

## **APPENDIX VII OTHER OMB CIRCULAR A-133 ADVISORIES**

### **I. American Recovery and Reinvestment Act**

#### ***Background***

The American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5) (ARRA) and the related OMB Guidance (i.e., *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009* (February 18, 2009); *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009* (April 3, 2009); and *Updated Guidance on the American Recovery and Reinvestment Act* (March 22, 2010)) located at the OMB Management website (<http://www.whitehouse.gov/omb/management>) have significant implications for audits performed under OMB Circular A-133. The ARRA imposes new transparency and accountability requirements on Federal awarding agencies and their recipients. The single audit process will be a key factor in the achievement of the following accountability objectives in the OMB Guidance: (1) the recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner; and (2) funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated. Additional information on ARRA is available at [www.recovery.gov](http://www.recovery.gov).

#### ***Catalog of Federal Domestic Assistance (CFDA) Number***

Federal agencies are required to specifically identify ARRA awards, regardless of whether the funding is provided under a new or existing CFDA number. The CFDA number should be included in the grant award documents.

*New programs*—Federal agencies will use new CFDA numbers for new ARRA programs or for existing programs for which the ARRA provides for compliance requirements that are significantly different for the ARRA funding.

*Existing programs*—Federal agencies may or may not use a new CFDA number for ARRA awards to existing Federal programs.

#### ***Schedule of Expenditures of Federal Awards (SEFA)***

As described in § \_\_\_\_.310(b)(3) of OMB Circular A-133, auditees must complete the SEFA and include CFDA numbers provided in Federal awards/subawards and associated expenditures. Many Federal agencies began including requirements similar to the following in their terms and conditions for ARRA awards to ensure separate identification of ARRA awards. This separate identification should also include the R&D cluster regardless of the accommodation made in § \_\_\_\_.310(b)(1) of OMB Circular A-133. OMB specified in interim final guidance the use of the award term at 2 CFR 176.210 for this purpose (74 FR 18449, April 23, 2009), effective April 23, 2009.

### Schedule of Expenditures of Federal Awards

To maximize the transparency and accountability of the American Recovery and Reinvestment Act spending required by Congress and in accordance with 2 CFR 215, section \_\_. 21 “Uniform Administrative Requirements for Grants and Agreements” and the A-102 Common Rule provisions, recipients agree to maintain records that identify adequately the source and application of ARRA funds.

For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, recipients agree to separately identify the expenditures for Federal awards under the ARRA on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. This shall be accomplished by identifying expenditures for Federal awards made under the ARRA separately on the SEFA, and as separate rows under Item 6 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix “ARRA-” in identifying the name of the Federal program on the SEFA and as the first characters in Item 6, Column c of Part III, “Name of Federal program,” on the SF-SAC.

### Responsibilities for Informing Subrecipients

Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of ARRA funds. When ARRA funds are subawarded for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental ARRA funds from regular subawards under the existing program.

Recipients agree to require their subrecipients to include on their SEFA information to specifically identify ARRA funding similar to the requirements for the recipient SEFA described above. This information is needed to allow the recipient to properly monitor subrecipient expenditures of ARRA funds, as well as for oversight by the Federal awarding agencies, Federal Offices of Inspector General, and the Government Accountability Office.

These responsibilities apply to recipients informing “first-tier” subrecipients, i.e., subrecipients who receive an award directly from the recipient. These responsibilities to separately identify and require separate presentation on the SEFA may not have been included in the terms and conditions in grant agreements for awards made by first-tier subrecipients and below. However, where the funding was through an ARRA specific CFDA number or where a subrecipient chose to separately identify the grant as having ARRA funding, the subrecipient should separately present the information described above on their SEFA.

Auditors should consider these requirements when performing procedures for the purpose of providing the in-relation-to reporting on the SEFA, as well as when performing other procedures on the SEFA in conjunction with the compliance testing.

### ***Auditor Identification of ARRA Findings***

The audit finding detail as described in § \_\_\_\_.510(b)(1) of OMB Circular A-133 is required to include Federal program and specific Federal award identification including the CFDA title and number. The auditor should include in the audit finding detail explicit identification of applicable ARRA programs.

