**Federal Award Compliance and Control Record**

**Audit Guidance and Testing**

|  |  |
| --- | --- |
| **Name of Client:** |  |
| **Year Ended:** | 2023 |

|  |  |
| --- | --- |
| **Federal Award Name:** | Emergency Connectivity Fund Program |
| **AL#:** | 32.009 |

# Important Information

**In addition to completing the control and suggested audit procedures, yellow-highlighted text indicates items that must be addressed or updated by auditors and should be deleted after the required information is added.**

*Blue italicized text indicates guidance from CFAE.*

This Boilerplate has been tailored for local governments and Not-For-Profits. It does not include all required references and testing for Institutes of Higher Learning or State organizations.

If the program had COVID funding expenditures, please refer to the terms and conditions of the grant to determine if any additional requirements were imposed. Also see guidance in [Appendix VII](OMB_Appendix_VII.pdf) of the Compliance Supplement.

If additional material requirements are identified, auditors will need to create procedures to test those requirements. If you have questions, AOS Auditors please open a Spiceworks ticket for assistance (IPAs email [AOSFederal@ohioauditor.gov](mailto:AOSFederal@ohioauditor.gov)).

**Navigation Pane**

Click on the “View” tab on the top ribbon and check the box that says “Navigation Pane” to bring up the headings on the left side of the screen. Click on the various sections within the navigation pane to go directly to that section.

**Table of Contents**

On the table of contents page, users can also click on listed sections to go directly to that section. As information is added into the FACCR, page numbering will change, and the Table of Contents may need to be updated to reflect revised numbering. To update the Table of Contents, click on the word “Contents” directly above the line starting with Important Information, which brings up the icon “Update Table.” Clicking OK in the box that appears will update the page numbers on the Table of Contents to reflect any changes in the document.

**Guidance Links**

Links to guidance referenced throughout this document are included below:

* [Part 6](OMB_Part_6.pdf) (Internal Control) of the OMB Compliance Supplement
* [2013 COSO](https://www.coso.org/Shared%20Documents/Framework-Executive-Summary.pdf)
* [GAO’s 2014 Green Book](https://www.gao.gov/assets/gao-14-704g.pdf)
* [2 CFR Part 200](2_CFR_Part_200.pdf) – Once opened, click on the appropriate section(s)

# Agency Adoption of the UG and Example Citations

[*Appendix II*](OMB_Appendix_II.pdf) *to the OMB Compliance Supplement provides the codified section reference of the agency adoption of the Uniform Guidance (UG) (2 CFR Part 200) and nonprocurement suspension and debarment requirements in 2 CFR Part 180, including the 2020 revisions.*

*While some Federal agencies gave regulatory effect to the Uniform Guidance as a whole, others made changes to the UG language within the agency codified sections by either adding specific requirements/exceptions or editing/modifying existing language. OMB does not maintain a complete listing of agency exceptions to the UG, but the most recent compilation of agency additions and exceptions (updated through December 2014) is provided on the* [*CFO website*](https://www.cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf)*. AOS auditors should review the UG Exception Evaluation by Federal Agency spreadsheet (updated through June 2022)* [*on the Intranet*](https://ohauditor.sharepoint.com/:f:/r/sites/Intranet/Shared%20Documents/Audit_Resources/Federal/Other%20Federal%20Resources?csf=1&web=1&e=RtVw5R) *(Documents > Audit Resources > Federal > Other Federal Resources).*

*Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements.*

*Auditors should also review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*

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# Compliance Requirement Matrix

*Footnotes 1-7 below the matrix provide further explanation; review note 6 which discusses tailoring the matrix assessments.*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **(1)** | **(2)** | **(6)** | **(6)** | **(3)** | **(4)** | **(5)** | **(5)** | **(6/7)** |
| **Compliance Requirement** | | | **Applicable per Compliance Supplement**  *(Yes/No)* | **Direct & Material to Program / Entity**  *(Yes/No)* | **Monetary**  **or Nonmonetary**  *(Set by CFAE)*  *(M/N)* | **Population Subject to Requirement (if Monetary)**  *(in $)* | **Inherent Risk**  **(from IRAF)**  *(High/Low)* | **Final Control Risk**  *(High/Low)* | **Detection**  **Risk of Noncompl.**  *(High/Low)* | **Overall Audit Risk of Noncompl.**  *(High/Low)* | **Federal Materiality by Compliance Requirement**  *(usually 5%)* |
| **A** |  | **Activities Allowed or Unallowed** | Yes |  | M |  |  |  |  |  | 5% |
| **B** |  | **Allowable Costs/Cost Principles** | Yes |  | M |  |  |  |  |  | 5% |
| **C** |  | **Cash Management** | No |  |  |  |  |  |  |  |  |
| **D** |  | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **E** |  | **Eligibility** | No |  |  |  |  |  |  |  |  |
| **F** |  | **Equipment & Real Property Mgmt** | Yes |  | M |  |  |  |  |  | 5% |
| **G** |  | **Matching, Level of Effort, Earmark** | No |  |  |  |  |  |  |  |  |
| **H** |  | **Period of Performance** | Yes |  | M |  |  |  |  |  | 5% |
| **I** |  | **Procurement & Sus. & Debarment** | Yes |  | N |  |  |  |  |  | 5% |
| **J** |  | **Program Income** | No |  |  |  |  |  |  |  |  |
| **K** |  | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **L** |  | **Reporting** | No |  |  |  |  |  |  |  |  |
| **M** |  | **Subrecipient Monitoring** | No |  |  |  |  |  |  |  |  |
| **N** |  | **Special Tests & Provisions – Eligible Entities** | Yes |  | M/N |  |  |  |  |  | 5% |
| **N** |  | **Special Tests & Provisions – Restricted Purpose** | Yes |  | M/N |  |  |  |  |  | 5% |

**(1)** *From Part 2, Matrix of Compliance Requirements, for the applicable program in the* [*OMB Compliance Supplement*](https://www.whitehouse.gov/omb/office-federal-financial-management/)*. For programs not included in Part 2, all compliance requirements should be marked as applicable.*

**(2)** *If the Compliance Supplement notes a compliance requirement as being applicable to the program in the first column, it still may not apply at a particular entity either because that entity does not have activity subject to that type of compliance requirement, or the activity could not have a material effect on a major program. If the Compliance Supplement indicates that a type of compliance requirement is applicable and the auditor determines it also is direct and material to the program at the specific entity being audited, the auditor should answer this question “Yes,” and then complete the remainder of the line. Alternatively, if the auditor determines that a particular type of compliance requirement that normally would be applicable to a program (as per part 2 of the Compliance Supplement) is not direct and material to the program at the specific entity being audited, the auditor should answer this question “No.” Along with that response, the auditor should document the basis for the determination in the working papers or this FACCR. When making that determination all parts of that compliance requirement must be considered. For example, Equipment and Real Property Management contains procedures regarding Acquisitions, Dispositions (Disposals), and Inventory Management. The documentation on why the compliance requirement is not be applicable to the program/entity must address all parts of that compliance requirement.*

***(3)*** *Refer to the AICPA Single Audit Guide, chapter 10, Compliance Auditing Applicable to Major Programs, for considerations relating to assessing inherent risk of noncompliance for each direct and material type of compliance requirement. For AOS auditors, the auditor documents the inherent risk assessment for each direct and material compliance requirement on the Inherent Risk Assessment Form (IRAF). The assessments in this column should directly tie to the final inherent risk assessment on the IRAF.*

**(4)** *See guidance on the following page for considerations relating to assessing control risk of noncompliance for each direct and material type of compliance requirement.* ***Planned control risk must be assessed at low per 2 CFR § 200.514; therefore, only final control risk is shown in the matrix.*** *Additionally, auditors must document final control risk in each compliance requirement section’s Audit Implications Summary in this FACCR. See AICPA Single Audit Guide, Chapter 9, Consideration of Internal Control over Compliance for Major Programs.*

**(5)** *Audit risk of noncompliance is defined in AU-C 935 as the risk that the auditor expresses an inappropriate opinion on the entity’s compliance when material noncompliance exists. Audit risk of noncompliance is a function of the risks of material noncompliance and detection risk of noncompliance. A “Low” assessment of detection risk in this matrix means that the risk has been reduced to an acceptable level.*

***(6)*** *The AICPA Single Audit Guide 10.55 states the auditor’s tests of compliance with compliance requirements may disclose instances of noncompliance. The Uniform Guidance refers to these instances of noncompliance, among other matters, as “audit findings.” Such findings may be of a monetary nature and involve questioned costs or may be nonmonetary and not result in questioned costs. CFAE included the monetary vs. nonmonetary determinations for each compliance requirement in this program. If AOS auditor believe the determination of monetary vs. nonmonetary should be updated for a particular section, other than sections E and N, they must consult with CFAE via the FACCR specialty in Spiceworks. The Eligibility and Special Tests & Provisions determinations reflect M/N as the determination of whether the compliance requirement is monetary or non-monetary is contingent upon the specific requirements of the program being tested as well as requirements contained within the grant agreement. For sections E and N, auditors should tailor the assessment as appropriate based on the facts and circumstances of their entity’s operations, update the Compliance Requirement Matrix for the appropriate designation (N or M), and document the research and reasoning behind the determination.*

***(7)*** *AU-C 935.13 & .A7 require auditors to establish and document two materiality levels: (1) a materiality level for the program as a whole, and (2) a second materiality level for the each of the applicable 12 compliance requirement listed in Appendix XI to Part 200. This column documents quantitative materiality at the compliance requirement level for each major program.*

*Note: If the compliance requirement is (1) of a monetary nature, and (2) the requirement applies to the* ***total*** *population of program expenditures, then the compliance materiality amount for the program also equals materiality for the requirement as shown in the last column of the matrix. For example, the population for allowable costs and cost principles will usually equal the total Federal expenditures for the major program as a whole. Conversely, the population for some monetary compliance requirements may be less than the total Federal expenditures. Auditors must carefully determine the population subject to the compliance requirement to properly assess Federal materiality. Auditors should also consider the qualitative aspects of materiality. For example, in some cases, noncompliance and internal control deficiencies that might otherwise be immaterial could be significant to the major program because they involve fraud, abuse, or illegal acts. The program level materiality, typically 5%, is documented in the Record of Single Audit Risk (RSAR).*

**Performing Tests to Evaluate the Effectiveness of Controls**

*Control Risk Assessment:*

*Auditors must:*

* *Document the five internal control components (control environment, risk assessment, control activities, information and communication, and monitoring) for each direct and material compliance requirement and*
* *Perform procedures to obtain an understanding of internal control over compliance for federal programs that is sufficient to plan the audit to support a low assessed level of control risk.*

*If internal control over compliance for a compliance requirement is likely to be ineffective in preventing or detecting noncompliance, the auditor is not required to plan and perform tests of internal control over compliance. Rather, the auditor must assess control risk at maximum, determine whether additional compliance tests are required, and report a significant deficiency (or material weakness) as part of the audit findings.*

*AICPA Single Audit Guide’s paragraph 9.08 states that Uniform Guidance provides that the auditors must perform tests of internal controls over compliance as planned. (Paragraphs 9.40-9.42 of the* *AICPA Single Audit Guide discuss an exception related to ineffective internal control over compliance.) In addition, AU-C 330.08 states the auditor should design and perform tests of controls to obtain sufficient appropriate audit evidence about the operating effectiveness of relevant controls. Further, AU-C 330.09 states in designing and performing tests of controls, the auditor should obtain more persuasive audit evidence the greater the reliance the auditor places on the effectiveness of a control.*

*Testing of the operating effectiveness of controls ordinarily includes procedures such as*

1. *inquiries of appropriate entity personnel, including grant and contract managers;*
2. *the inspection of documents, reports, or electronic files indicating performance of the control;*
3. *the observation of the application of the specific controls; and*
4. *reperformance of the application of the control by the auditor.*

*The auditor should perform such procedures regardless of whether he or she would otherwise choose to obtain evidence to support an assessment of control risk below the maximum level.*

*Paragraph .A24 of AU-C section 330 provides guidance related to the testing of controls. When responding to the risk assessment, the auditor may design a test of controls to be performed concurrently with a test of details on the same transactions. Although the purpose of a test of controls is different from the purpose of a test of details, both may be accomplished concurrently by performing a test of controls and a test of details on the same transaction (a dual-purpose test). For example, the auditor may examine an invoice to determine whether it has been approved and whether it provides substantive evidence of a transaction. A dual-purpose test is designed and evaluated by considering each purpose of the test separately.*

*Also, when performing the tests, the auditor should consider how the outcome of the test of controls may affect the auditor’s determination about the extent of substantive procedures to be performed. See chapter 11 of the AICPA Single Audit Guide for a discussion of the use of dual-purpose samples in a compliance audit.*

*Before a dual-purpose test is performed, AOS auditors must read AOSAM 30500 and 35900 for guidance.*

[Part 6](OMB_Part_6.pdf) of the 2023 OMB Compliance Supplement provides detailed guidance on assessing internal controls over the compliance requirements.

