ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

September 18, 2026

Audit Alert

Uniform Guidance and Single Audit Requirements

To assist management and those charged with governance in fulfilling their responsibilities we are providing this summary of key Uniform Guidance and single-audit requirements that is intended to support your understanding of your obligations for identifying federal awards, preparing the Schedule of Expenditures of Federal Awards (SEFA), and maintaining effective internal controls over compliance.

The federal Uniform Guidance (2 CFR Part 200) establishes the administrative, cost, and audit requirements that apply when local and state governments and other entities receive and spend federal funds. Recent revisions issued by the Office of Management and Budget in 2024, along with updates to the Single Audit Act guidance and the OMB Compliance Supplement, introduce important changes to audit thresholds, documentation expectations, and reporting responsibilities for entities administering federal awards. This audit alert highlights key requirements that local and state governments and other entities subject to single audits must understand and follow to remain compliant and prepared for single audits under the updated Uniform Guidance.

Effective dates and audit threshold

- Single audit threshold increases from $750,000 to $1,000,000 in federal awards expended for fiscal years beginning on or after October 1, 2024 (June 30 fiscal year end entities' first affected year is fiscal year end 6/30/2026).
- For fiscal years 6/30/2025 and prior, the $750,000 threshold still applies.
- Type A program threshold will generally increase to $1,000,000, affecting how auditors identify major programs under the risk-based approach.

Internal controls over compliance

- Federal programs must have **documented internal controls** over compliance (design and operation) for major program requirements (eligibility, allowable costs, reporting, etc.).
- Controls should be designed to ensure compliance with laws, regulations, and grant terms, and should be aligned with the OMB Compliance Supplement. **Documentation should cover:** who performs the control, what is done, frequency, and how it is evidenced (e.g., sign-offs, reconciliations, review checklists).

209 St. Clair Street
Frankfort, KY 40601-1817

Telephone 502.564.5841
Facsimile 502.564.2912
auditor.ky.gov

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Internal controls over compliance (Continued)

- **Documentation should include:** *Written* policies and *evidenced* controls are in place such as documented reviews (sign-offs, initials).

Written policies and procedures

- **Maintain written and approved policies and procedures** for key grant-related activities, such as:
    - Cash management and drawdowns
    - Procurement and conflict-of-interest
    - Subrecipient monitoring (if you pass funds on)
    - Allowable costs and cost allocation
    - Reporting (financial and performance)
- Policies should be communicated to staff and consistently followed; **auditors will expect to see both the written policies and evidence they are in use.**

Schedule of Expenditures of Federal Awards (SEFA)

- SEFA must be prepared for the same period as the audited financial statements and must present federal awards expended, not simply amounts awarded or received.
- "Federal awards expended" are determined under Uniform Guidance definitions (including noncash assistance and certain loan activity where applicable).
- SEFA must include, for each program/cluster:
    - Federal agency and pass-through entity name (if applicable)
    - Federal Program Name
    - Assistance listing (AL) number
    - Identifying Number Assigned by the Pass-through Entity, if assigned (if applicable)
    - Amount expended during the fiscal year
    - Total expended for each cluster of programs
    - Total amounts passed through to subrecipients
- SEFA notes must disclose whether the entity uses the 15% de minimis indirect cost rate if elected.
- The auditor must opine whether the SEFA is fairly stated in relation to the financial statements; incomplete or incorrect SEFA information can lead to audit findings and opinion modifications.

Supporting documentation and audit trail

- Maintain support for all SEFA amounts and key compliance requirements, such as:
    - Grant agreements and amendments
    - Drawdown requests and federal payment records
    - General ledger detail linking to SEFA by program

Supporting documentation and audit trail (Continued)

- Payroll allocations and time/effort documentation for personnel charged to grants
- Procurement records, contracts, and invoices
- Subrecipient agreements and monitoring documentation

- Documentation should clearly tie expenditures to specific federal programs and AL numbers to support SEFA and compliance testing.

Audit findings and questioned costs – new emphasis

- The revised guidance enhances the definition of questioned costs and requires more detail where the dollar amount is undetermined or unknown.
- Strong documentation of how costs meet federal allowability and program objectives reduces the risk of questioned costs.

Federal Funding Accountability and Transparency Act (FFATA) subaward reporting

- When you are a direct recipient and make subawards, you may need to meet Federal Funding Accountability and Transparency Act (FFATA) reporting requirements, as identified for your programs in the current OMB Compliance Supplement.
- You must maintain **supporting documentation** for each FFATA report sufficient for auditors to verify that reports are complete, accurate, and filed within required time frames.
- You should have **written and documented procedures** describing who prepares FFATA data, who reviews it, how due dates are tracked, and how completeness and accuracy are verified.
- Because FFATA reporting is now treated as a **mandatory compliance area for audit testing** when applicable, missing or late reports, insufficient documentation, or weak controls can result in audit findings and questioned costs.

Recommended actions for local and state governments and other entities

- Update written policies and procedures to align with 2024 Uniform Guidance revisions and the current OMB Compliance Supplement.
- Ensure internal controls over compliance are **documented**, **implemented**, and **periodically reviewed** for each federal program.
- Establish a process to prepare and review the SEFA, including reconciliation to the general ledger and grant records before the audit begins.
- Management should periodically review FFATA reporting activity and control design to ensure compliance with current federal and single-audit requirements.