### ***Removal of ARRA Programs from Clusters***

As described in Appendix V (pages 8-5-2 and 3), certain ARRA programs were deleted from Parts 4 and 5 of this Supplement based on their completion or limited amount of funds still subject to audit. However, if an entity has Federal awards expended from these programs they would be treated consistent with any other programs not included in this Supplement or not part of a cluster of programs. For example: (1) the program would not be considered as part of a cluster for periods covered by this Supplement, as this Supplement does not include the program in a cluster, and (2) if the program was part of a cluster which was audited as a major program in a prior year, the normal OMB Circular A-133 major program selection criteria and risk-based approach would apply and the program would be considered as audited in that prior year for purposes of major program determination, including consideration of any audit findings;

### ***ARRA-Funded Programs Subject to A-133 Audit***

There are several ways in which programs with ARRA funding are identified in this Supplement for purposes of the A-133 audit. Part 2 shows those programs included in parts 4 and 5 of the Supplement that are ARRA funded, in whole or in part, or have compliance requirements affected by ARRA. The following table provides for easy reference by agency the CFDA number for, and names of, programs not included in the Supplement (Source: Recovery Accountability and Transparency Board) (Note: All Department of Housing and Urban Development ARRA programs are included in the Supplement and, therefore, there is no HUD listing in the following table.). Programs that fall under the research and development (R&D) cluster are separately identified.

<b>CFDA Number</b>	<b>Program</b>
<b><i>Department of Agriculture</i></b>	
10.086	Aquaculture Grants Program (AGP)
10.315	Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF)
10.578	WIC Grants to States (WGS)
10.687	Recovery Act of 2009: Capital Improvement and Maintenance
10.688	Recovery Act of 2009: Wildland Fire Management
10.780	Community Facilities Loans and Grants
10.781	Water and Waste Disposal Systems for Rural Communities-ARRA

10.783	Rural Business Enterprise Grants
10.787	Broadband Initiatives Program
10.904	Watershed Protection and Flood Prevention
10.916	Watershed Rehabilitation Program
10.923	Emergency Watershed Protection Program
<b><i>Department of Commerce</i></b>	
11.463	Habitat Conservation
11.553	Special Projects
11.609	NIST Measurement and Engineering Research and Standards
11.618	NIST Construction Grant Program
<b><i>Department of Defense/Corps of Engineers</i></b>	
12.117	ARRA Cooperative Agreements, New Mexico
12.118	North Dakota Environmental Infrastructure (Section 594)-ARRA
12.119	Northern Wisconsin Environmental Infrastructure (Section 154)-ARRA
12.120	Northeastern Minnesota Environmental Infrastructure (Section 569)-ARRA
12.121	Montana, Nevada, New Mexico, Utah, Idaho & Wyoming Environmental Infrastructure Section 595)-ARRA
12.122	Title VI, Cheyenne River Sioux Tribe, Lower Brule Sioux Tribe, and Terrestrial Wildlife Habitat Restoration, South Dakota-ARRA
12.123	South Central Pennsylvania Environmental Infrastructure (Section 313)-ARRA
12.124	Mississippi Environmental Infrastructure (Section 592)-ARRA
12.125	Southern West Virginia Environmental Infrastructure (Section 340)-ARRA
12.126	Central West Virginia Environmental Infrastructure (Section 571)-ARRA
12.127	Sec. 531, Southern and Eastern Kentucky
12.128	Florida Keys Water Quality Improvement Program (Section 109)- ARRA
<b><i>Department of the Interior</i></b>	
15.028	Tribally Controlled Community College Endowments
15.033	Road Maintenance-Indian Roads
15.048	Bureau of Indian Affairs Facilities _ Operations and Maintenance
15.062	Replacement and Repair of Indian Schools
15.108	Indian Employment assistance
15.141	Indian Housing Assistance
15.233	Forests and Woodlands
15.510	Colorado Ute Indian Water Rights Settlement Act

