

## **BEAD Compliance Essentials: Audit Requirements After Award**

Broadband Equity, Access, and Deployment Program (BEAD)

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# Meet Your Presenters



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# Agenda

1. Determine if and/or what type of compliance audit is required
2. Compliance audit overview
3. BEAD compliance requirements



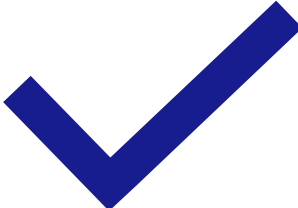
# Regulatory Framework



BEAD grant agreement



2 CFR Part 200  
(Uniform Guidance)



OMB Compliance  
Supplement

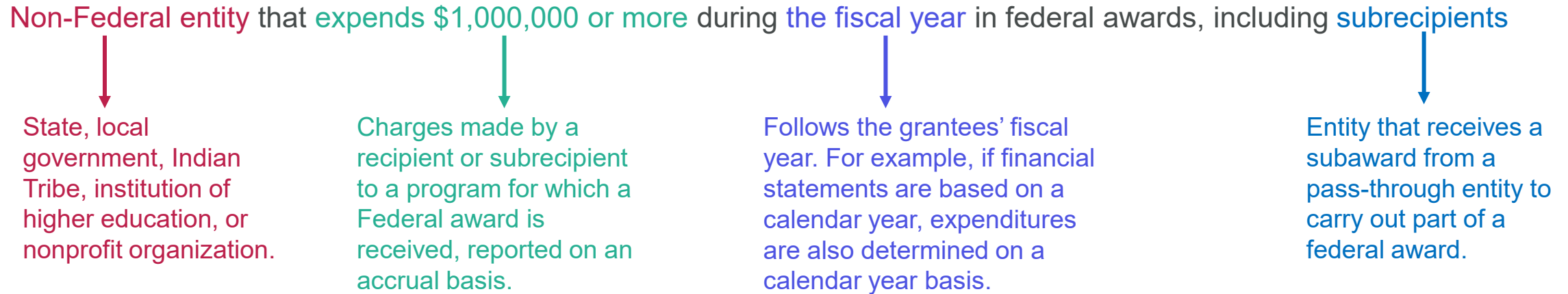
# 01

Determine if and/or what type of compliance audit is required



# General Standards

## Audit Requirements (2 CFR 200.501)



- Cooperatives are typically not considered nonprofit organizations under 2 CFR 200 because they are for the benefit of their members, not the general public
  - However, some states have categorized cooperatives as nonprofit organizations
  - Important to clarify those definitions with the state
- For-profit entities are **not exempt** from compliance audits under BEAD

# General Standards

## Determining the Amount Expended

### Includes:

- Cash disbursements for direct charges for property and services
- Indirect expenses incurred
- Value of in-kind contributions
- Allowable costs incurred during the fiscal year, but paid after the fiscal year