*(Source: 2023 OMB Compliance Supplement)*

**Improper Payments**

Under OMB guidance, Public Law (Pub. L.) No. 107-300, the Improper Payments Information Act of 2002, as amended by Pub. L. No. 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments, and the June 18, 2010, Presidential memorandum to enhance payment accuracy, federal agencies are required to take actions to prevent improper payments, review federal awards for such payments, and, as applicable, reclaim improper payments. Improper payments include the following:

1. Any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement; and includes -- (i) any payment to an ineligible recipient;(ii) any payment for an ineligible good or service; (iii) any duplicate payment; (iv) any payment for a good or service not received, except for those payments where authorized by law; and (v) any payment that does not account for credit for applicable discounts.
2. A payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper as a result of insufficient or lack of documentation.

Auditors must be alert to improper payments, particularly when testing the following parts of section III. – A, “Activities Allowed or Unallowed;” B, “Allowable Costs/Cost Principles;” E, “Eligibility;” and, in some cases, N, “Special Tests and Provisions.”

*(Source: 2023 OMB Compliance Supplement Part 3)*

# Part I – OMB Compliance Supplement Information

### I. Program Objectives

Congress established the Emergency Connectivity Fund (ECF) through section 7402 of the American Rescue Plan Act of 2021 (Act), and appropriated $7.171 billion for the purchase of eligible equipment, advanced telecommunications, and information services for use by students, school staff, and library patrons at locations that include locations other than at a school or library. In addition, Congress appropriated $1 million for the Inspector General of the Federal Communications Commission (OIG) to conduct oversight of support provided through the ECF. Congress directed the Federal Communications Commission (Commission) to promulgate rules providing for the distribution of funding from the ECF within 60 days from the date of enactment. The Commission adopted rules and established the ECF Program on May 10, 2021. See *Establishing the Emergency Connectivity Fund to Close the Homework Gap*, WC Docket No. 21-93, Report and Order, 36 FCC Rcd 8696 (2021) available at <https://docs.fcc.gov/public/attachments/FCC-21-58A1.pdf> (Report and Order). Congress also provided that these appropriated funds would remain available until September 30, 2030.

The ECF Program provides funding to meet the remote learning needs of students, school staff, and library patrons who would otherwise lack access to connected devices and broadband connections sufficient to engage in remote learning during the COVID-19 emergency period. In the Report and Order, the Commission adopted an initial 45-day application filing window to allow eligible schools and libraries to request funding for eligible services and equipment to be received or delivered between July 1, 2021 through June 30, 2022.

The Act also provides that the Commission and the Universal Service Administrative Company (USAC), the permanent administrator of the Universal Service Fund, will administer the regulations adopted pursuant to section 7402. In the Report and Order, the Commission directed USAC to administer the ECF Program under its oversight and pursuant to the terms of the March 19, 2021 Memorandum of Understanding (MOU) between the Commission and USAC.

As a direct payment for specified use, these funds are considered federal financial assistance and are subject to only the certain sections (as noted in the Source of Governing Documents, below) of the Code of Federal Regulations, Title II, Chapter II, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. For Audit purposes, Nonprofit organizations must refer to Subpart F and other types of organizations may be audited by the Commission or Contractor. Audit information may be requested by the Commission, USAC, or Commission’s contractor for program specific audits.

For additional details regarding the ECF Program, please visit <https://www.fcc.gov/emergency-connectivity-fund> and <https://www.emergencyconnectivityfund.org/>.

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

### II. Program Procedures

Consistent with Congressional direction in section 7402, schools, libraries, and consortia of schools and libraries that are eligible for support through the E-Rate Program are eligible to request and receive support through the ECF Program. However, eligible schools and libraries do not have to be participants in the E-Rate Program to participate in the ECF Program. In its Report and Order, the Commission determined that the ECF Program would leverage many of the existing forms, including the E-Rate application form (i.e., FCC Form 471 – Description of Services Ordered and Certification Form) and other E-Rate processes to the extent feasible to streamline the process for applying for and receiving support through the ECF Program.

The Commission opened an initial 45-day application filing window for applicants to submit requests for funding (i.e., ECF FCC Form 471 applications) for eligible equipment and services received or delivered between July 1, 2021 and June 30, 2022. The first initial application filing window opened on June 29, 2021 and closed on August 13, 2021. Due to the availability of remaining funds after the close of the initial application filing window, a second ECF Program application filing window opened on September 28, 2021 and closed on October 13, 2021 to allow schools and libraries to apply for funding to address remaining unmet connectivity needs of their students, school staff, and library patrons. During the second application filing window, applicants could submit requests for funding to purchase eligible equipment and services to be received or delivered between July 1, 2021 and June 30, 2022. On February 22, 2022, the Wireline Competition Bureau (Bureau) extended the June 30, 2022 service delivery date to June 30, 2023 for all first and second ECF filing window funding requests for equipment, non- recurring services, and recurring services and modified 47 CFR section 54.1711(e) accordingly. See *Establishing Emergency Connectivity Fund to Close the Homework Gap*, WC Docket No. 21-93, Order, DA 22-176 (rel. Feb. 22, 2022).

On March 23, 2022, the Bureau announced that a third application filing window would open on April 28, 2022 and close on May 13, 2022. During this 15-day filing window, eligible schools and libraries could request funding for eligible equipment and up to 12 months of recurring services to be received or delivered between July 1, 2022 and December 31, 2023. In addition, December 31, 2023 was established as the service delivery date for all ECF third window funding requests for equipment, non-recurring services, and recurring services. See *Wireline Competition Bureau Announces Third Application Filing Window for the Emergency Connectivity Fund Program*, WC Docket No. 21-93, Public Notice, DA 22-309 (rel. Mar. 23, 2022). As demand received during the third application filing window exceeded available funds, the third window funding requests will be prioritized in accordance with 47 CFR section 54.1708(c), and it is not anticipated that there will be any additional application filing windows for the program as total program demand exceeds the $7.171 billion that was appropriated for the ECF.

USAC reviews the timely filed ECF FCC Form 471 applications and makes recommendations for issuing commitments for the funding requests. The Commission reviews and approves the recommended funding decisions and USAC then issues the funding commitment decision letters to the applicants and service providers. The Commission records the commitments and obligates funds in the Commission’s financial system. In the event that demand exceeds available funds, the Commission and USAC will prioritize support based on the applicant’s E-Rate Program discount rate for category one services, with a 5 percent bump up for rural schools and libraries. See ECF Program prioritization matrix at 47 CFR section 54.1708(c).

Applicants that will submit requests for reimbursement for Program payments, or service providers that agree to submit requests for reimbursement on behalf of the applicant, must register or renew their account with the System for Award Management (SAM), which is located at <https://sam.gov/content/home>, in order to receive program disbursements.

Applicants will submit reimbursement requests using the ECF FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form, and service providers that agree to invoice on behalf of applicants will submit the ECF FCC Form 474, Service Provider Invoice (SPI) Form.

Applicants and service providers are required to include certain certifications on the form to protect against waste, fraud, and abuse. Applicants and service providers are also required to submit vendor invoices detailing the items purchased, along with their reimbursement requests. Invoices must support the amounts requested in the application form and reimbursement request. The Commission authorizes the disbursement of funds by the United States Department of Treasury after approving the proposed payments.

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

### III. Source of Governing Requirements

The Emergency Connectivity Fund Program is established pursuant to the American Rescue Plan Act of 2021, Pub. L. No. 117-2, 135 Stat. 109-110, Sec. 7402(c), 47 USC section 254 Note. The bill is available at [H.R.1319 - 117th Congress (2021): American Rescue Plan Act | Congress.gov | Library of Congress](https://www.congress.gov/bill/117th-congress/house-bill/1319/text#toc-HED684F5FC4AE4EE38E13A40FEF27CDE7).

Pursuant to the American Rescue Plan Act, the Commission adopted rules for the ECF Program in its May 10, 2021 Report and Order: *Establishing Emergency Connectivity Fund to Close the Homework Gap*, WC Docket Nos- 21-58, 21-93 Report and Order, 36 FCC Rcd 8696 (2021). The Report and Order is available at <https://docs.fcc.gov/public/attachments/FCC-21-58A1.pdf>. The rules for the ECF Program are available at [47 CFR sections 54.1700 et seq](https://www.ecfr.gov/current/title-47/chapter-I/subchapter-B/part-54/subpart-Q?toc=1).

As a direct payment for specified use, these funds are considered federal financial assistance and are subject to only the following sections of the Code of Federal Regulations, Title II, Chapter II, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“2 CFR”): Subpart A, Acronyms and Definitions; Subpart B, General provisions; subparts C–D (specifically 2 CFR section 200.203 – Requirement to provide public notice of federal financial assistance programs; and 2 CFR section 200.303 Internal controls and 2 CFR sections 200.331-333 Subrecipient Monitoring and Management); Subpart F, Audit Requirements.

The following remaining 2 CFR policy requirements are excluded from coverage under this assistance listing: Subpart C; Subpart D; Subpart E.

Code of Federal Regulations is available at [CFR - Title 2 (2021): Grants and Agreements | ECFR.gov | Code of Federal Regulations](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1).

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

### IV. Other Information

Program information is available at <https://www.fcc.gov/emergency-connectivity-fund>. See “Frequently Asked Questions” section for details. Additional information is also available at <https://www.emergencyconnectivityfund.org/>.

The documents listed in the “Source of Governing Requirements” and the above link serve as a guide for tests and findings.

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

# Part II – Pass through Agency and Grant Specific Information

**This section should contain introductory program specific information that is applicable to the program AL being tested from the pass-through agency and contained within the individual grant agreement.**

### Program Overview

### Testing Considerations

### Reporting

*Example SEFA and Footnote shells, the “Single Audit SEFA 2023 Completeness Guide” and additional resources are available for AOS Staff on the Intranet and for IPAs on the* [*IPA Resource Internet Page*](http://www.ohioauditor.gov/references/practiceaids.html)*.*

# Part III – Applicable Compliance Requirements

## A. ACTIVITIES ALLOWED OR UNALLOWED

### OMB Compliance Requirements

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A)**and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR Part 200, Subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.*

*For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and auditors) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost § 200.420-200.476) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and the auditor should look at 2 CFR Part 200, Subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Source of Governing Requirements**

The requirements for activities allowed or unallowed are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

See Eligible Services and Equipment section at <https://www.fcc.gov/emergency-connectivity-fund> and the Eligible Services List for Emergency Connectivity Fund Program at <https://www.fcc.gov/sites/default/files/ecf_esl.pdf>.