15.516	Fort Peck Reservation Rural Water System
15.517	Fish and Wildlife Coordination Act
15.518	Garrison Diversion Unit
15.522	Mni Wiconi Rural Water Supply Project
15.656	Habitat Enhancement, Restoration and Improvement
15.932	Preservation of Historic Structures on the Campuses of Historically Black Colleges and Universities (HBCUs)
15.934	Abandoned Mine Hazard Mitigation
15.935	National Trails System Projects
15.937	Redwood National Park Cooperative Management with the State of California
<b><i>Department of Justice</i></b>	
16.526	OVW Technical Assistance Initiative
16.556	State Domestic Violence and Sexual Assault Coalitions Grant Program
16.557	Tribal Domestic Violence and Sexual Assault Coalitions Grant Program
16.588	STOP (Services ♦ Training ♦ Officers ♦ Prosecutors) Violence Against Women Formula Grant Program
16.800	Recovery Act-Internet Crimes Against Children Task Force program (ICAC)
16.801	Recovery Act-State Victim Assistance Formula Grant Program
16.802	Recovery Act-State Victim Compensation Formula Grant program
16.805	Transitional Housing assistance Grants for Victims of Domestic Violence, Stalking, or Sexual Assault Program
16.806	Grants to Indian Tribal Governments Program
16.807	Recovery Act VOCA Crime Victim Assistance Discretionary Grant Program
16.808	Recovery Act-Edward Byrne Memorial Competitive Grant Program
16.809	Recovery Act-State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program
16.810	Recovery Act-Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program
16.811	Recovery Act-Correctional Facilities Tribal Lands
<b><i>Department of Labor</i></b>	
17.274	Youth Build
17.275	Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
17.276	National Emergency Grants-Health Coverage Assistance
17.503	Occupational Safety and Health State Program

<b><i>Department of Transportation</i></b>	
20.315	Capital Grants to the National Railroad Passenger Corporation
20.523	Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions
20.814	Assistance to Small Shipyards
20.904	Bonding Assistance Program
20.932	Supplemental Discretionary Grants for a National Surface Transportation System
<b><i>National Aeronautics and Space Administration</i></b>	
43.004	Aeronautics, Recovery Act
43.005	Exploration, Recovery Act
43.006	Science, Recovery Act
<b><i>National Endowment for the Arts</i></b>	
45.024	Promotion of the Arts-Grants to Organizations and Individuals
45.025	Promotion of the Arts-Partnership Agreements
<b><i>National Science Foundation</i></b>	
47.082	Trans-NSF Recovery Act Research Group
<b><i>Small Business Administration</i></b>	
59.046	Microloan Program
<b><i>Department of Veterans Affairs</i></b>	
64.005	Grants for Construction of State Home Facilities
<b><i>Environmental Protection Agency</i></b>	
66.039	National Clean Diesel Emissions Reduction program
66.040	State Clean Diesel Grant Program
66.418	Construction Grants for Wastewater Treatment works
66.454	Water Quality Management Planning (Sections 205(j)(1) and 604(b))
66.508	Senior Environmental Employment Program
66.802	Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements
66.805	Leaking Underground Storage Trust Fund Corrective Action Program
66.815	Brownfields Job Training Cooperative Agreements
66.818	Brownfields Assessment and Cleanup Cooperative Agreements
<b><i>Department of Energy</i></b>	
81.049	Office of Science Financial Assistance Program
81.086	Conservation Research and Development

81.087	Renewable Energy Research and Development
81.089	Fossil Energy Research and Development
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance
81.119	State Energy Program Special Projects
81.122	Electricity Delivery and Energy Reliability Research, Development and Analysis
81.126	Loan Guarantee
81.127	Energy Efficient Appliance Rebate Program
81.129	Energy Efficiency and Renewable Energy Technology Deployment, Demonstration and Commercialization
81.131	Stimulus Expand and Extend Clean Coal Power Initiative (Round III Funding Opportunity Announcement)
81.132	Stimulus Geologic Sequestration Site Characterization
81.133	Stimulus Geologic Sequestration Training and Research Grant Program
81.134	Stimulus Industrial Carbon Capture and Storage (CCS) Application
81.135	Advance Research and Projects Agency—Energy Financial Assistance Program (ARPA-E)
<b><i>Department of Education</i></b>	
84.384	Statewide Data Systems, Recovery Act
84.385	Teacher Incentive Fund, Recovery Act
84.396	State Fiscal Stabilization Fund - Innovation Fund, Recovery Act
84.400	Independent Living – Centers, Recovery Act
84.402	Consolidated Grants for Outlying Areas, Recovery Act
84.405	Teacher Quality Enhancement Partnerships, Recovery Act
84.406	Capacity Building for Traditionally Underserved Populations – Vocational Rehabilitation Services
<b><i>Department of Health and Human Services</i></b>	
93.048	Special Programs for the Aging _ Title IV_ and Title II _ Discretionary Grants
93.402	National Health Service Corps State Loan Repayment Program
93.403	Health Professions: Primary Care Medicine and Dentistry
93.404	Health Professions: Dental Public Health
93.405	Health Professions: Public Health Traineeships
93.410	Health Professions: Licensing Portability Special Initiative
93.411	Health Professions: Equipment
93.412	Health Professions: Preventive Medicine Residency Program
93.414	Health Professions: State Primary Care Offices

