



## *Louisiana Legislative Auditor* *Audit Risk Alert*

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*Baton Rouge Office*  
*Phone No. (225) 339-3800*  
*Fax No. (225) 339-3870*

AUDIT RISK ALERT # 46

DATE: May 16, 2022

**SUBJECT: CHANGE IN SINGLE AUDIT REQUIREMENT AND STATEWIDE AGREED-UPON PROCEDURES FOR CSLFRF RECIPIENTS**

Prior to the Coronavirus pandemic, many Louisiana local auditees (local governments and quasi-public organizations) were not required to provide for a Single Audit because they did not expend \$750,000 or more in federal funds in a fiscal year.

Due to the receipt of Coronavirus State and Local Fiscal Recovery Funds (CSLFRF, Assistance Listing 21.027) many Louisiana local auditees reached the \$750,000 federal funds threshold and as a result, find themselves subject to the Single Audit requirement for the first time.

On April 8, 2022, the Office of Management and Budget (OMB) announced in the [Federal Register](#) that an alternative engagement to the Single Audit or program-specific audit under Uniform Guidance will be accepted for certain CSLFRF recipients. The alternative engagement is a compliance examination engagement performed in accordance with

- *The AICPA Statements on Standards for Attestation Engagements (AT-C Section 315, Compliance Attestation), and applicable provisions of AT-C 105, Concepts Common to All Attestation Engagements, and AT-C 205, Assertion-Based Examination Engagements; and*
- *Government Auditing Standards, particularly Chapter 7.*

The Alternative Compliance Examination Engagement will focus on two narrowly scoped compliance requirements related to Activities Allowed and Unallowed and Allowable Cost/Cost Principles. The revised guidance applies to fiscal years beginning after June 30, 2020. An update to the Compliance Supplement for the CSLFRF program has been issued by the OMB.

The option to provide for the Alternative Compliance Examination Engagement instead of a Single Audit is available only to CSLFRF recipients that expend \$750,000 or more in federal awards during the recipient's fiscal year, and that meet both criteria listed below:

- The recipient's total CSLFRF award received directly from the Federal Treasury or passed through states to a non-entitlement unit of local government was \$10 million or less; and

- The recipient expended less than \$750,000 in all other federal award funds (excluding the CSLFRF award) during the recipient’s fiscal year.

A CSLFRF recipient that is eligible to provide for the Alternative Compliance Examination Engagement may opt to provide for a Single Audit if they so choose.

The AICPA Government Audit Quality Center (GAQC) is developing additional guidance and practice aids for practitioners performing the Alternative Compliance Examination Engagement. The GAQC practice aids will assist practitioners in understanding the AICPA attestation standards and their requirements and will include illustrative reports.

For the purpose of local auditee reporting requirements to the Louisiana Legislative Auditor (LLA), it is important to note the following:

- If a local auditee provides for an Alternative Compliance Examination Engagement report, it should be submitted to LLA in the same reporting package and by the same [state statutory due date](#) as the local auditee’s annual financial report (within 6 months after the end of the local auditee’s fiscal year).
- The *Louisiana Governmental Audit Guide* requires a local auditee to include federal funds, including CSLFRF funds, in revenues and other sources/local and state assistance for the purpose of determining the local auditee’s reporting requirement to LLA. Requiring local auditees to provide for a report that is commensurate with the amount of revenue received provides accountability for these funds in accordance with state law (Louisiana Revised Statute 24:513 and 24:514). For additional information on the reporting requirements of local auditees, see section [500-1040](#) of the *Audit Guide*.

The receipt of CSLFRF funds may require a local auditee to provide LLA with an annual financial report of greater assurance than is normally required. For example, due to the receipt of CSLFRF funds

- a. a local auditee that is normally required to provide for a sworn financial statement (which can be prepared by the local auditee) may be required to provide for a compilation report (which must be prepared by a CPA); or
- b. a local auditee that is normally required to provide for a compilation report may be required to provide for a review/attestation report, which may also require a change in auditor if the accountant performing the compilation is not independent; or
- c. a local auditee that is normally required to provide for a review/attestation report may be required to provide for an audit report. Most local auditees that are required to provide for an audit report are also required by the *Audit Guide* to provide for the [statewide agreed upon procedures report](#).

