROCEDURES



Tested policies and procedures should be leveraged to ensure compliance with state and federal law

Relevant Policies and Procedures:

1. Requirements for internal control plans and procedures
2. Public procurement rules
3. Use and retention of contracts and subrecipient agreements
4. Guidance for subrecipient reporting and monitoring
5. Draw down of funds in compliance with CMIA
6. Tools to monitor performance against policy

Example: Internal Controls

Municipalities may have policies and procedures in place requiring comprehensive internal control plans

Example: Accountability & Subrecipient Monitoring

Municipalities may have processes in place for subrecipient monitoring due to the Single Audit Act