*1. Activities Allowed*

ECF Program-funded devices and services must be used primarily for off-campus educational purposes and by students, school staff, and library patrons with otherwise unmet needs. To ensure that funding is focused on unmet needs, the Commission requires schools, library, and consortia to certify, as part of their funding application, that they are only seeking support for eligible equipment and/or broadband connectivity provided to students, school staff, and library patrons who would otherwise lack access to connected devices and/or broadband connectivity sufficient to engage in remote learning.

The ECF FCC Form 471 application must be signed by the person authorized to order eligible equipment and/or services for the eligible school, library, or consortium and shall include that person's certification under penalty of perjury. Certifications include:

a. Since the connected devices supported by this Program are intended to be used primarily for educational purposes and by students, school staff, and library patrons, the Commission requires schools and libraries to restrict access to eligible connected devices to only those students, school staff, and library patrons with appropriate credentials.

b. The library applicant must certify that the library or library consortium listed on the FCC Form 471 application is only seeking support for eligible equipment and/or services provided to library patrons who have signed and returned a statement that the library patron would otherwise lack access to equipment or services sufficient to meet the patron's educational needs if not for the use of the equipment or service being provided by the library. To ensure that libraries are providing eligible equipment and services to patrons with unmet needs, before providing a library patron with eligible equipment or services, the library must provide the patron a copy of an eligible use policy, which explains that the equipment or service is intended for library patrons who do not otherwise have access to equipment or services sufficient to meet the patron’s educational needs. The library must also obtain a signed statement from the library patron that they would otherwise lack access to the equipment or services sufficient to meet their educational needs if not for the equipment or service provided by the library.

c. The school or school consortium applicant must certify that the school entities listed on the FCC Form 471 application are only seeking support for eligible equipment and/or services provided to students and school staff who would otherwise lack connected devices and/or broadband services sufficient to engage in remote learning. These applicants must describe how and when they collected the information that they use for the estimates provided in their responses on the application section pertaining to the unmet needs of their students.

The complete list of certifications required on the program application is listed at 47 CFR section 54.1710(a)(1)(i)-(xv).

The complete list of certifications required on the program Request for Reimbursement forms to be made by applicants and the service providers that agree to submit these forms on the behalf of applicants is listed at 47 CFR section 54.1711(a)(1)(i)-(xii) and (a)(2)(i)-(x).

Both applicants and service providers, who agree to invoice on the applicant’s behalf, may submit requests for reimbursement. The applicant must indicate that its service provider will submit the requests for reimbursement in its application and provide evidence that shows that the service provider has agreed to the arrangement.

Applicants who have entered into contractual arrangements or are otherwise legally obligated to purchase eligible equipment and services from their service provider, can submit requests for reimbursement before they have paid their service provider(s) for the requested equipment and services. The equipment or services must have been received before the applicant may submit requests for reimbursement. Applicants must also pay their service provider within 30 days after receipt of funds and will be required to certify compliance and provide verification of payment to the service provider.

*2. Activities Unallowed*

Schools and libraries are prohibited from seeking and receiving reimbursement for eligible equipment and services purchased for use solely at the school or library. Additionally, for funding requests submitted during the first two application filing windows, items purchased or received prior to July 1, 2021, or after June 30, 2023, are ineligible for ECF support for this funding period (see, e.g., 47 CFR section 54.1708(b) and *Establishing the Emergency Connectivity Fund to Close the Homework Gap*, Order, DA 22-176 (rel. Feb. 22, 2022) (extending the service delivery date from June 30, 2022 to June 30, 2023). For the funding requests submitted during the third application filing window, applicants may request funding for eligible equipment, non-recurring services, and for up to 12 months of recurring service to be received or delivered between July 1, 2022 and December 31, 2023. There is a minor exception for multi-year lease agreements for equipment or connected devices. The ECF Program will fund the lease payments for this equipment or connected devices for the period July 1, 2021 through June 30, 2023, the extended service delivery date for equipment, non-recurring services, and recurring services requested during for the first two application filing windows. The applicants may have received this equipment or connected devices before the July 1, 2021 date for these multi-year lease arrangements. The ECF Program will also fund the lease payments for this equipment or connected devices for up to 12 months of equipment to be delivered between July 1, 2022 and December 31, 2023, for applicants that receive funding commitments for their third window requests.

ECF Program rules require that on the ECF Request for Reimbursement forms - the FCC Form 472 and FCC Form 474 – applicants and service providers certify to the following under penalty of perjury: “No Federal subsidy made available through a program administered by the Commission that provides funds to be used for the capital expenditures necessary for the provision of advanced communications services has been or will be used to purchase, rent, lease, or otherwise obtain, any covered communications equipment or service, or maintain any covered communications equipment or service, or maintain any covered communications equipment or service previously purchased, rented, leased, or otherwise obtained, as required by § 54.10.”

Entities participating in the ECF Program may not seek Emergency Connectivity Fund support or reimbursement for eligible equipment or services that have been purchased with or reimbursed in full from other Federal pandemic-relief funding, targeted state funding, other external sources of targeted funding or targeted gifts, or eligible for discounts from the schools and libraries universal service support mechanism or other universal service support mechanisms.

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).
2. Determine whether Federal awards were expended only for allowable activities.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):*  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):*  **Person(s) responsible for performing the control procedure** *(Title):*  **Description of evidence documenting the control was applied** *(i.e. sampling unit):* |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*  ***AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*  1. Identify the types of activities which are either specifically allowed or prohibited by the laws, regulations, and the provisions of the contract or grant agreements pertaining to the program.  *Auditors should be able to identify these activities using Part 4 requirements as well as tailoring the “Additional Program Specific Information” section above.*  2. When allowability is determined based upon summary level data, perform procedures to verify that:  a. Activities were allowable.  b. Individual transactions were properly classified and accumulated into the activity total.  \*3. When allowability is determined based upon individual transactions, select a sample of transactions and perform procedures to verify that the transaction was for an allowable activity.  4. The auditor should be alert for large transfers of funds from program accounts which may have been used to fund unallowable activities. |

### Audit Implications Summary

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| --- |
| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies, and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## B. ALLOWABLE COSTS/COST PRINCIPLES

**Introduction**

2 CFR Part 200, Subpart E and Appendices III-VII establish principles and standards for determining allowable direct and indirect costs for Federal awards. This section is organized into the following areas of allowable costs: States and Local Government and Indian Tribe Costs (Direct and Indirect); State/Local Government Central Service Costs; and State Public Assistance Agency Costs.

*(Source: 2023 OMB Compliance Supplement Part 3)*

*FACCR Section B includes five distinct testing sections, the first of which is always applicable.*

1. *Cost Principles for States, Local Governments, and Indian Tribes – testing guidance and steps included in FACCR, not separate testing document.*

*Auditors* ***must*** *evaluate if additional section(s) are applicable to their Entity, including sources reviewed to verify applicability. For additional sections, auditors must pull the testing section(s) into their working papers and test accordingly.*

*Additional testing sections are located* [***here***](https://ohauditor.sharepoint.com/sites/Intranet/Shared%20Documents/Forms/AllItems.aspx?FolderCTID=0x0120002FFBFB1F4A3C3F47AE37C7A44E1C1EDE&id=%2Fsites%2FIntranet%2FShared%20Documents%2FAudit%5FResources%2FFederal%2FFACCRs%20and%20IRAFs%2F2023%2FSection%20B%20Addenda&viewid=68cb3ab2%2D567e%2D456a%2D975c%2Da88f3e9c3727)*for AOS auditors and* [***here***](https://ohioauditor.gov/references/practiceaids/faccrs.html) *for IPA auditors.*

1. *De Minimis Indirect Cost Rate*
   1. *This section must be tested if the Entity utilizes the de minimis indirect cost rate to charge indirect costs to the grant, whether as a recipient or subrecipient.*
   2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
   3. *If applicable, testing documents:* **Link to testing documents**
2. *Allowable Costs – State/Local Government-wide Central Service Costs*
   1. *This section must be tested if the Entity allocated costs to the grant using central service cost allocation plans (CAPs).*
   2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
   3. *If applicable, testing documents:* **Link to testing documents**
3. *Allowable Costs – State Public Assistance Agency Costs*
   1. *This section must be tested if the Entity charged state public assistance agency costs to the grant.* 
      1. *State public assistance agency costs are defined as (1) all costs allocated or incurred by the State agency except expenditures for financial assistance, medical vendor payments, and payments for service and goods provided directly to program recipients and (2) normally charged to Federal awards by implementing the public assistance cost allocation plan (CAP).*
      2. *This may be applicable at the local level if local entities perform procedures to support the State compliance (For example, this may occur with JFS programs)*
   2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
   3. *If applicable, testing documents:* **Link to testing documents**
4. *Cost Principles for Nonprofit Organizations* 
   1. *This section must be tested if the Entity is a nonprofit organization.*
   2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
   3. *If applicable, testing documents:* **Link to testing documents**

### Applicability of Cost Principles

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A) and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR 200, Subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.*

*For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and we) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost § 200.420-200.476) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and the auditor should look at 2 CFR Part 200, Subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

*The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of the Federal award contracts or grant agreements pertaining to the program.*

The cost principles in 2 CFR Part 200, Subpart E (Cost Principles), prescribe the cost accounting requirements associated with the administration of Federal awards by:

1. States, local governments and Indian tribes
2. Institutions of higher education (IHEs)
3. Nonprofit organizations

As provided in 2 CFR 200.101, the cost principles requirements apply to all Federal awards with the exception of grant agreements and cooperative agreements providing food commodities; agreements for loans, loan guarantees, interest subsidies, insurance; and programs listed in 2 CFR 200.101(e) (see Appendix I of this Supplement). Federal awards administered by publicly owned hospitals and other providers of medical care are exempt from 2 CFR Part 200, Subpart E, but are subject to the requirements [45 CFR Part 75, Appendix IX](45_CFR_Part_75.pdf), the Department of Health and Human Services (HHS) implementation of 2 CFR Part 200. The cost principles applicable to a non-Federal entity apply to all Federal awards received by the entity, regardless of whether the awards are received directly from the Federal awarding agency or indirectly through a pass-through entity. For this purpose, Federal awards include cost-reimbursement contacts under the Federal Acquisition Regulation (FAR). The cost principles do not apply to Federal awards under which a non-Federal entity is not required to account to the Federal awarding agency or pass-through entity for actual costs incurred.

**Source of Governing Requirements**

The requirements for allowable costs/cost principles are contained in 2 CFR Part 200, Subpart E, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The requirements for the development and submission of indirect (facilities and administration (F&A)) cost rate proposals and cost allocation plans (CAPs) are contained in 2 CFR Part 200, Appendices III-VII as follows:

* Appendix III to Part 200—Indirect (F&A) Const Identification and Assignment and Rate Determination for Institutions of Higher Education (IHEs)
* Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations
* Appendix V to Part 200—State/Local Government-Wide Central Service Cost Allocation Plans
* Appendix VI to Part 200—Public Assistance Cost Allocation Plans
* Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals

Except for the requirements identified below under “Basic Guidelines,” which are applicable to all types of non-Federal entities, this compliance requirement is divided into sections based on the type of non-Federal entity. The differences that exist are necessary because of the nature of the non-Federal entity organizational structures, programs administered, and breadth of services offered by some non-Federal entities and not others.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Basic Guidelines**

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards;

1. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under the principles in 2 CFR Part 200, Subpart E.

2. Conform to any limitations or exclusions set forth in 2 CFR Part 200, Subpart E or in the Federal award as to types or amount of cost items.

3. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.

4. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

5. Be determined in accordance with generally accepted accounting principles (GAAP), except, for State and local governments and Indian tribes only, as otherwise provided for in 2 CFR Part 200.