It is LLA’s understanding that the federal government allows local auditees to use CSLFRF funds to pay for the incremental cost of a higher level of reporting as administrative expenses (expenditure category 7.1).

- To provide state reporting relief, in addition to the federal reporting relief in the form of the option to provide for the Alternative Compliance Examination Engagement, **LLA will not require a local auditee to provide for the statewide agreed-upon procedures report for fiscal years in which the local auditee would be required to provide for a review/attestation report, if not for the receipt of CSLFRF funds** (in category c above).

The chart on page 4 may be used to determine the state and federal reporting requirements for recipients of CSLFRF funds.

If there are any questions about this audit risk alert, please contact Diane Allison at [dallison@lla.la.gov](mailto:dallison@lla.la.gov) or (225) 339-3812.

**State Reporting Requirements  
for Recipients of Coronavirus State and Local Fiscal Recovery Funds  
(CSLFRF, Assistance Listing No. 21.027)**

Excluding CSLFRF Funds		Including CSLFRF Funds		
Amount of Revenues and Other Sources/Local and State Assistance Received, Excluding CSLFRF Funds	Type of Reports Provided	CSLFRF Funds Received <sup>1</sup>	Total Amount of Revenues and Other Sources/Local and State Assistance Received, Including CSLFRF Funds <sup>2</sup>	State Reporting Requirements for Fiscal Years in Which CSLFRF Funds are Expended <sup>3</sup>
\$75,000 and under	Sworn financial statements	\$56,250 maximum or less	\$75,000 and under	Sworn financial statements <sup>4</sup>
			\$75,001 - \$199,999	Compilation
\$75,001 - \$199,999	Compilation	\$149,999 maximum or less	\$75,001 - \$199,999	Compilation
			\$200,000 - \$499,999	Review/attestation <sup>5</sup>
\$200,000 - \$499,999	Review/attestation	\$374,999 maximum or less	\$200,000 - \$499,999	Review/attestation
			\$500,000 and over	Audit without statewide agreed-upon procedures <sup>6</sup>
\$500,000 and over	Audit with statewide agreed-upon procedures	\$375,000 or more	\$500,000 and over	Audit with statewide agreed-upon procedures

**Federal Reporting Requirements  
for Direct Recipients of Coronavirus State and Local Fiscal Recovery Funds  
(CSLFRF, Assistance Listing No. 21.027)**

Amount of Federal Awards Expended Excluding CSLFRF Funds	Type of Report Provided	CSLFRF Funds Expended by Direct Recipients	Total Amount of Federal Awards Expended Including CSLFRF Funds	Federal Reporting Requirements for Fiscal Years in Which CSLFRF Funds are Expended
\$749,999 and under	No requirement	\$10 million maximum or less	\$749,999 and under	No requirement
		\$10 million maximum or less	\$750,000 and over	Either Alternative Compliance Examination Engagement or Single Audit <sup>7</sup>
		More than \$10 million	\$750,000 and over	Single Audit
\$750,000 and over	Single Audit	Any amount	\$750,000 and over	Single Audit

**Notes:**

1. Congress allocated CSLFRF funds to states and some parishes based on certain factors. The amounts listed are the maximum amounts non-entitlement units would receive, which is not to exceed 75% of the non-entitlement unit's most recent annual operating budget as of January 27, 2020. Non-entitlement units are defined as local governments which generally have populations below 50,000.
2. The total amount of revenues is on a generally accepted accounting principles (GAAP) basis.
3. CSLFRF funds are required to be spent by December 31, 2024, or obligated and spent by December 31, 2026.
4. Sworn financial statements are not required to be prepared by a CPA.
5. CPAs must be independent to perform review/attestation and audit engagements.
6. The exemption from statewide agreed-upon procedures applies to both direct recipients and subrecipients of CSLFRF funds.
7. The option to provide for an Alternative Compliance Examination Engagement is available **only to direct recipients** of CSLFRF funds (parishes, municipalities, and non-entitlement units), and NOT to subrecipients.