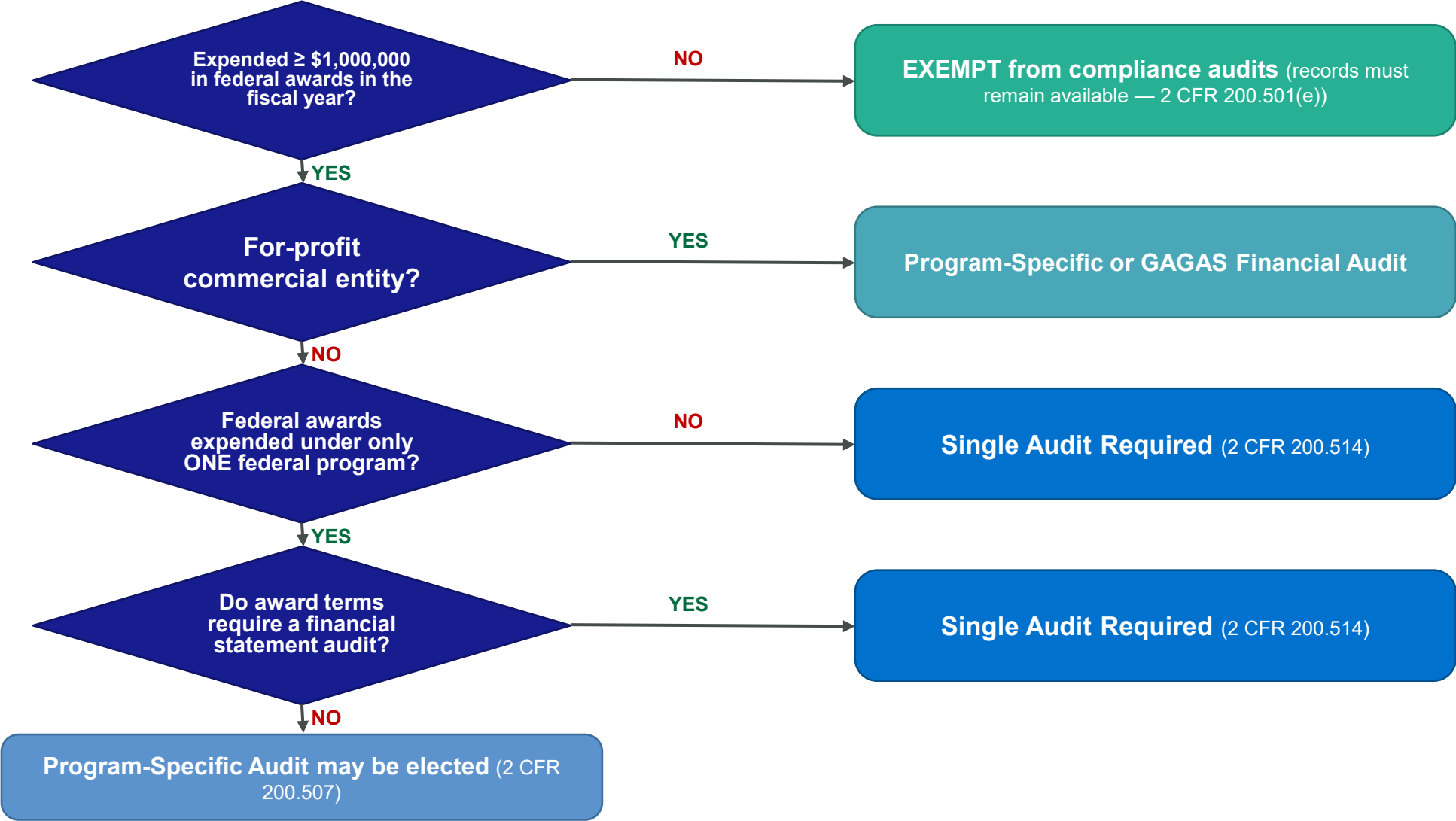
### Does not include:

- Funds received
- Funds requested for reimbursement
- Funds awarded
- Expenditures incurred before or after the period of performance
- Required match amounts\*

\*Match expenditures should still be tracked closely and are often included in audit testing. They are just not included in determining if the grantee has met the \$1,000,000 threshold.