93.415	Health Professions: Centers of Excellence
93.416	Health Professions: Health Careers Opportunity Program
93.417	Health Professions: Nursing Workforce Diversity
93.418	ARRA-Emergency Medical Services for Children
93.419	ARRA-Maternal and Child Health (MCH) Pediatric Research Network Program
93.420	ARRA-Community Health Applied Research Network
93.701	Trans-NIH Recovery Act research Support
93.702	NCRR Recovery Act Construction Support
93.703	ARRA-Grants to Health Center Programs
93.715	Recovery Act – Comparative Effectiveness Research – AHRQ
93.717	Preventing Healthcare-Associated Infections
93.721	ARRA Health Information Technology Professionals in Health Care
93.722	ARA IHS Tribal Agreements
93.723	ARRA Prevention and Wellness – States, Territories and Pacific Islands
93.724	ARRA Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement
93.725	ARRA Communities Putting Prevention to Work: Chronic Disease Self-Management Program
93.727	ARRA-Health Information Technology-Beacon Communities
93.728	ARRA-Strategic Health IT Advanced Research Projects (SHARP)
93.729	ARRA-Health Information Technology and Public Health
93.730	ARRA-Prevention Research Centers Comparative Effectiveness Research Program
93.731	ARRA-Prevention and Wellness National Organizations
<b><i>Corporation for National and Community Service</i></b>	
94.007	Planning and Program Development Grants
<b><i>Department of Homeland Security</i></b>	
97.113	Rail and Transit Security Grant Program
97.115	Assistance to Firefighters (AFG)
97.116	Port Security Grant Program
97.117	TSA Airport Checked Baggage Inspection System Program
97.118	TSA Advanced Surveillance Program

### ***ARRA-Funded Programs Not Subject to A-133 Audit***

The following ARRA-funded programs are not covered by the single audit requirements and are not required to be included in the Schedule of Expenditures of Federal Awards or in the determination of major programs.

#### *Department of the Treasury*

- ARRA section 1602: Grants to States for Low-Income Housing Projects in Lieu of Low-Income Housing Tax Credit (no CFDA number)
- ARRA section 1603: Payments for Specified Energy Property in Lieu of Tax Credits (no CFDA number)
- Build America Bonds (no CFDA number)

#### *Department of the Treasury and the Department of Health and Human Services*

- Qualified Therapeutic Discovery Project – CFDA 21.103 and R&D cluster

#### *Department of Education*

- Qualified School Construction Bonds (no CFDA number)

## **II. Granting of Extensions Eliminated**

The single audit is a key tool used to drive accountability for Federal awards under ARRA. Due to the importance of single audits and the reliance of Federal agencies on the audit results to monitor accountability for all Federal programs, OMB has advised Federal agencies in *Updated Guidance on the American Recovery and Reinvestment Act*, dated March 22, 2010 (M-10-14), that they should not grant any extension requests to grantees for fiscal years 2009 through 2011. Federal agencies have either already adopted or are in the process of adopting this policy.

## **III. Clarification of Low-Risk Auditee Criteria**

### ***Background***

Because Federal agencies rely greatly on the results of OMB Circular A-133 audits to monitor the accountability of Federal awards, Federal program and grantee risk increases when audits are not filed or are filed late with the Federal Audit Clearinghouse (FAC). Beginning with audits covered by the 2010 Compliance Supplement, auditors should be alert to the clarification provided by OMB Memorandum (M-10-14) which states: “In order to meet the criteria for a low-risk auditee (OMB Circular A-133 § \_\_.530) in the current year, the prior two years audits must have met the requirements of OMB Circular A-133, including report submission to the FAC by the due date (OMB Circular A-133 § \_\_.320). For example, an auditee would not meet the criteria for a low-risk auditee for the fiscal year ended June 30, 2010, if the audits for either of the prior two years audits (fiscal years June 30, 2008 or 2009) were not filed with the FAC by

the due date (March 31, 2009 and 2010, respectively, assuming no approved extensions). The auditor may consider using the following steps to identify FAC submissions that do not meet the due date.

