

Single Audit Report Training Questions & Answers

Thursday, January 20, 2022

Exemption Letter

1. **Q:** Where do Local Public Agencies (LPAs) send the exemption letter?

A: The exemption letter must be sent to:

- The State Controller's Office (SCO) at singleaudits@sco.ca.gov, and
- Caltrans at caltransfederalfundaward@dot.ca.gov

2. **Q:** Does an LPA need to submit an exemption letter even if it expends no federal funds annually?

A: LPAs are required to submit an exemption letter if they do not expend \$750,000 or more of total federal funds in any fiscal year.

3. **Q:** If an LPA expends only \$100,000, do they still need to submit the exemption letter?

A: Yes. Please refer to question 1 concerning where to send the exemption letter.

4. **Q:** Is there an exemption letter template?

A: Not at this time. However, the exemption letter must be on the LPA's letterhead, state the fiscal year and reason for exemption, and be signed by a fiscal officer. Appropriate text might read, "For the fiscal year ending 2021, the Local Public Agency is exempt from the Single Audit Report requirement as the Local Public Agency expended less than \$750,000 in total federal funds."

5. **Q:** Is there a deadline or due date that LPAs may calendar when the exemption letter must be submitted each year?

A: The deadline is nine months after the end of the LPA's fiscal year. For example, the majority of California's LPAs have a fiscal year ending on June 30. Therefore, the exemption letter must be submitted by the following March 31st. As a best practice, Caltrans recommends submitting the exemption letter immediately after the LPA's accounting or finance department determines the LPA did not expend \$750,000 or more in total federal funds after their fiscal year ends.

6. **Q:** If Caltrans receives an exemption letter and records indicate an SAR package may be required, would Caltrans contact the LPA after receipt of the letter?

A: Caltrans generates an annual report that displays the federal reimbursements paid to LPAs from July 1 through June 30. Caltrans will follow-up with those LPAs that received significant reimbursements to ensure they are not subject to the Single Audit Act requirement.

7. **Q:** When sending an exemption letter, do we need to send separate letters for each Caltrans grant?

A: Only one letter per fiscal year needs to be sent to the email addresses indicated in question 1.

Extensions

8. **Q:** Do LPAs need to apply for the extension?

A: If an LPA is on track to submit their SAR timely, they do not need to apply for the extension. If an LPA is concerned they will not be able to submit the SAR within nine months from their fiscal year end, they should complete the SAR Extension form. Through the United States Office of Management and Budgets (OMB) Memorandum M-21-20, Caltrans is authorized to extend the single audit report (SAR) deadline for up to six (6) months.

9. **Q:** What is the deadline of February 28, 2022 for?

A: The February 28, 2022, deadline is the last day for LPAs to submit the SAR Extension form.

10. **Q:** Is the extension applicable only to Caltrans, or will the Federal Highway Administration (FHWA) and SCO provide an extension too?

A: Paragraph IX in Appendix 3 of the OMB Memorandum M-21-20 authorizes awarding agencies in their capacity as oversight agencies for audit to provide up to a six-month extension. As Caltrans Independent Office of Audits & Investigations performs audits of federal awards on behalf of FHWA, this designation would provide Caltrans with the responsibility to provide an extension, and not FHWA. The SCO is a State repository and not a federal awarding agency. Therefore, the SCO may not approve extensions.

Procurement of an Independent Auditor

11. **Q:** What is the best methodology for an LPA to procure an independent auditor to perform a SAR?

A: As a best practice, many LPAs issue a request for proposal for an independent auditor to perform a consolidated annual financial report and a SAR.

Single Audit Report Availability

12. **Q:** As a Regional Transportation Planning Agency that monitors subrecipients, is there a site where we may download our subrecipients submitted reports to review their findings?

A: Yes, all single audit reports are public information and may be downloaded through the Federal Audit Clearinghouse's (FAC's) Image Management System:

<https://facdissem.census.gov/>

Single Audit Report Costs

13. **Q:** Can the costs of a SAR be reimbursed as part of a project cost?