# Compliance Audit Decision Flowchart

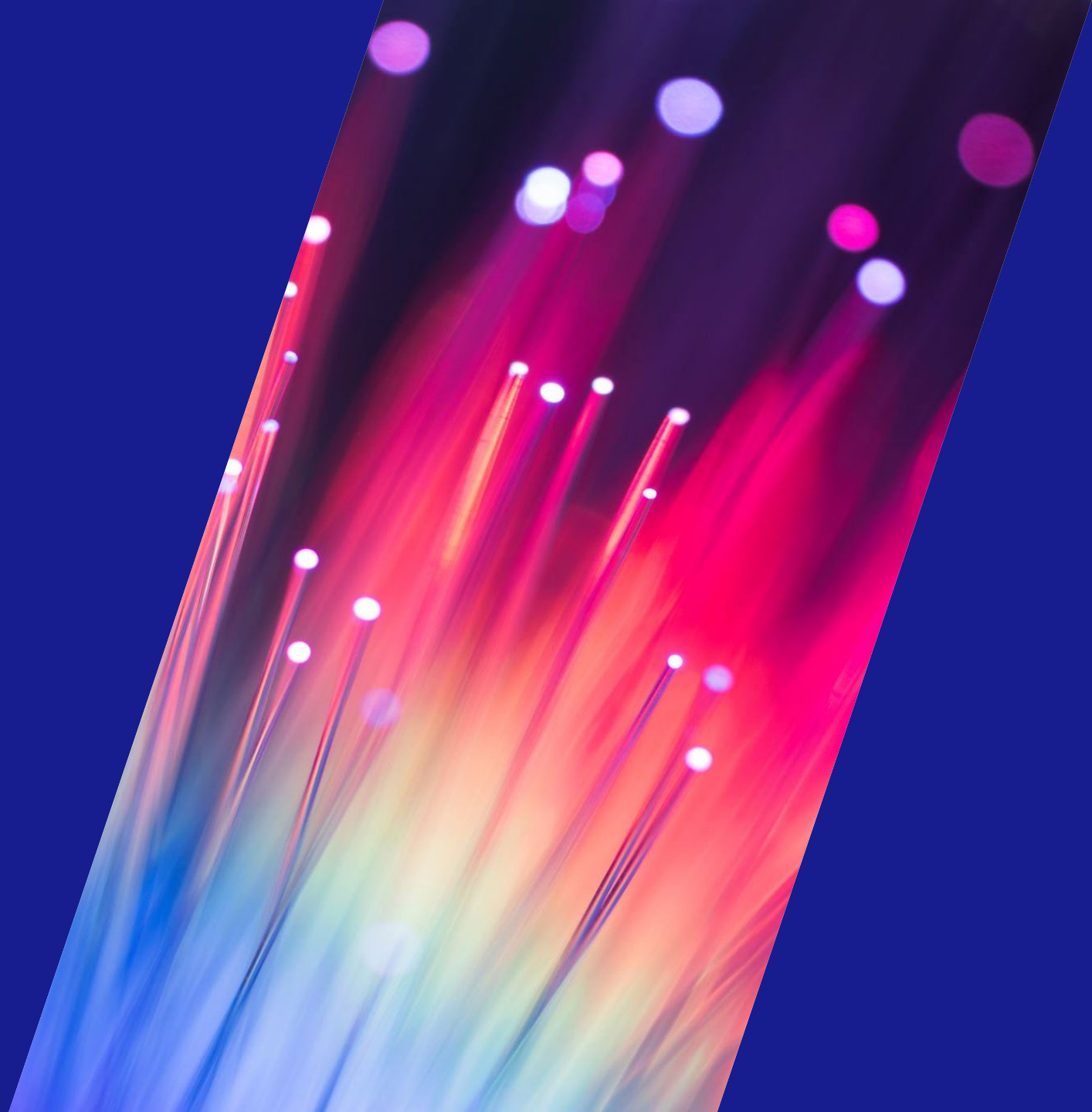


# Types of Compliance Audits

- Single Audits Require:
  - An audit of the financial statements (performed under GAGAS)
  - Schedule of expenditures of federal awards (SEFA)
  - An opinion on the financial statements as well as an in-relation-to opinion on the SEFA as it relates to the financial statements
  - GAGAS reporting on internal control over financial reporting and compliance and other matters
  - Uniform Guidance report on internal control over compliance and reporting on the major program(s)
- Program-Specific Audits Require:
  - Schedule of specific element of the financial statements (similar to the SEFA but only for the specific program)
  - An opinion on the schedule
  - Uniform Guidance report on internal control over compliance and reporting on the major program(s)
- GAGAS Financial Audits Require:
  - Schedule of specific element of the financial statements (similar to the SEFA but only for the specific program)
  - An opinion on the schedule
  - GAGAS reporting on internal control over financial reporting and compliance and other matters

# 02

## Compliance Audit Overview



# Compliance Audit Overview

## Compliance vs. Control Testing

Tests of compliance and controls are required.

### Compliance Testing

Testing is determined by the annual Compliance Supplement issued by United States Office of Management and Budget (OMB). Testing varies by federal program.

Some items that may be requested include:

- Invoices
- Grant reports
- Bids/RFPs
- Suspension and Debarment support

### Control Testing

Control testing is required for each required compliance area.