### **Suggested Steps**

1. Inquire of entity management and review available prior-year financial reports and audits to ascertain if the entity had Federal awards expended of \$500,000 or more in the prior two audit periods and, therefore, was required to have an OMB Circular A-133 audit and file with the FAC.
2. If the entity was below the \$500,000 threshold in either of the prior two audit periods, and an OMB Circular A-133 audit was not required, obtain written representation from management to this fact and no further audit procedures are necessary as the entity does not qualify as a low risk auditee.
3. If a prior year OMB Circular A-133 audit was conducted, obtain a copy of the data collection form (form SF-SAC) and the reporting package.
  - a. Calculate the “Nine Month Due Date” to file with the FAC as the date 9 months after the end of the audit period. For example, for audit periods ending June 30, 2013, the audit report would be due March 31, 2014.
  - b. Access the FAC web page at <http://harvester.census.gov/sac/>.
  - c. Select the “Search the Single Audit Database” option and using the “Search for Complete Records Only – Entity Search” option, locate the FAC record for the entity. Verify correct record by comparing both entity name and EIN number from the entity’s copy of the SF-SAC to the FAC web page.
  - d. For this record, located on the FAC web page, compare the “FAC Accepted Date” to the Nine Month Due Date to determine if the due date was met. OMB granted an extension for all FY 2013 audit packages due on or before March 31, 2014, until March 31, 2014. The extension was automatic and no approval was required.
  - e. If the Nine Month Due Date was not met and the FY 2013 automatic extension described above was not applicable, inquire of entity management whether they received an extension from the cognizant or oversight agency for audit. If an extension was received, review documentation from the Federal agency supporting the extension and determine a “Revised Due Date” considering the extension (Note discussion in section III of this Appendix that Federal agencies have been advised by OMB not to grant any extension requests to grantees for fiscal years 2009 through 2011).
4. If the entity was not in compliance with the Nine Month Due Date or Revised Due Date (if applicable) or did not submit the required OMB Circular A-133 audit to the FAC for either of the prior two audit periods, then the entity does not qualify as a low-risk auditee.

5. Contact the FAC at [govs.fac@census.gov](mailto:govs.fac@census.gov), (301) 763-1551 (voice), (800) 253-0696 (toll free), (301) 763-6792 (fax), if additional information is needed on using the FAC website or determining the date the FAC accepted the OMB Circular A-133 report submission as complete.

#### **IV. Safe Harbor for Treatment of a Large Loan and Loan Guarantee Programs in Type A Program Determination**

When applying the risk-based approach to determine which Federal programs are major programs, § \_\_.520(b)(3) of OMB Circular A-133 states: “The inclusion of large loan and loan guarantees (loans) should not result in the exclusion of other programs as Type A programs. When a Federal program providing loans significantly affects the number or size of Type A programs, the auditor shall consider this Federal program as a Type A program and exclude its values in determining other Type A programs.”

To promote consistency of practice, auditors may consider the following as a “safe harbor” for treatment of large loan and loan guarantee programs in determining Type A programs when planning audits.

- (1) Each individual program that includes loans or loan guarantees (as described in § \_\_.205(b) of OMB Circular A-133) that does not exceed four times the largest non-loan program is not considered to be large. A cluster of programs is treated as one program. The presumption is that only changes in the number or size of Type A programs that result from the exclusion of individual loan and loan guarantee programs that are in excess of four times that of the largest non-loan program are significant.
- (2) Auditors are only required to perform the recalculation of the Type A threshold described in § \_\_.520(b)(3) of OMB Circular A-133 when the expenditures for a loan or loan guarantee program is more than four times that of the largest non-loan program (a cluster of programs is treated as one program).
- (3) The recalculation is performed after removing the total of all large loan and loan guarantee programs.

Following are the examples for the Safe Harbor computation

##### Example No.1

<b>Loan Program</b>	<b>Expenditures</b>
Student Financial Aid Cluster	
84.032 Federal Family Education Loans	299,000,000
84.038 Federal Perkins Loan Program	5,000,000
84.063 Federal Grant Program	859,000
84.033 Federal Work-Study Program	290,000
<b>Loan Program Total</b>	<b>305,149,000</b>

Note: The loan program expenditures include the loans beginning balance, current year loans, and any other loan program or cluster expenditures.

