



April 19, 2022

City Council
City of Fayetteville
Fayetteville, NC

Attention: Mayor Mitch Colvin and City Council Members

Re: Fiscal Year-End June 30, 2022 Single Audit

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance) identifies the auditee's responsibilities for the compliance audit engagement. This Uniform Guidance clarifies the auditee's responsibility for completion and submission of the single audit; preparation of the financial statements, including the schedule of expenditures of federal awards; compliance with applicable requirements; maintenance of internal controls; and taking appropriate corrective action. In order to properly plan our single audit engagement, we need a draft copy of your schedule of expenditures of federal awards and summary schedule of prior audit findings prior to the commencement of final fieldwork.

Schedule of Expenditures of Federal Awards

The Uniform Guidance requires the auditee identify in its accounts all federal awards received and expended, as well as the federal programs under which they were received. Federal program and award identification must include, as applicable, the Federal Assistance Listing title and number, the federal award identification number and year, the name of the federal agency, and the name of the pass-through entity, if any. This information enables the auditee to reconcile amounts presented in the financial statements to related amounts in the schedule of expenditures of federal awards.

The Uniform Guidance states the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements, which must include the total federal awards expended as determined by 2 CFR 200.502. The Uniform Guidance also specifies what must go on the face of the schedule and what must go in the notes to the schedule.

At a minimum, the face of the schedule of expenditures of federal awards must:

- List individual federal programs by federal agency. For a cluster of programs, provide the cluster name, list individual federal programs within the cluster of programs, and provide the applicable federal agency name. For research and development, total federal awards expended must be shown either by individual award or by federal agency and major subdivision within the federal agency.

- For federal awards received as a subrecipient, include the name of the pass-through entity and the identifying number assigned by the pass-through entity.
- Provide the total federal awards expended for each individual federal program and the Federal Assistance Listing number or other identifying number when the Federal Assistance Listing information is not available. For a cluster of programs, also provide the total for the cluster. Note that under the Uniform Guidance, all noncash awards must go on the face of the schedule.
- Include the total amount of federal awards expended for loan or loan guarantee programs.
- Include the total amount provided to subrecipients from each federal program.

The Uniform Guidance also provides that the following must be included in the notes to the schedule:

- The balances of loan and loan guarantee programs (loans) outstanding at the end of the audit period for those loans described in 2 CFR 200.502(b). Furthermore, prior loan and loan guarantee balances for which there are no continuing compliance requirements other than to repay the loans are not required to be included in the notes to the schedule.
- The significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10 percent *de minimis* indirect cost rate.

Summary Schedule of Prior Audit Findings

The auditee is responsible for follow-up and corrective action on findings relating to federal awards and the financial statements. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. The auditee is not required to prepare a summary schedule of prior audit findings if there are no matters reportable therein. The summary schedule of prior audit findings must include the reference numbers the auditor assigned to audit findings in the prior schedule of findings and questioned costs. Because the summary schedule of prior audit findings may include audit findings from multiple years, it must include the fiscal year in which the finding initially occurred.

The summary schedule of prior audit findings must report the status of all audit findings (which encompass those defined in 2 CFR 200.516(a)) included in the prior audit's schedule of findings and questioned costs. The schedule must also include audit findings reported in the prior audit's summary schedule of prior audit findings unless those audit findings were listed as corrected, no longer valid or not warranting further action. Note that when audit findings were fully corrected, the schedule need only list the audit findings and state that corrective action was taken. When audit findings were not corrected or were only partially corrected, the schedule must describe the reasons for the audit finding's recurrence and planned corrective action and any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the federal agency's or pass-through entity's management decision, the schedule must provide an explanation.

In accordance with 2 CFR 200.511, the summary schedule of prior audit findings must also include findings relating to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Although the Uniform Guidance technically limits the auditor's follow-up responsibility to audit findings in 2 CFR 200.516(a), *Government Auditing Standards* include a requirement that the auditor evaluate whether the auditee has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the financial statements or other data significant to the audit objectives.

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The auditor cannot take responsibility for the preparation of the corrective action plan. However, the Uniform Guidance requires we follow up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee in accordance with the Uniform Guidance, and report, as a current year audit finding, when the auditor concludes the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding. We must perform audit follow-up regardless of whether a finding relates to a major program in the current year.

Please provide us with at least a draft copy of your schedule of expenditures of federal awards and summary schedule of prior audit findings at your earliest convenience. However, in keeping with our audit planning schedule, this information must be received by us no later than two weeks prior to the commencement of final fieldwork.

If you have any questions, please feel free to contact Amalia Neco Valle, Assurance Senior, at 252-808-4517.

Thank you for your timely attention to this important audit step.

Sincerely,

PBMares, LLP



Robert E. Bittner, III
Partner