6. Not be included as a cost or used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period.

7. Be adequately documented.

**Selected Items of Cost**

2 CFR 200.420 - 200.476 provide the principles to be applied in establishing the allowability of certain items of cost, in addition to the basic considerations identified above. These principles apply whether or not a particular item of cost is treated as a direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment provided for similar or related items of cost and the principles described in 2 CFR 200.402 - 200.411.

[List of Selected Items of Cost Contained in 2 CFR Part 200](Selected_Items_of_Cost_Part_3_ComplianceSupplement.pdf)

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

See Eligible Services and Equipment section at <https://www.fcc.gov/emergency-connectivity-fund-faqs> and the Eligible Services List for Emergency Connectivity Fund Program at <https://www.fcc.gov/sites/default/files/ecf_esl.pdf>.

Section 7402(b) provides that the Commission will reimburse 100 percent of the costs associated with the purchase of eligible equipment and/or advanced telecommunications and information services, except that any reimbursement of a school or library for the costs associated with any eligible equipment may not exceed an amount the Commission determines to be reasonable. Section 7402(d)(6) defines eligible equipment to mean: (1) Wi-Fi hotspots, (2) modems, (3) routers, (4) devices that combine a modem and router, and (5) connected devices. Section 7402(d)(11) defines Wi-Fi hotspot as a device that is capable of—(A) receiving advanced telecommunications and information services; and (B) sharing such services with another connected device through the use of Wi-Fi. Section 7402(d)(3) defines connected devices as laptop computers, tablet computers, or similar end-user devices that are capable of connecting to advanced telecommunications and information services. Section 7402(d)(1) defines “advanced telecommunications and information services” to mean advanced telecommunications and information services, as such term is used in section 254(h) of the Communications Act of 1934 (47 USC section 254(h)).

1. Eligible Equipment: Wi-Fi hotspots, modems, routers, devices that combine a modem and router, and connected devices (i.e., laptops and tablet computers). Air cards used to connect end-user devices to the Internet through cellular data services are wireless modems and are also eligible for support through the ECF Program.

2. Connected Devices: The Commission defined connected devices as laptop computers and tablet computers that are capable of connecting to advanced telecommunications and information services (47 CFR section 54.1700(c)). It is expected that connected devices will be Wi-Fi enabled and be able to support video conferencing platforms and other software necessary to ensure full participation in remote learning. It is also expected that connected devices will be accessible to and usable by individuals with disabilities. If people with disabilities require connected devices to connect to the Internet, schools and libraries will request such devices to accommodate disabilities, if needed. The Commission also determined that desktop computers and mobile phones, including smart phones, are ineligible for ECF Program support.

3. Advanced Telecommunications and Information Service: The Commission defined advanced telecommunications and information services as services as the term is used in section 254(h) of the Communications Act, 47 USC section 254(h) (47 CFR section 54.1700(a)). To qualify for funding for the ECF Program, schools and libraries will only be reimbursed for purchasing a commercially available service providing a fixed or mobile broadband Internet access connection for off-campus use by students, school staff, or library patrons.

4. Limited exception for network construction and/or datacasting. Funding for network construction or self-provisioned networks will be permitted only where no commercially available broadband Internet access services are available that are sufficient to support remote learning for students, school staff, or library patrons. Under those same limited circumstances, funding for customer premises equipment to receive datacasting services will also be available. Applicants must demonstrate that there were no commercially available Internet access service options available sufficient to support remote learning from one or a combination of providers. Applicants must also define the geographic area that was or will be served and assess the estimated number of students, school staff, or library patrons to be served. Applicants must be able to provide clear evidence of how they determined that an existing fixed or mobile network sufficient to support remote learning was or is not available and that for prospective construction, they sought service from existing providers serving the area prior to constructing a new network and that such providers were unable or unwilling to provide services sufficient to meet the remote learning needs of their students, school staff, or library patrons. Applicants will also be required to certify that they sought service from existing providers in the relevant area and that such providers were unable or unwilling to provide broadband Internet access services sufficient to meet their remote learning needs before constructing new networks or requesting funding for datacasting customer premises equipment.

For networks already constructed or equipment already purchased during the pandemic, applicants must show that services were provided to students, school staff, or library patrons during the funding period supported by the second filing window.

For future construction, they must show that construction is completed and services provided within one year of a funding commitment decision.

5. Installation, Taxes, and Fees: The Program will cover reasonable costs of the enumerated equipment, connected devices, and services, including installation, activation, and initial configuration costs, taxes, and fees. Installation and configuration costs will only be eligible for support if they are provided by the same vendor that is providing the eligible equipment.

6. Wi-Fi Hotspots on School Buses and Bookmobiles: Schools and libraries are allowed to use Emergency Connectivity Fund Program support to purchase Wi-Fi hotspots for school buses and bookmobiles to provide off-campus broadband services to students, school staff, and library patrons who currently lack sufficient broadband access.

7. Reasonable Amount: The Commission has determined that $400 is a reasonable, maximum support amount for connected devices. Applicants may request a waiver of the reasonable support amount for connected devices, pursuant to 47 CFR section 54.1718(a)(2) and (b)(2)., if the reasonable cost to purchase devices for students, school staff, or patrons with disabilities is higher than $400 and the public interest warrants deviation from the general rule. For Wi-Fi hotspots provided to an individual student, school staff member, or library patron, $250 is the maximum reasonable support amount based on advertised costs for Wi-Fi hotspots.

8. Funding will not be provided for desktop computers and mobile phones, including smartphones. Funding for more than one connection and connected device per user is also prohibited.

For other types of eligible equipment—namely, modems, routers, and devices that combine modems and routers, and multi-user Wi-Fi hotspots, the Commission delegated authority to the Bureau to provide guidance to USAC for assessing the reasonability of the costs for these applications. USAC will also make the pricing data from the Emergency Connectivity Fund Program publicly available through its Open Data platform (<https://www.emergencyconnectivityfund.org/open-data/>). The publication of this pricing data will allow applicants to review prices paid by schools and libraries across the country for same and similar eligible equipment and services.

9. Applicants may use consultants to assist with the preparation of their funding applications and reimbursement requests, but any fees associated with such assistance are not eligible for funding under the Program.

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

***Written Procedure Requirements:***

*2 CFR 200.302(b)(7) requires written procedures for determining the allowability of costs in accordance with Subpart E-Cost Principles of this part and the terms and conditions of the Federal award.*

*2 CFR 200.430 states that costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.*

*2 CFR 200.431 requires established written leave policies if the entity intends to pay fringe benefits.*

*2 CFR 200.464(a)(2) requires reimbursement of relocation costs to employees be in accordance with an established written policy must be consistently followed by the employer.*

*2 CFR 200.475 requires reimbursement and/or charges to be consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally funded activities and in accordance with non-Federal entity's written travel reimbursement policies.*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Cost Principles for States, Local Governments and Indian Tribes

### OMB Compliance Requirements

**Direct Costs**

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

**Indirect Costs**

*Allocation of Indirect Costs and Determination of Indirect Cost Rates*

1. The specific methods for allocating indirect costs and computing indirect cost rates are as follows:
   1. *Simplified Method* – This method is applicable where a governmental unit’s department or agency has only one major function, or where all its major functions benefit from the indirect cost to approximately the same degree. The allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures described in 2 CFR Part 200, Appendix VII, paragraph C.2.
   2. *Multiple Allocation Base Method* – This method is applicable where a governmental unit’s department or agency has several major functions that benefit from its indirect costs in varying degrees. The allocation of indirect costs may require the accumulation of such costs into separate groupings which are then allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. (For detailed information, refer to 2 CFR Part 200, Appendix VII, paragraph C.3.)
   3. *Special Indirect Cost Rates* – In some instances, a single indirect cost rate for all activities of a department or agency may not be appropriate. Different factors may substantially affect the indirect costs applicable to a particular program or group of programs (e.g., the physical location of the work, the nature of the facilities, or level of administrative support required). (For the requirements for a separate indirect cost rate, refer to 2 CFR Part 200, Appendix VII, paragraph C.4.)
   4. *Cost Allocation Plans* – In certain cases, the cognizant agency for indirect costs may require a state or local government o unit’s department or agency to prepare a CAP instead of an ICRP. These are infrequently occurring cases in which the nature of the department or agency’s federal awards makes impracticable the use of a rate to recover indirect costs. A CAP required in such cases consists of narrative descriptions of the methods the department or agency uses to allocate indirect costs to programs, awards, or other cost objectives. Like an ICRP, the CAP either must be submitted to the cognizant agency for indirect cost for review, negotiation, and approval, or retained on file for inspection during audits.

*Submission Requirements*

1. Submission requirements are identified in 2 CFR Part 200, Appendix VII, paragraph D.1. All departments or agencies of a governmental unit claiming indirect costs under federal awards must prepare an ICRP and related documentation to support those costs.
2. A state/local department or agency or Indian tribe that receives more than $35 million in direct federal funding must submit its ICRP to its cognizant agency for indirect costs. Other state/local government departments or agencies that are not required to submit a proposal to the cognizant agency for indirect costs must develop an ICRP in accordance with the requirements of 2 CFR Part 200 and maintain the proposal and related supporting documentation for audit.
3. Where a government receives funds as a subrecipient only, the pass-through entity will be responsible for the indirect cost rate used (2 CFR section 200.331(a)(4)).
4. Each Indian tribe desiring reimbursement of indirect costs must submit its ICRP to the DOI (its cognizant agency for indirect costs).
5. ICRPs must be developed (and, when required, submitted) within 6 months after the close of the governmental unit’s fiscal year, unless an exception is approved by the cognizant agency for indirect costs.

*Documentation and Certification Requirements*

The documentation and certification requirements for ICRPs are included in 2 CFR Part 200, Appendix VII, paragraphs D.2 and 3, respectively. The proposal and related documentation must be retained for audit in accordance with the record retention requirements contained in 2 CFR section 200.333(f).

**Cognizant Agency for Indirect Costs**

2 CFR Part 200, Appendix V, paragraph F, provides the guidelines to use when determining the Federal agency that will serve as the cognizant agency for indirect costs for States, local governments, and Indian tribes. References to the “cognizant agency for indirect costs” are not equivalent to the cognizant agency for audit responsibilities, which is defined in 2 CFR 200.1\_Cognizant\_Agency.

For indirect cost rates and departmental indirect cost allocation plans, the cognizant agency is generally the Federal agency with the largest value of direct Federal awards (excluding pass-through awards) with a governmental unit or component, as appropriate. In general, unless different arrangements are agreed to by the concerned Federal agencies or described in 2 CFR Part 200, Appendix V, paragraph F, the cognizant agency for central service cost allocation plans is the Federal agency with the largest dollar value of total Federal awards (including pass-through awards) with a governmental unit.

Once designated as the cognizant agency for indirect costs, the Federal agency remains so for a period of 5 years. In addition, 2 CFR Part 200, Appendix V, paragraph F, lists the cognizant agencies for certain specific types of plans and the cognizant agencies for indirect costs for certain types of governmental entities. For example, HHS is cognizant for all public assistance and State-wide cost allocation plans for all States (including the District of Columbia and Puerto Rico), State and local hospitals, libraries, and health districts and the Department of the Interior (DOI) is cognizant for all Indian tribal governments, territorial governments, and State and local park and recreational districts.

*(Source: 2023 OMB Compliance Supplement Part 3)*

#### Audit Objectives and Control Tests: Allowable Costs –– Direct and Indirect Costs

The individual State/local government/Indian tribe departments or agencies (also known as “operating agencies”) are responsible for the performance or administration of Federal awards. In order to receive cost reimbursement **under** Federal awards, the department or agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with 2 CFR Part 200, Subpart E.