**Non-Loan Programs**

R&D Cluster (multiple CFDA #'s)	20,000,000
Department of Health and Human Services	
93.044 Special Programs for the Aging	650,000
93.015 HIV Prevention Programs	200,000
Department of Education	
84.002 Adult Education	400,000
<b>Non-Loan Programs Total</b>	<b>21,250,000</b>
<b>Total Federal Expenditures (Loans and Non-Loans)</b>	<b>326,399,000</b>

**Type A Threshold Calculation Including Loans**

Total Federal Expenditures (Loans and Non-Loans)	326,399,000
3/10 % for Threshold Calculation	3/10%
Type A Threshold Calculated including loans	979,197
Default Threshold per A-133	3,000,000

**Safe Harbor Calculation**

Largest Non-Loan Program	
R&D	20,000,000
Multiply by 4	x4
Total of four times the largest Non-Loan program or cluster (Safe Harbor Threshold)	80,000,000

Which loan program(s) exceed the Safe Harbor Threshold and should be classified as "Large" and removed from the Type A threshold recalculation?

SFA Cluster	305,149,000
-------------	-------------

**Type A Threshold Calculation without "Large" Loans**

Total Federal Expenditures (Loans and Non-Loans)	326,399,000
"Large" Loan Programs:	305,149,000
Difference between lines 1 and 2 (recalculated total Federal Awards):	21,250,000
3% for Threshold Calculation	3%
Recalculated Type A Threshold	637,500

**Type A Programs for FY 20XX**

	<b>Expenditures</b>
SFA Cluster	305,149,000
R&D Cluster	20,000,000
93.044 Special Programs for Aging	650,000

Example No. 2

<b>Loan Programs</b>	<b>Expenditures</b>
Student Financial Aid Cluster	
84.032 Federal Family Education Loans	299,000,000
84.038 Federal Perkins Loan Program	5,000,000
84.063 Federal Grant Program	859,000
84.033 Federal Work-Study Program	290,000
SFA Total	305,149,000
10.415 Rural Rental Housing Loans Program	1,500,000
Loan Program Total	306,649,000

Note: The loan program expenditures include the loans beginning Balance, current year loans and any other loan program or cluster expenditures.

<b>Non-Loan Programs</b>	
R&D Cluster (multiple CFDA #'s)	20,000,000
Department of Health and Human Services	
93.044 Special Programs for the Aging	2,650,000
93.015 HIV Prevention Programs	200,000
Department of Education	
84.001 Grant for Schools	400,000
Non-Loan Program Totals	23,250,000
Total Federal Expenditures (Loans and Non-Loans)	329,899,000

<b>Type A Threshold Calculation Including Loans</b>	
Total Federal Expenditures (Loans and Non-Loans)	329,899,000
3/10 % for Threshold Calculation	3/10%
Type A Threshold Calculated including loans	989,697
Default Threshold per A-133	3,000,000

<b>Safe Harbor Calculation</b>	
Largest Non-Loan Program	
R&D	20,000,000
Multiply by 4	x4
Total of four times largest Non-Loan	80,000,000

Which loan program(s) exceed the Safe Harbor Threshold and should be classified as "Large" and removed from the Type A threshold recalculation?

SFA Cluster	305,149,000
-------------	-------------

#### **Type A Threshold Calculation without "Large" Loans**

Total Expenditures with all Programs:	329,899,000
"Large" Loan Programs:	305,149,000
Difference between lines 1 and 2:	24,750,000
3% for Threshold Calculation	3%
Recalculated Type A Threshold	742,500

#### **Type A Programs for FY 20XX**

#### **Expenditures**

SFA Cluster	305,149,000
R&D Cluster	20,000,000
10.415 Rural Rental Housing Loans	1,500,000
93.044 Special Programs for Aging	2,650,000

#### Example No. 3

#### **Loan Programs**

#### **Expenditures**

10.415 Rural Rental Housing Loans Program	104,679,000
14.248 CDBG_Section 108 Loan Guarantees Program	200,470,000
Loan Program Total	305,149,000

Note: The loan program expenditures include the loans beginning Balance, current year loans and any other loan program or cluster expenditures.