A: Pursuant to [Section 200.425\(a\) in Title 2 of the Code of Federal Regulations \(2 CFR 200.425\(a\)\)](#), "A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), as implemented by requirements of this part, **are allowable.**"

As a best practice, it is recommended for LPAs to capture their single audit service costs within an allocation cost plan since LPAs may determine it is difficult to forecast federal award expenditures and distribute these costs proportionately to each federal fund award.

Single Audit Report Requirement

14. **Q:** Are Congestion Mitigation and Air Quality Improvement projects causing my LPA to submit a SAR?

A: Regardless of the federal funding type and whether or not it was passed-through Caltrans, if your LPA expends \$750,000 or more in total federal funds in a fiscal year, it will trigger the SAR requirement.

15. **Q:** Is an LPA required to complete the SAR if they do not charge staff time to federal funds? What if federal funds are passed through to firms that are audited by Caltrans?

A: Yes, [Section 200.501\(a\)](#) requires an LPA to file a SAR if they have spent \$750,000 or more in total federal funds in a fiscal year. This includes passing funds through to a subrecipient pursuant to [2 CFR 200.502\(a\)](#).

16. **Q:** Is the SAR requirement for federal funds expended during the fiscal year or when they are reimbursed?

A: Pursuant to [2 CFR 200.501\(a\)](#), when “A non-Federal entity that **expends** \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.”

17. **Q:** Is the American Rescue Plan Act of 2021 (ARPA) for COVID-19 relief funding subject to the SAR requirements?

A: Yes, expenditures of ARPA grant funds are subject to SAR requirements if the LPA expends a federal total of \$750,000 or more during their fiscal year.

18. **Q:** A payroll tax credit was provided from ARPA that was applied towards federal tax liability. It did not have a Catalog of Federal Domestic Assistance number attached to it. Is this reported in the LPA's Statement of Expenditure of Federal Awards (SEFA) in the SAR?

A: Federal tax credits are not defined as a form of federal financial assistance pursuant to [2 CFR 200.1 et seq.](#) Therefore, the ARPA payroll tax credit does not need to be reported in the SEFA and is not subject to inclusion in the \$750,000 or more of total federal funds expenditures for the SAR requirement.

19. **Q:** When are costs considered expended in consideration of the SAR requirement? Is the determination based on processing through the LPA's Accounts Payable office?

A: Pursuant to [2 CFR 200.502\(a\)](#), “The determination of when a federal award is expended must be based on when the activity related to the federal award occurs. Generally, the activity pertains to events that require the non-federal entity to comply with federal statutes, regulations, and the terms and conditions of federal awards such as: expenditure/expense transactions associated with awards...”

20. **Q:** If the LPA has separate ARPA funds expended compared to other federal funds, does the LPA need to submit two different SARs or just one?

A: The expenditures from ARPA grant funds must be included in the LPA's calculation to determine if they expended \$750,000 or more of federal funds. Therefore, only one SAR needs to be submitted.

Single Audit Report Submission

21. **Q:** If an LPA expends more than \$750,000 in total federal funds for their fiscal year ending on June 30, 2021, then would the SAR be due to SCO and Caltrans by March 31, 2022?

A: Pursuant to [2 CFR 200.512\(a\)\(1\)](#), the SAR package "...Must be submitted within **the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.**"

For the State of California, the completed SAR package must be submitted to:

1. The FAC at <https://harvester.census.gov/facweb/Default.aspx>
2. The SCO at http://www.sco.ca.gov/aud_single_audits.html
3. E-mailed to Caltrans at CaltransFederalFundAward@dot.ca.gov

22. **Q:** The LPA has not received the courtesy SAR reminder letter from the SCO for the fiscal year ending 2021 with the username, password, and instructions. How does the LPA obtain this information?

A: Please email the SCO at singleaudits@sco.ca.gov for further instructions. As a note, Caltrans and the SCO are separate State agencies, and Caltrans does not have access to LPAs' login information.