The indirect cost rate proposal (ICRP) provides the documentation prepared by a State/local government/Indian tribe department or agency to substantiate its request for the establishment of an indirect cost rate. The indirect costs include (1) costs originating in the department or agency of the governmental unit carrying out Federal awards, and (2) for States and local governments, costs of central governmental services distributed through the State/local government-wide central service CAP that are not otherwise treated as direct costs. The ICRPs are based on the most current financial data and are used to either establish predetermined, fixed, or provisional indirect cost rates or to finalize provisional rates (for rate definitions refer to 2 CFR Part 200, Appendix VII, paragraph B).

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

**Audit Objectives: Direct Costs**

1. Determine whether the organization complied with the provisions of 2 CFR Part 200 as follows:
2. Direct charges to federal awards were for allowable costs.
3. Unallowable costs determined to be direct costs were included in the allocation base for the purpose of computing an indirect cost rate.

**Audit Objectives: Indirect Costs**

1. Determine whether the governmental unit complied with the provisions of 2 CFR Part 200 as follows:
2. Charges to cost pools used in calculating indirect cost rates were for allowable costs.
3. The methods for allocating the costs are in accordance with the cost principles, and produce an equitable and consistent distribution of costs (e.g., all activities that benefit from the indirect cost, including unallowable activities, must receive an appropriate allocation of indirect costs).
4. Indirect cost rates were applied in accordance with negotiated indirect cost rate agreements (ICRA).
5. For State/local departments or agencies that do not have to submit an ICRP to the cognizant agency for indirect costs (those that receive less than $35 million in direct Federal awards), indirect cost rates were applied in accordance with the ICRP maintained on file.

*(Source: 2023 OMB Compliance Supplement Part 3)*

***Additional Control Test Objectives for Written Procedures***

*When documenting and identifying the key control(s) in place to address the compliance requirement, consider if the client has written procedures to document the control process.*

* *UG requires written policies for the requirements outlined in 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
* *Document whether the non-federal entity established written procedures consistent with the following requirements:*
  + *2 CFR 200.302(b)(7) for determining the allowability of costs in accordance with Subpart E-Cost Principles.*
  + *2 CFR 200.430 for allowability of compensation costs.*
  + *2 CFR 200.431 for written leave policies.*
  + *2 CFR 200.464(a)(2) for reimbursement of relocation costs.*
  + *2 CFR 200.475 for travel reimbursements.*
* *It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
  + *While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.*
  + *The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.* 
    - *If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:  **Person(s) responsible for performing the control procedure** *(Title)*:  **Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

#### Suggested Substantive Audit Procedures – Compliance – Direct and Indirect Costs

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*  ***AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*  ***Direct Costs***  \*Test a sample of transactions for conformance with the following criteria contained in 2 CFR Part 200, as applicable:   1. If the auditor identifies unallowable direct costs, the auditor should be aware that “directly associated costs” might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would not have been incurred if the other cost had not been incurred. For example, fringe benefits are “directly associated” with payroll costs. When an unallowable cost is incurred, directly associated costs are also unallowable. 2. Costs were approved by the Federal awarding agency, if required (see the above table (Selected Items of Cost, Exhibit 1) or 2 CFR 200.407 for selected items of cost that require prior written approval). 3. Costs did not consist of improper payments, including (1) payments that should not have been made or that were made in incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; (2) payments that do not account for credit for applicable discounts; (3) duplicate payments; (4) payments that were made to an ineligible party or for an ineligible good or service; and (5) payments for goods or services not received (except for such payments where authorized by law).   d. Costs were necessary and reasonable for the performance of the Federal award and allocable under the principles of 2 CFR Part 200, Subpart E.  e. Costs conformed to any limitations or exclusions set forth in 2 CFR Part 200, Subpart E, or in the Federal award as to types or amount of cost items.  *While several selected items of cost are included in Exhibit 1 , one item to note is* Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 2 CFR 200.430.*  *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*  f. Costs were consistent with policies and procedures that apply uniformly to both federally financed and other activities of the State/local government/Indian tribe department or agency.  g. Costs were accorded consistent treatment. Costs were not assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated to the Federal award as an indirect cost.  h. Costs were not included as a cost of any other federally financed program in either the current or a prior period.  i. Costs were not used to meet the cost-sharing or matching requirements of another Federal program, except where authorized by Federal statute.  j. Costs were adequately documented.  ***Indirect Costs***  a. If the State/local department or agency is not required to submit an ICRP and related supporting documentation, the auditor should consider the risk of the reduced level of oversight in designing the nature, timing, and extent of compliance testing.  b. *General Audit Procedures* – The following procedures apply to charges to cost pools that are allocated wholly or partially to Federal awards or used in formulating indirect cost rates used for recovering indirect costs under Federal awards.  (1) Test a sample of transactions for conformance with:  (a) The criteria contained in the “Basic Considerations” section of 2 CFR 200.402 - 200.411.  (b) The principles to establish allowability or unallowability of certain items of cost (2 CFR 200.420 - 200.476).  *While several selected items of cost are included in Exhibit 1 , one item to note is* Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 2 CFR 200.430.*  *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*  (2) If the auditor identifies unallowable costs, the auditor should be aware that directly associated costs might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost and would have not been incurred if the other cost had not been incurred. When an unallowable cost is incurred, directly associated costs are also unallowable. For example, occupancy costs related to unallowable general costs of government are also unallowable.  c. *Special Audit Procedures for State, Local Government, and Indian Tribe ICRPs (see also the AOS discussion on* [*testing the ICRP*](Testing_the_ICRP_discussion.pdf)*)*  (1) Verify that the ICRP includes the required documentation in accordance with 2 CFR Part 200, Appendix VII, paragraph D.  (2) *Testing of the ICRP* – There may be a timing consideration when the audit is completed before the ICRP is completed. In this instance, the auditor should consider performing interim testing of the costs charged to the cost pools and the allocation bases (e.g., determine from management the cost pools that management expects to include in the ICRP and test the costs for compliance with 2 CFR Part 200). Should there be audit exceptions, corrective action may be taken earlier to minimize questioned costs. In the next year’s audit, the auditor should complete testing and verify management’s representations against the completed ICRP.  The following procedures are some acceptable options the auditor may use to obtain assurance that the costs collected in the cost pools and the allocation methods used are in compliance with 2 CFR Part 200, Subpart E:  (a) *Indirect Cost Pool* – Test the indirect cost pool to ascertain if it includes only allowable costs in accordance with 2 CFR Part 200.  (i) Test to ensure that unallowable costs are identified and eliminated from the indirect cost pool (e.g., capital expenditures, general costs of government).  (ii) Identify significant changes in expense categories between the prior ICRP and the current ICRP. Test a sample of transactions to verify the allowability of the costs.  (iii) Trace the central service costs that are included in the indirect cost pool to the approved State/local government or central service CAP or to plans on file when submission is not required.  (b) *Direct Cost Base* – Test the methods of allocating the costs to ascertain if they are in accordance with the applicable provisions of 2 CFR Part 200 and produce an equitable distribution of costs.  (i) Determine that the proposed base(s) includes all activities that benefit from the indirect costs being allocated.  (ii) If the direct cost base is not limited to direct salaries and wages, determine that distorting items are excluded from the base. Examples of distorting items include capital expenditures, flow-through funds (such as benefit payments), and subaward costs in excess of $25,000 per subaward.  (iii) Determine the appropriateness of the allocation base (e.g., salaries and wages, modified total direct costs).  (c) *Other Procedures*  (i) Examine the records for employee compensation to ascertain if they are accurate, and the costs are allowable and properly allocated to the various functional and programmatic activities to which salary and wage costs are charged. (Refer to 2 CFR 200.430 for additional information on support of salaries and wages.)  (ii) For an ICRP using the multiple allocation base method, test statistical data (e.g., square footage, audit hours, salaries and wages) to ascertain if the proposed allocation or rate bases are reasonable, updated as necessary, and do not contain any material omissions.  (3) *Testing of Charges Based Upon the ICRA* – Perform the following procedures to test the application of charges to Federal awards based upon an ICRA:  (a) Obtain and read the current ICRA and determine the terms in effect.  (b) Select a sample of claims for reimbursement and verify that the rates used are in accordance with the rate agreement, that rates were applied to the appropriate bases, and that the amounts claimed were the product of applying the rate to the applicable base. Verify that the costs included in the base(s) are consistent with the costs that were included in the base year (e.g., if the allocation base is total direct costs, verify that current-year direct costs do not include costs items that were treated as indirect costs in the base year).  (4) *Other Procedures* – No Negotiated ICRA  (a) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, the auditor should determine whether documentation exists to support the costs. When the auditee has documentation, the suggested general audit procedures under paragraph 3.b above should be performed to determine the appropriateness of the indirect cost charges to awards.  (b) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, and documentation to support the indirect costs does not exist, the auditor should question the costs based on a lack of supporting documentation. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*  ***This box should include results of applicable additional testing sections as determined at the beginning of Section B.***   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

*Additional guidance regarding applicability determinations is included in the Suggested Audit Procedures.*

### OMB Compliance Requirements

***Equipment Management – Grants and Cooperative Agreements***

Equipment means tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or $5,000 (2 CFR 200.1\_Equipment). Title to equipment acquired by a non-Federal entity under grants and cooperative agreements vests in the non-Federal entity subject to certain obligations and conditions (2 CFR 200.313(a)).

*Non-Federal Entities Other than States*

Non-Federal entities other than States must follow 2 CFR 200.313(c) through (e) which require that:

1. Equipment, including replacement equipment, be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award or, when appropriate, under other Federal awards; however, the non-Federal entity must not encumber the equipment without prior approval of the Federal awarding agency (2 CFR 200.313(c) and (e)).
2. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property (2 CFR 200.313(d)(1)).
3. A physical inventory of the property must be taken, and the results reconciled with the property records at least once every 2 years (2 CFR 200.313(d)(2)).
4. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated (2 CFR 200.313(d)(3)).
5. Adequate maintenance procedures must be developed to keep the property in good condition (2 CFR 200.313(d)(4)).
6. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return (2 CFR 200.313(d)(5)).

7. When original or replacement equipment acquired under a Federal award is no longer needed for a Federal program (whether the original project or program or other activities currently or previously supported by the Federal government), the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the award. Items of equipment with a current per-unit fair market value of $5,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the Federal awarding agency. If the Federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair market value in excess of $5,000 may be retained or sold. The Federal awarding agency is entitled to the Federal interest in the equipment, which is the amount calculated by multiplying the current market value or sale proceeds by the Federal agency’s participation in total project costs (2 CFR 200.313(e).

OMB Note: Intangible property that is acquired under a Federal award, rather than developed or produced under the award, is subject the requirements of 2 CFR 200.313(e) regarding disposition (2 CFR 200.315(a)).

***Real Property Management -- Grants and Cooperative Agreements***

Title to real property acquired or improved by non-Federal entities under grants and cooperative agreements vests in the non-Federal entity subject to the obligations and conditions specified in 2 CFR 200.311 (2 CFR 200.311(a)). Real property will be used for the originally authorized purpose as long as needed for that purpose, during which time the non-Federal entity must not dispose of or encumber title to or other interests in the real property (2 CFR 200.311(b)).

When real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from the Federal awarding agency or the pass-through entity, as applicable. When real property is sold, sales procedures must be followed that provide for competition to the extent practicable and result in the highest possible return. If sold, non-Federal entities must compensate the Federal awarding agency for the portion of the net sales proceeds that represents the Federal agency’s interest in the real property, which is the amount calculated by multiplying the current market value or sale proceeds by the Federal agency’s participation in total project costs. If the property is retained, the non-Federal entity must compensate the Federal awarding agency for the Federal portion of the current fair market value of the property. Disposition instructions may also provide for transfer of title to the Federal awarding agency or a designated third party, in which case the non-Federal entity is entitled to the non-Federal interest in the property, which is calculated by multiplying the current market value or sale proceeds by the non-Federal entity’s share in total project costs (2 CFR 200.311(c)(3)).