Some items that may be requested include:

- Policies
- Support for proper approvals
- Support for review procedures
- Documentation of processes

# Compliance Audit Overview

## Requirements of the Auditee

- Provide requested documentation to auditors
- Respond to inquiries from auditors
- Prepare the financial statement(s) for the federal program that includes:
  - Schedule of Expenditures of Federal Awards (SEFA)
  - Notes that describe the significant accounting policies used in preparing the schedule
  - Summary schedule of prior audit findings (2 CFR 200.511(b))
  - Corrective action plan (2 CFR 200.511(c)), if applicable
- Complete and submit the auditee portion of the data collection form to the Federal Audit Clearinghouse
  - Required for all single audits
  - Typically not required for program-specific or GAGAS financial audits, but could vary by State



# Components of the SEFA

- SEFA Must Include:
  - List of awards by federal agency and program
  - Name of any pass-through entities, if applicable, and the identifying award number for the pass-through entity
  - Total expenditures (including pass-through, if applicable)
  - Period of performance
  - Total amount of award

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Commerce Passed through the State of Iowa, Department of Management Broadband, Equity, Access, and Deployment Funds	11.035	1234-56789	\$ -	3,846,248
Broadband, Equity, Access, and Deployment Funds	11.035	9876-54321	-	813,843
Total Federal Assistance Listing Number 11.035			-	4,660,091
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 4,660,091</b>