***Equipment and Real Property Management – Cost-Reimbursement Contracts Under the Federal Acquisition Regulation (FAR)***

Equipment and real property management requirements for cost-reimbursement contracts are specified in the FAR clause at [48 CFR 52.245-1](48_CFR_52.245-1.pdf). Federal government property as defined in the FAR includes both equipment and real property. Title to Federal government property acquired by a non-Federal entity normally vests in the Federal government, unless otherwise noted in the contract terms and conditions. The FAR requires:

1. A system of internal controls to manage (control, use, preserve, protect, repair, and maintain) Federal government property and a process to enable the prompt recognition, investigation, disclosure and reporting of loss of Federal government property.
2. Federal government property must be used for performing the contract for which it was acquired unless otherwise provided for in the contract or approved by the Federal awarding agency.
3. Property records must be maintained and include the name, part number and description, and other elements as necessary and required in accordance with the terms and conditions of the contract, quantity received, unit acquisition cost, unique-item identifier, accountable contract number, location, disposition, and posting reference and date of transaction.
4. A physical inventory must be periodically performed, recorded, and disclosed. Except as provided for in the contract, the non-Federal entity must not dispose of inventory until authorized by the Federal awarding agency. The non-Federal entity may purchase the property at the unit acquisition cost if desired or make reasonable efforts to return unused property to the appropriate supplier at fair market value.

**Source of Governing Requirements**

The requirements for equipment and real property are contained in 2 CFR 200.313 (equipment), 2 CFR 200.311 (real property), [48 CFR 52.245-1](48_CFR_52.245-1.pdf) (equipment and real property), program legislation, Federal awarding agency regulations, and the terms and conditions of the Federal award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

*1. Equipment and Services*

Applicants may request ECF Program funding for only eligible equipment and services. Eligible equipment and services funded by the Emergency Connectivity Fund Program are detailed in sections (A) and (B) above.

The Eligible Services List provides guidance on the equipment and services eligible for funding under the Emergency Connectivity Fund Program: <https://www.fcc.gov/sites/default/files/ecf_esl.pdf>.

Emergency Connectivity Fund Program participants are required to maintain asset and service inventories of the devices and services purchased with ECF Program support.

Equipment and service inventory requirements.

Schools, libraries, and consortia shall keep asset and service inventories as follows:

a. For each connected device or other piece of equipment provided to an individual student, school staff member, or library patron, the asset inventory must identify:

(1) The device or equipment type (i.e. laptop, tablet, mobile hotspot, modem, router);

(2) The device or equipment make/model;

(3) The device or equipment serial number;

(4) The full name of the person to whom the device or other piece of equipment was provided; and

(5) The dates the device or other piece of equipment was loaned out and returned to the school or library, or the date the school or library was notified that the device or other piece of equipment was missing, lost, or damaged.

b. For each connected device or other piece of eligible equipment not provided to an individual student, school staff member, or library patron, but used to provide service to multiple eligible users, the asset inventory must contain:

(1) The device type or equipment type (i.e. laptop, tablet, mobile hotspot, modem, router);

(2) The device or equipment make/model;

(3) The device or equipment serial number;

(4) The name of the school or library employee responsible for that device or equipment; and

(5) The dates the device or equipment was in service.

c. For services provided to individual students, school staff, or library patrons, the service inventory must contain:

(1) The type of service provided (i.e., DSL, cable, fiber, fixed wireless, satellite, mobile wireless);

(2) The service plan details, including upload and download speeds and monthly data cap;

(3) The full name of the person(s) to whom the service was provided;

(4) The service address (for fixed broadband service only);

(5) The installation date of the service (for fixed broadband service only); and

d. For services not provided to an individual student, school staff member, or library patron, but used to provide service to multiple eligible users, the service inventory must contain:

(1) The type of service provided (i.e., DSL, cable, fiber, fixed wireless, satellite, mobile wireless);

(2) The service plan details, including upload and download speeds and monthly data cap

(3) The name of the school or library employee responsible for the service;

(4) A description of the intended service area;

(5) The service address (for fixed broadband service only);

(6) The installation date of the service (for fixed broadband service only); and

(7) The last date of service, as applicable (for fixed broadband service only).

The FCC has also provided guidance for audits regarding the provision of personally identifiable information (PII) to USAC or Commission staff about individuals (e.g., students, school staff members, or library patrons). (See paragraph 134 of the Report and Order). In the Report and Order, the FCC stated that anyone that requests program information that could contain PII should protect all audit documentation from unauthorized access and abide by all applicable federal and state privacy laws. If anonymized or deidentified information regarding the students, school staff, and library patrons is not sufficient, auditors may request that the school or library obtain consent of the parents or guardians, for students, and the consent of the school staff member or library patron to have access to this PII or explore other legal options for obtaining PII.

e. Records retention. All Emergency Connectivity Fund participants shall retain records related to their participation in the program sufficient to demonstrate compliance with all program rules for at least ten (10) years from the last date of service or delivery of equipment.

f. Prohibition on resale. Eligible equipment and services purchased with Emergency Connectivity Fund support shall not be sold, resold, or transferred in consideration of money or any other thing of value, except as provided in paragraph (g) below.

g. Disposal of obsolete equipment. Eligible equipment purchased using Emergency Connectivity Fund support shall be considered obsolete if the equipment are at least three years old. Obsolete equipment may be resold or transferred in consideration of money or any other thing of value, disposed of, donated, or traded.

*2. Real Property Management* - Not applicable

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether the non-federal entity maintains proper records for equipment and adequately safeguards and maintains equipment.

3. Determine whether disposition or encumbrance of any equipment or real property acquired or improved under federal awards is in accordance with federal requirements and that the federal awarding agency was properly compensated for its portion of any property sold or converted to non-federal use.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:  **Person(s) responsible for performing the control procedure** *(Title)*:  **Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*  ***AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the Equipment Federal Testing Template available on the Intranet.*  *Step 1 is omitted as it is only applicable to States.*  2. Inventory Management of Equipment Acquired Under Federal Awards  *Question 2a is asking about purchases made during the year with federal funds – are the purchases properly recorded and do the records include the required information? Questions 2b and 2c are asking about existing inventory; even if the entity had no purchases during the current year, it’s common to have existing inventory purchased in a prior year from federal funds.*  **\***a. Identify equipment acquired and trace selected purchases to the property records. Verify that the property records contain the required information.  b. Verify that the required physical inventory of equipment was performed. Test whether any differences between the physical inventory and equipment records were resolved.  **\***c. Select a sample from all equipment acquired under Federal awards from the property records and physically inspect the equipment and determine whether the equipment is appropriately safeguarded and maintained.  3. Disposition of Equipment Acquired Under Federal Awards  **\***a. Identify equipment dispositions for the audit period and perform procedures to verify that the dispositions of equipment acquired under Federal awards were properly reflected in the property records.  b. For dispositions of equipment acquired under grants and cooperative agreements with a current per-unit fair market value of $5,000 or more, verify whether the Federal awarding agency was reimbursed for the Federal portion of the current market value or sales proceeds.  c. For dispositions of equipment acquired under cost-reimbursement contracts, verify that the non-Federal entity followed Federal awarding agency disposition instructions.  4. Disposition of Real Property Acquired Under Federal Awards  a. Identify real property dispositions for the audit period and determine whether such real property was acquired or improved under Federal awards.  b. For dispositions of real property acquired or improved under Federal awards, perform procedures to verify that the non-Federal entity followed the instructions of the Federal awarding agency or pass-through entity, which normally require reimbursement to the Federal awarding agency for the Federal portion of net sales proceeds or fair market value at the time of disposition, as applicable. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## H. PERIOD OF PERFORMANCE

### OMB Compliance Requirements

A non-Federal entity may charge only allowable costs incurred during the approved budget period of a federal award’s period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity sections 2 CFR 200.308, 200.309, and 200.403(h). A period of performance may contain one or more budget periods.

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all financial obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award (2 CFR 200.344(b)). When used in connection with a non-Federal entity’s utilization of funds under a Federal award, “financial obligations” means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period (2 CFR 200.1\_Obligations).

Period of Performance requirements for cost reimbursement contracts subject to the FAR are contained in the terms and conditions of the contract.

**Source of Governing Requirements**

The requirements for the period of performance are contained in 2 CFR 200.1 definitions for “budget period,” “financial obligations,” “period of performance,” 2 CFR 200.308 Revisions of budget and program plans, 2 CFR 200.309 Modifications to period of performance, 2 CFR 200.344 Closeout, program legislation, Federal awarding agency regulations; and the terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

1. Approved eligible equipment and services requested during the first two application filing windows must be received or delivered between July 1, 2021 and June 30, 2023, and therefore must be invoiced by August 29, 2023. Approved equipment and up to 12 months of recurring services requested during the third application filing window must be received or delivered between July 1, 2022 and December 31, 2023, and therefore must be invoiced by February 29, 2024. See also 47 CFR section 54.1711(e).

2. Applicants and service providers are required to submit reimbursement requests and invoices for prospective purchases within 60 days from the date of the funding commitment decision letter; a revised funding commitment decision letter approving a post commitment change or a successful appeal of a previously denied or reduced funding commitment; or service delivery date, whichever is later. See 47 CFR section 54.1711(d) and (e).

3. For recurring services that are invoiced on a monthly or periodic basis, approved applicants may invoice within 60 days after the last date of service instead of invoicing on a monthly basis or other periodic basis. For example, if an approved applicant receives monthly or periodic services through June 30, 2023, they must invoice by no later than August 29, 2023 (i.e., 60 days after the last date of service).

4. For equipment or other non-recurring services that have not been received when the applicant submitted their first or second filing window application, applicants may use June 30, 2023 as the service delivery date and invoice within 60 days after the date of funding commitment decision letter (FCDL); a revised funding commitment decision letter (RFCDL) approving a post-commitment change or a successful appeal of a previously denied or reduced funding; or the service delivery date, whichever date is later. For equipment and other non-recurring services that have not been received when the applicant submitted their third filing window application, applicants may use December 31, 2023 as the service delivery date and invoice within 60 days of the date of the FCDL; the date of the RFCDL approving a post-commitment change or a successful appeal of previously denied or reduced funding; or the service delivery date, whichever date is later. See also 47 CFR section 54.1711(d) and (e).

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether the Federal award was only charged for: (a) allowable costs incurred during the period of performance; or (b) costs incurred prior to the date the Federal award was made that were authorized by the Federal awarding agency or pass-through entity.

3. Determine whether financial obligations were liquidated within the required time period.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:  **Person(s) responsible for performing the control procedure** *(Title)*:  **Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*  ***AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*  1. Review the award documents and regulations pertaining to the program and determine any award-specific requirements related to the period of performance.  *This step should be addressed when auditors tailor the “Additional Program Specific Information.”*  \*2. For Federal awards with performance period beginning dates during the audit period, test transactions for costs recorded during the beginning of the period of performance and verify that the costs were not incurred prior to the start of the period of performance unless authorized by the Federal awarding agency or the pass-through entity.  \*3. For Federal awards with performance period ending dates during the audit period, test transactions for costs recorded during the latter part and after the period of performance and verify that the costs had been incurred within the period of performance.  \*4. For Federal awards with performance period ending dates during the audit period, test transactions for Federal award costs for which the obligation had not been liquidated (payment made) as of the end of the period of performance and verify that the liquidation occurred within the allowed time period.  5. Test adjustments (e.g., manual journal entries) for Federal award costs and verify that these adjustments were for transactions that occurred during the period of performance. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## I. PROCUREMENT AND SUSPENSION AND DEBARMENT

### OMB Compliance Requirements – Procurement

***Procurement—Grants and Cooperative Agreements***

*Non-Federal Entities Other than States*

Non-Federal entities other than States, including those operating Federal programs as subrecipients of States, must follow the procurement standards set out at 2 CFR 200.317 - 200.327. They must use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR Part 200. A non-Federal entity must:

1. Meet the general procurement standards in 2 CFR 200.318, which include oversight of contractors’ performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.