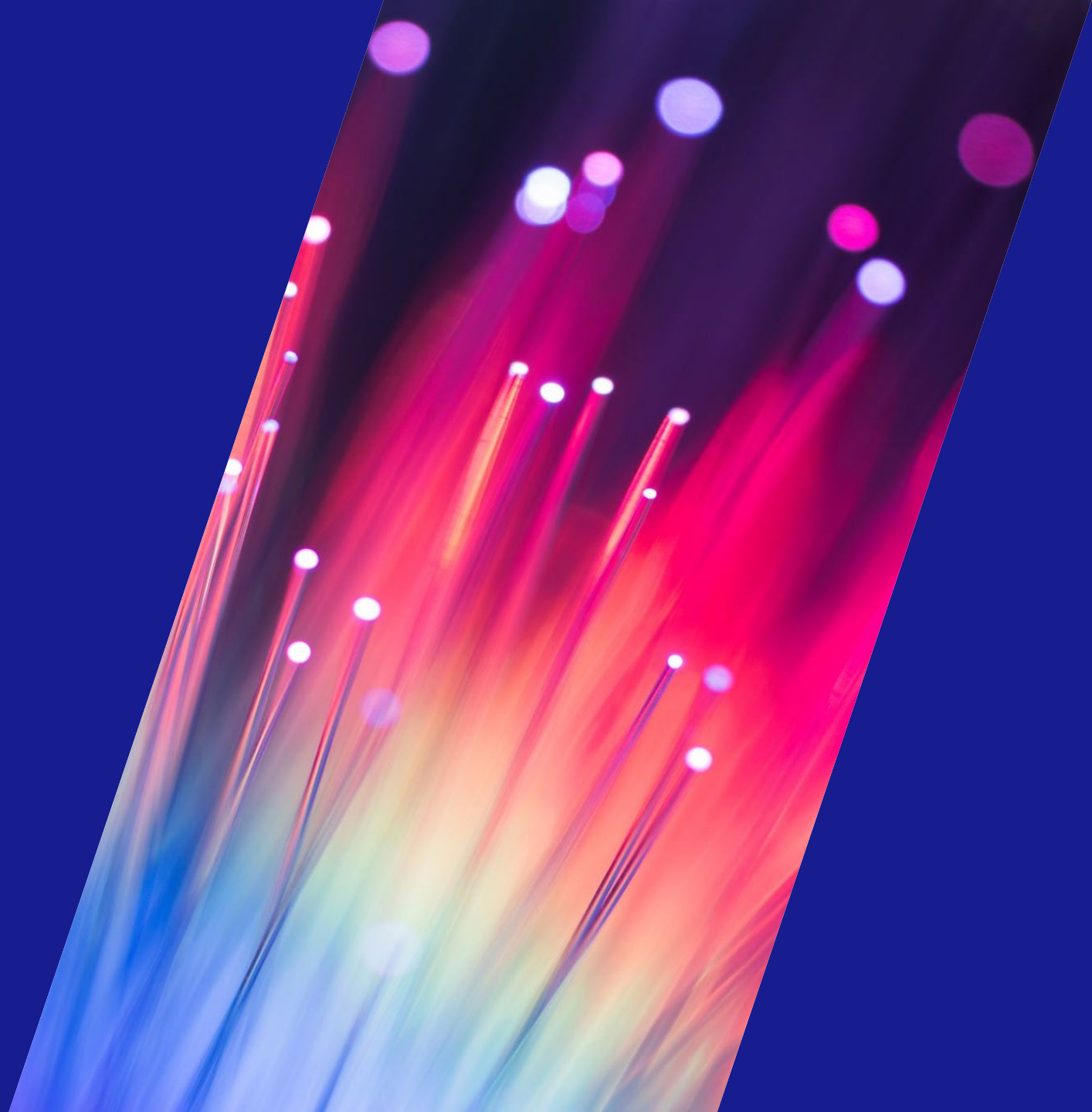
# Compliance Audit Overview

## Requirements of the Auditor

- Perform an audit of the financial statement(s) for the federal program in accordance with GAGAS;
- Obtain an understanding of internal controls and perform tests of internal controls over the Federal program (200.514(c))
  - Need to plan for low control risk, so that means if we find any control errors, we likely have to do more compliance testing to support that while the control failed, the organization was still compliant
- Determine whether the auditee has complied with federal statutes, regulations, and the terms and conditions of Federal awards that could have a direct and material effect on the federal program (200.514(d));
- Follow up on prior audit findings and perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee (200.511)
  - When the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding, the auditor must report this condition as a current-year audit finding
- Report any audit findings (200.516).

# 03

## BEAD Compliance Requirements



# Compliance Requirements

## BEAD (ALN 11.035)

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	Y	Y	N	Y	N	Y	Y	N

# Compliance Requirements

## Activities Allowed/Allowable Costs

### Compliance Requirement

- Ensure federal funds are reasonable, allowable, and used only for activities permitted by the award terms and applicable regulations.

### Internal Controls

- Written policies/procedures detailing grant costs, time reporting and consistent application
- Documented review of purchase orders, invoices, and payroll
- Periodic expenditure review

### Audit testing

- Sampling approach on a transaction level
- Typically view invoices, timesheets, policies, other internal control documentation

# Compliance Requirements

## Equipment and Real Property Management

### Compliance Requirement

- Ensure proper acquisition, use, and disposition of equipment and real property purchased with federal funds.

### Internal Controls

- Documented policies/procedures for inventory counts, reconciliation to records, and disposals
- Review/approval of property records, inventory counts, and disposals

### Audit testing

- Elements of continuing property records, reasonableness of depreciation rates, sample of disposals
- Typically view capitalization and other policies, property records, depreciation schedules, inventory counts and other internal control documentation

# Compliance Requirements

## Matching, Level of Effort, and Earmarking

### Compliance Requirement

- Check compliance with requirements for matching contributions, maintaining effort levels, and earmarking funds for specific purposes.

### Internal Controls

- Documented policies/procedures for review of match requirements, match tracking, valuation of in-kind contributions, etc.
- Periodic reconciliation of match funds vs. grant funds
- Review timing of match funds

### Audit testing

- Match recalculation, source of match funds, in-kind match valuations
- Typically view match reconciliations, valuation calculations, policies, and other internal control documentation

# Compliance Requirements

## Procurement, Suspension and Debarment

### Compliance Requirement

- Ensure procurement follows federal standards and that contractors are not suspended or debarred.

### Internal Controls

- Documented policies/procedures for procurement, suspension and debarment
- Review of bids and suspension and debarment procedures based on written policy

### Audit testing

- Sampling approach on a vendor level
- Typically view bids, documentation for selection, suspension and debarment support, and other internal control documentation

# Compliance Requirements Reporting

## Compliance Requirement

- Validate accuracy and timeliness of required financial and performance reports submitted to federal agencies.

## Internal Controls

- Review of form prior to submission by someone other than the preparer

## Audit testing

- Review of underlying support for amounts reported, timeliness of filings
- Typically view reports, underlying support, required approvals, and other internal control documentation

# Consequences of Noncompliance



Audit findings



Increased oversight



Award termination



Withholding of payments



Required repayment of funds received



Ineligible for future funds

# Documentation Drives Audit Results

- Written Policies and procedures are critical
  - Procurement, Suspension and Debarment
  - Conflict of interest
  - Capitalization
  - Equipment management
  - Reviews and approvals
- No documentation = audit finding
  - Retain everything obtained during the process—suggest a formal file (digital or printed) organized by compliance requirement
  - A commonly observed compliance audit finding on these types of grants is lack of documentation of internal controls

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