2. Conduct all procurement transactions in a manner providing full and open competition, in accordance with 2 CFR 200.319.

3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR 200.320(a)(1) and (2). Under the micro-purchase method, the aggregate dollar amount does not exceed $10,000 ($2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase amount but do not exceed the simplified acquisition threshold ($250,000). Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable (2 CFR 200.320(a)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR 200.320(b)).

4. For acquisitions exceeding the simplified acquisition threshold, the non-Federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR 200.320(b); the competitive proposals method under the conditions specified in 2 CFR 200.320(b)(2); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 2 CFR 200.320(c).

5. Perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold, including contract modifications (2 CFR 200.324(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used (2 CFR 200.324(d)).

6. Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR 200.326. These provisions are described in Appendix II to 2 CFR Part 200, “Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.”

*All Non-Federal Entities (including both states and other non-federal entities)*

Effective May 14, 2022, the non-Federal entity must ensure that all applicable programs comply with section 70914 of the Build America, Buy America Act (BABA), including through incorporation of a Buy America preference in the terms and conditions of each award with an infrastructure project. Each covered Federal agency must ensure that “none of the funds made available for a Federal financial assistance program for infrastructure may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States. The Act requires the following Buy America preference:

1. All iron and steel used in the project are produced in the United States;

2. All manufactured products used in the project are produced in the United States; and

3. All construction materials are manufactured in the United States.

Important Notes:

• A non-federal entity must comply with the BABA requirements to the extent that the non-federal entity has been informed of these requirements, such as through the award terms and conditions.

• Several Federal agencies, in consultation with OMB, issued “waivers” as an exception from or waiver of the Made in America laws. For a listing of waivers by agency see <https://www.madeinamerica.gov/waivers/financial-assistance>. For a listing of waivers by category see <https://www.madeinamerica.gov/waivers>. If additional information is needed, see the agency contact found in Appendix III.

***Procurement—Cost-Reimbursement Contracts under the Federal Acquisition Regulation***

When awarding subcontracts, non-Federal entities receiving cost-reimbursement contracts under the Federal Acquisition Regulation (FAR) must comply with the clauses at [48 CFR 52.244-2](48_CFR_52.244-2.pdf) (consent to subcontract), [52.244-5](48_CFR_52.244-5.pdf) (competition), [52.203-13](48_CFR_52.203-13.pdf) (code of business ethics), [52.203-16](48_CFR_52.203-16.pdf) (conflicts of interest), and [52.215.12](48_CFR_52.215-12.pdf) (cost or pricing data); and the terms and conditions of the contract. The FAR defines “subcontracts” as a contract, i.e., a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them, entered into by a subcontractor to furnish supplies or services for performance of a prime contract or a subcontract. It includes, but is not limited to, purchase orders, and changes and modifications to purchase orders.

**Source of Governing Requirements – Procurement**

The requirements that apply to procurement under grants and cooperative agreements are contained in 2 CFR 200.317 - 200.327, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements that apply to procurement under cost-reimbursement contracts under the FAR are contained in 48 CFR Parts [03](48_CFR_Part_3.pdf), [15](48_CFR_Part_15.pdf), [44](48_CFR_Part_44.pdf) and the clauses at [48 CFR 52.244-2](48_CFR_52.244-2.pdf), [52.244-5](48_CFR_52.244-5.pdf), [52.203-13](48_CFR_52.203-13.pdf), [52.203-16](48_CFR_52.203-16.pdf), and [52.215-12](48_CFR_52.215-12.pdf); agency FAR Supplements; and the terms and conditions of the contract.

*(Source: 2023 OMB Compliance Supplement Part 3)*

### OMB Compliance Requirements – Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in [2 CFR 180.220](2_CFR_Part_180.pdf). All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in [2 CFR 180.215](2_CFR_Part_180.pdf).

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in [2 CFR 180.995](2_CFR_Part_180.pdf) and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at [SAM.gov | Home](https://www.sam.gov/) (click on Search Record, then click on Advanced Search-Exclusions) (**Note:** The OMB guidance at 2 CFR part 180 and agency implementing regulations still refer to the SAM Exclusions as the Excluded Parties List System (EPLS)), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity ([2 CFR 180.300](2_CFR_Part_180.pdf)).

Non-Federal entities receiving contracts from the Federal Government are required to comply with the contract clause at [48 CFR 52.209-6](48_CFR_52.209-6.pdf) before entering into a subcontract that will exceed $30,000, other than a subcontract for a commercially available off-the-shelf item.

**Source of Governing Requirements – Suspension and Debarment**

The requirements for nonprocurement suspension and debarment are contained in OMB guidance in [2 CFR Part 180](2_CFR_Part_180.pdf), which implements Executive Orders 12549 and 12689, “Debarment and Suspension;” Federal awarding agency regulations in Title 2 of the CFR adopting/implementing the OMB guidance in 2 CFR Part 180; program legislation; and the terms and conditions of the award.

Most of the Federal agencies have adopted or implemented 2 CFR Part 180, generally by relocating their associated agency rules in Title 2 of the CFR. [Appendix II](OMB_Appendix_II.pdf) to the Supplement includes the current CFR citations for all agencies adoption or implementation of the nonprocurement suspension and debarment guidance.

Government-wide requirements related to suspension and debarment and doing business with suspended or debarred subcontractors under cost reimbursement contracts under the FAR are contained in [48 CFR 9.405-2(b)](48_CFR_9.405-2.pdf) and the clause at [48 CFR 52.209-6](48_CFR_52.209-6.pdf).

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

*1. Procurement*

Program applicants must certify on the ECF FCC Form 471 application that the school, library, or consortia listed on the ECF FCC Form 471 application has complied with all applicable state, local, or tribal local laws regarding procurement of services for which support is being sought.

Schools and libraries may seek support from the ECF Program for the purchase of eligible services and equipment using existing bulk purchase programs or sponsored service agreements, so long as doing so is consistent with the relevant local, state, and tribal procurement regulations. The Emergency Connectivity Fund Program is aimed at connecting numerous students, school staff, and library patrons at their homes or other locations, and therefore a school district or library system appropriately may have agreements with multiple service providers to offer connectivity.

Gift restrictions for the Program prohibit eligible schools and libraries receiving support through the Emergency Connectivity Fund Program, including their employees, officers, representatives, agents, independent contractors, and individuals who are on the governing boards, from soliciting or accepting any gift or other thing of value from a service provider participating in or seeking to participate in the Emergency Connectivity Fund Program. Participating service providers are likewise prohibited from offering or providing any gift or other thing of value to eligible entities, including their employees, officers, representatives, agents, independent contractors, and individuals who are on the governing boards. An exception in the Emergency Connectivity Fund Program gift rule allows service providers to offer and provide, and applicants to solicit and accept, broadband connections, devices, networking equipment, or other things of value that are directly related to addressing the pandemic-related needs of students, school staff, and library patrons through June 30, 2022.

*2. Suspension and Debarment*

The Commission’s suspension and debarment rules applicable to the Universal Service Fund Programs are also applicable to the Emergency Connectivity Fund Program (47 CFR section 54.8 (Suspension and Debarment rules)).

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

***Written Procedure Requirements:***

*2 CFR 200.318(c)(1) requires non-Federal entities maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.*

*2 CFR 200.318(c)(2) requires non-Federal entities maintain written standards of conduct covering organizational conflicts of interest when the non-federal entity has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe.*

*2 CFR 200.320(b)(2) requires non-federal entities to have a written method for conducting technical evaluations of the competitive proposals received and for selecting contract recipients.*

*2 CFR 200.319(d) requires non-federal entities to have written procedures for procurement transactions to ensure all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured and identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether procurements under federal awards were made in compliance with applicable federal regulations and other procurement requirements specific to an award or subaward.

3. For covered transactions determine whether the non-federal entity verified that entities are not suspended, debarred, or otherwise excluded.

*(Source: 2023 OMB Compliance Supplement Part 3)*

***Additional Control Test Objectives for Written Procedures:***

*When documenting and identifying the key control(s) in place to address the compliance requirement, consider if the client has written procedures to document the control process.*

* *UG requires a written policy for the requirements outlined in 2 CFR 200.318(c)(1), 2 CFR 200.318(c)(2), 2 CFR 200.320(b)(2), and 2 CFR 200.319(d).*
* *Document whether the non-Federal entity established written procedures consistent with the following requirements:*
  + *2 CFR 200.318(c)(1) for employee conflicts of interest.*
  + *2 CFR 200.318(c)(2) for organizational conflicts of interest.*
  + *2 CFR 200.320(b)(2) for selection and awarding of contracts for competitive proposals.*
  + *2 CFR 200.319(d) for minimum evaluation criteria for bids and proposals.*
* *It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 2 CFR 200.318(c)(1), 2 CFR 200.318(c)(2), 2 CFR 200.320(b)(2), and 2 CFR 200.319(d).*
  + *While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.*
  + *The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.* 
    - *If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:  **Person(s) responsible for performing the control procedure** *(Title)*:  **Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*  ***The local government is required to be in compliance with applicable federal, state, and local procurement requirements regardless of whether the local government procures item(s) itself or relies upon an intergovernmental arrangement with co-op or another entity to procure on its behalf. Auditors need to test procurement files whether they're from the local government, the co-op, or another entity.***  ***AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the Procurement Federal Testing Template available on the Intranet.*  *Procedure 1 is omitted as it is only applicable to States.*  *(Procedures 2 – 5 apply to non-Federal entities other than States.)*  *Procedures 2-5 are omitted as the FCC only requires compliance with state and local laws as indicated in Part 4 OMB Compliance Requirements above. These steps have been replaced with step 9, below.*  *(Procedures 6 and 8 apply to all non-Federal entities)*  6. Review the non-Federal entity’s procedures for verifying that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded (2 CFR 200.213 and 200.318(h); [2 CFR 180.300](2_CFR_Part_180.pdf); [48 CFR 52.209-6](48_CFR_52.209-6.pdf)).  **\***7. Select a sample of procurements and subawards and test whether the non-Federal entity followed its procedures before entering into a covered transaction.  *If an internal control deficiency or noncompliance is noted with Suspension and Debarment requirements, AoS auditors must consult with Legal for an evaluation. IPAs should review the Federal agency adoption of the Suspension and Debarment requirements as well as the specific terms and conditions in the grant agreement to ensure the comment is accurate.*  8. Select a sample of procurement agreements for infrastructure projects subject to BABAA and test whether the non-federal entity included the Buy America domestic preference provisions in each agreement or obtained a BABAA waiver.  9. *Select a sample of procurements and verify the entity followed applicable state and local laws regarding procurement of services and equipment.* |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements. Auditors should also review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies, and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## N. SPECIAL TESTS AND PROVISIONS – ELIGIBLE ENTITIES

### OMB Compliance Requirements

The specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the statutes, regulations, and the provisions of contract or grant agreements pertaining to the program. For programs listed in this Supplement, the compliance requirements, audit objectives, and suggested audit procedures for Special Tests and Provisions are in Part 4, “Agency Program Requirements.” or Part 5. “Clusters of Programs.” For programs not included in this Supplement, the auditor must review the program’s contract and grant agreements and referenced statutes and regulations to identify the compliance requirements and develop the audit objectives and audit procedures for Special Tests and Provisions which could have a direct and material effect on a major program. The auditor should also inquire of the non-Federal entity to help identify and understand any Special Tests and Provisions.

Additionally, both for programs included and not included in this Supplement, the auditor must identify any additional compliance requirements which are not based in statute or regulation (e.g., were agreed to as part of audit resolution of prior audit findings) which could be material to a major program. Reasonable procedures to identify such compliance requirements would be inquiry of non-Federal entity management and review of the contract and grant agreements pertaining to the program. Any such requirements which may have a direct and material effect on compliance with the requirements of that major program shall be included in the audit.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

Section 254(h)(7) of the Communications Act (47 USC section 254(h)(7)), as well as the limitations on eligibility set forth in section 254(h)(4) of the Communications Act (47 U.S.C. section 254(h)(4)), will be used to determine eligibility to receive Program funding.

For purposes of the ECF Program, the same definitions of “elementary school,” “secondary school,” “library,” and “library consortium” that are used in the E-Rate rules, with one minor modification explained below. Elementary or secondary schools as defined in the Elementary and Secondary Education Act (20 U.S.C. sections 7801(19) and (45)) are eligible for funding. Under ECF Program rules, “an elementary school means an elementary school as defined in 20 USC section 7801, a non-profit institutional day or residential school, including a public elementary charter school, that provides elementary education, as determined under state law.” See 47 CFR section 54.1700(g). A secondary school “means a secondary school as define in 20 USC section 7801, a non- profit institutional day or residential school, including a public secondary charter school, that provides secondary education, as determined under state law except that the term does not include any education beyond grade 12.” See 47 CFR section 54.1700(k).

For the ECF Program, a library is defined as “(1) a public library; (2) a public elementary school or secondary school library; (3) a tribal library; (4) an academic library; (5) a research library;” and “(6) a private library, but only if the state in which such private library is located determines that the library should be considered a library for the purposes of this definition.” See 47 CFR section 54.1700(h). The Library Services and Technology Act (LSTA) was amended to make clear that tribal libraries are eligible for support under the LSTA. Additionally, a library may also refer to a library consortium, which is defined as “any local, statewide, regional, or interstate cooperative association of libraries that provides for the systematic and effective coordination of the resources of schools, public, academic, and special libraries and information centers, for improving services to the clientele of such libraries. For purposes of these rules, references to library will also include library consortium.” See 47 CFR section 54.1700(i).

The ECF Program eligible entities requirements are:

a. Schools or libraries that are eligible for E-Rate support, are also eligible for the ECF program, consistent with Congressional direction in Section 7402 of the Act.

b. Private schools that meet the definition of elementary or secondary schools as defined in the Elementary and Secondary Education Act (20 U.S.C. sections 7801(19) and (45)), are nonprofit, and do not have an endowment exceeding $50 million.

c. A library’s eligibility depends on its funding as an independent entity. Only libraries whose budgets are completely separate from any schools (including, but not limited to, elementary and secondary schools, colleges, and universities) are eligible.

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

*(Source: 2023 OMB Compliance Supplement Part 3)*

1. Determine that the entity that incurred the expenditure complies with the eligibility requirements.

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:  **Person(s) responsible for performing the control procedure** *(Title)*:  **Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*   1. Ascertain that the entity that records expenditure meets eligibility requirements. One approach to verify the eligibility of an entity is to confirm whether the entity is receiving or has previously received E-Rate support. Information on E-Rate support is available at <https://opendata.usac.org/stories/s/E-rate-Tools/bneq-mh8b/>. Another approach is to confirm whether the school meets the definition of the Elementary and Secondary Education Act using data sets and search tools made available by the US Department of Education’s National Center for Education Statistics (available at <https://nces.ed.gov/ccd/> for information on public schools and <https://nces.ed.gov/surveys/pss/> for information on private schools). Similarly, the Institute of Museum and Library Services provides data sets and search tools that may be used to confirm whether the library meets the eligibility criteria (available at <https://www.imls.gov/research-tools/data-collection>). In addition, the entity itself could provide documentation sufficient to show eligibility. 2. If the consortium lead entity or consortium member records the expenditure, verify that the entity meets eligibility requirements. Consortia members may be verified using the approaches described above. Note that the consortium lead entity is not required to be an eligible entity (see 47 CFR sections 54.500-54.501). |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## N. SPECIAL TESTS AND PROVISIONS – RESTRICTED PURPOSE

### OMB Compliance Requirements

The specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the statutes, regulations, and the provisions of contract or grant agreements pertaining to the program. For programs listed in this Supplement, the compliance requirements, audit objectives, and suggested audit procedures for Special Tests and Provisions are in Part 4, “Agency Program Requirements.” or Part 5. “Clusters of Programs.” For programs not included in this Supplement, the auditor must review the program’s contract and grant agreements and referenced statutes and regulations to identify the compliance requirements and develop the audit objectives and audit procedures for Special Tests and Provisions which could have a direct and material effect on a major program. The auditor should also inquire of the non-Federal entity to help identify and understand any Special Tests and Provisions.

Additionally, both for programs included and not included in this Supplement, the auditor must identify any additional compliance requirements which are not based in statute or regulation (e.g., were agreed to as part of audit resolution of prior audit findings) which could be material to a major program. Reasonable procedures to identify such compliance requirements would be inquiry of non-Federal entity management and review of the contract and grant agreements pertaining to the program. Any such requirements which may have a direct and material effect on compliance with the requirements of that major program shall be included in the audit.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

a. Unmet need

To ensure that funding is focused on unmet need, the Commission requires schools, library, and consortia to certify, as part of their funding application, that they are only seeking support for eligible equipment and/or broadband provided to students and school staff who would otherwise lack access to connected devices and/or broadband connectivity sufficient to engage in remote learning.

At the application stage, school need only provide the best estimates of their unmet need. They may use whatever method they deem appropriate for estimating unmet need and are not required to provide any documentation to support these estimates when they submit their ECF FCC Form 471 application. Here is a link to see the unmet need questions for schools on the application: <https://www.emergencyconnectivityfund.org/ecf-fcc-form-471/entity-information/>.

When schools file for requests for reimbursement, however, they should only request reimbursement for eligible equipment and services provided to students or school staff who would otherwise lack broadband services and/or devices sufficient to engage in remote learning. For example, if a school requested ECF funding to support the broadband services at the homes of 100 students based on an estimate of those that lacked services, but it determines during the school year that only 90 students have unmet need, the school should only seek reimbursement for the services provided to those 90 students. Schools may also be asked to provide documentation to support actual costs of assigned equipment and/or services after funds have been committed.

b. Per-location and per-user limitations

Per-location and per-user limitations will be imposed to maximize the use of limited funds. An eligible school or library will be reimbursed for no more than one connected device and no more than one Wi-Fi hotspot per student, school staff member, or library patron during the COVID-19 emergency period, and no more than one fixed broadband connection per location. However, unlike the per- location limit for fixed broadband, a similar per-location limitation will not be imposed on Wi-Fi hotspots because Wi-Fi hotspots distributed by schools and libraries may be insufficient for multiple users and many homes with multiple students, school staff, or library patrons may need more than one Wi-Fi hotspot to fully engage in remote learning. For purposes of the per-location limitation each unit in a multi-tenant environment (e.g., apartment buildings) will be considered as a separate location.

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

*(Source: 2023 OMB Compliance Supplement Part 3)*

1. Determine that program funds meet the restricted purpose test.

*(Source: 2023 OMB Compliance Supplement, Part 4, FCC, Emergency Connectivity Fund Program)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:  **Person(s) responsible for performing the control procedure** *(Title)*:  **Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*   1. Test a sample of transactions to determine compliance with the requirement to seek reimbursement for eligible equipment and services provided to students or staff who would otherwise lack broadband services and/or devices sufficient to engage in remote learning (i.e., with unmet needs). (Note: The student counts for unmet needs submitted on the FCC ECF Form 471 are the school/district’s best estimate and therefore the focus should be on what is sought for the request for reimbursements). Request and review documentation supporting compliance with the requirement to request reimbursement for eligible equipment and services provided to students or staff who would otherwise lack broadband services and/or devices sufficient to engage in remote learning. Documentation may include asset inventories referenced in section F. above for Equipment Management, as well as ECF Program forms to review and compare application and invoicing forms and documentation. 2. Request a sample of the library patron statements collected by the libraries to test the requirement that patrons would have otherwise lacked access to equipment or services sufficient to meet their educational needs, if not for the use of the equipment and/or service being provided by the library. Request and review library patron documentation supporting the certification statements and any other documentation to show compliance with ECF Program rules. 3. Test a sample of asset and service inventories and other documentation from schools and libraries that support compliance with the per-location and per-user limitations. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies, and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## Program Testing Conclusion

We have performed procedures sufficient to provide reasonable assurance for federal award program compliance requirements (to support our opinions). The procedures performed, relevant evidence obtained, and our conclusions are adequately documented. (If you are unable to conclude, prepare a memo documenting your reason and the implications for the engagement, including the audit reports.)

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| **Conclusion** | | |
| **The opinion on this major program should be:** | |  |
| **Unmodified:** |  | |
| **Qualified (describe):** |  | |
| **Adverse (describe):** |  | |
| **Disclaimer (describe):** |  | |

Per paragraph 13.39 of the **AICPA Single Audit Guide[Permalink to here](https://checkpoint.riag.com/app/view/docPermaLink?DocID=iAICPAIGS:767.2440&docTid=T0AICPAIGS:767.2440-1&feature=ttoc&lastCpReqId=97899&tlltype=AICPAIGS:767.2668)**, the **following are required to be reported** as audit findings in the federal awards section of the schedule of findings and questioned costs **(2 CFR 200.516):**

1. Significant deficiencies and material weaknesses in internal control over major programs.
2. Material noncompliance with the federal statues, regulations, or the terms and conditions of federal awards related to a major program.
3. Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. The auditor also must report (in the schedule of findings and questioned costs) known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program.
4. Known questioned costs that are greater than $25,000 for programs that are not audited as major.
5. 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.
6. Significant instances of abuse relating to major programs.
7. The circumstances concerning why the opinion in the auditor's report on compliance for major programs is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs (for example, a scope limitation that is not otherwise reported as a finding).
8. Instances in which the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with 2 CFR 200.511(b) of the Uniform Guidance, materially misrepresents the status of any prior audit finding.

[Appendix I](2_CFR_Part_200.pdf) lists block grants and other programs excluded from the requirements of specified portions of 2 CFR Part 200.

*Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements. Auditors should also review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*

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| **Cross-reference to internal control matters (significant deficiencies or material weaknesses), if any, documented in the FACCR:** |
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| **Cross-reference to questioned costs and matter of noncompliance, if any, documented in this FACCR:** |
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**Per paragraph 13.50 of the AICPA Single Audit Guide,** the schedule of findings and questioned costs must include all audit findings required to be reported under the Uniform Guidance. A separate written communication (such as a communication sometimes referred to as a management letter) may not be used to communicate such matters to the auditee in lieu of reporting them as audit findings in accordance with the Uniform Guidance. See the discussion beginning at paragraph 13.34 for information on Uniform Guidance requirements for the schedule of findings and questioned costs. If there are other matters that do not meet the Uniform Guidance requirements for reporting but, in the auditor's judgment, warrant the attention those charged with governance, they should be communicated in writing or verbally. If such a communication is provided in writing to the auditee, there is no requirement for that communication to be referenced in the Uniform Guidance compliance report. Per table 13-2 **a matter must meet the following in order to be communicated in the management letter:**

* Other deficiencies in internal control over compliance that are not significant deficiencies or material weaknesses required to be reported but, in the auditor's judgment, are of sufficient importance to be communicated to management.
* Noncompliance with federal statutes, regulations or terms and conditions of federal awards related to a major program that does not meet the criteria for reporting under the Uniform Guidance but, in the auditor's judgment, is of sufficient importance to communicate to management or those charged with governance.
* Other findings or issues arising from the compliance audit that are not otherwise required to be reported but are, in the auditor's professional judgment, significant and relevant to those charged with governance.

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| **Cross-reference to any Management Letter items and explain why not included in the Single Audit Compliance Report:** |
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