#### **Non-Loan Programs**

R&D Cluster (multiple CFDA #'s)	20,000,000
Department of Health and Human Services	
93.044 Special Programs for the Aging	650,000
93.015 HIV Prevention Programs	300,000
Department of Education	
84.001 Grant for Schools	1,932,300
Non-Loan Program Total	22,882,300
Total Federal Expenditures (Loans and Non-Loans)	328,031,300

**Type A Threshold Calculation Including Loans**

Total Federal Expenditures (Loans and Non-Loans.)	328,031,300	
3/10 % for Threshold Calculation		3/10%
Type A Threshold Calculated including loans	984,094	
Default Threshold per A-133	3,000,000	

**Safe Harbor Calculation**

Largest Non-Loan Program		
R&D	20,000,000	
Multiply by 4		x4
Total of four times largest Non-Loan	80,000,000	

Which loan program(s) exceed the Safe Harbor Threshold and should be classified as "Large" and removed from the Type A threshold recalculation?

10.415 Rural Rental Housing Loans	104,679,000
14.248 CDBG_Section 108 Loan Guarantees	200,470,000

**Type A Threshold Calculation without "Large" Loans**

Total Federal Expenditures (Loans and Non-Loan Programs)	328,031,300	
"Large" Loan Programs:	305,149,000	
Difference between lines 1 and 2:	22,882,300	
3 % Threshold Calculation		3%
Recalculated Type A Threshold	686,469	

**Type A Programs for FY 20XX**

	Expenditures
10.415 Rural Rental Housing Loans	104,679,000
14.248 CDBG_Section 108 Loan Guarantees	200,470,000
R&D Cluster	20,000,000
84.001 Grant for Schools	1,932,100

**V. Treatment of National Science Foundation Awards**

Effective for proposals due on or after January 14, 2013, all awards issued by the National Science Foundation (NSF) meet the definition of "Research and Development" at OMB Circular A-133 §.105. As such, auditees should identify NSF awards as part of the R&D cluster on the Schedule of Expenditures of Federal Awards (SEFA) and the auditor should use the Research and Development cluster in Part 5 when testing any of those awards. NSF recognizes that some awards may have another classification for purposes of reimbursement of indirect costs. The auditor is not required to report this difference in treatment (i.e., the award is classified as R&D for A-133 purposes, but non-research for indirect cost rate purposes), unless the auditee is charging indirect costs at a rate other than the rate(s) specified in the award document(s).

There will be a transition period (probably 4 years) where SEFAs will include both awards funded previous to this change in approach and awards made subsequent to it. Previously funded awards may be identified on the SEFA at the university's discretion, but awards resulting from proposals due on or after January 14, 2013 must be included in SEFA as part of the R&D cluster. This guidance complies with the October 2012 version of the NSF Proposals and Awards Policies and Procedures Guide (PAPPG), which may be found at [http://www.nsf.gov/publications/pub\\_summ.jsp?ods\\_key=nsf13001](http://www.nsf.gov/publications/pub_summ.jsp?ods_key=nsf13001).

## **VI. 340B Drug Pricing Program**

The Office of Pharmacy Affairs (OPA), Health Resources and Services Administration, has revised its Policy Release 2012-1 titled, "Clarification of HRSA Audits of 340B Covered Entities." The revision 2012-1.1, dated February 8, 2013 can be found at <http://www.hrsa.gov/opa/programrequirements/policyreleases/index.html>. It removes the OMB Circular A-133 audit component from OPA's oversight strategies. Accordingly, the special test and provision compliance requirements related to the 340B Drug Pricing Program was not included in the 2013 Supplement or this Supplement for CFDA's 93.224, 93.917, and 93.918.

In the event there were audit findings or modifications to audit opinions for audits performed using the 2012 Supplement for those programs which were based solely on Part 3 N, Special Tests and Provisions or internal control steps related to the 340B Drug Pricing program, the auditor is not required to consider those audit findings or modifications to audit opinions when performing the risk-based approach under OMB Circular A-133. For example, a material non-compliance, material weakness in internal control over compliance, or a modified opinion based solely on Special Tests and Provisions steps related to internal control or compliance with the 340B Drug Pricing Program in a previously issued audit report would not preclude those programs from being low risk or an entity from qualifying as a low risk auditee in the two subsequent-year audits.

## **VII. Report on the National Single Audit Sampling Project**

In June 2007 the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) provided OMB with a report titled *Report on the National Single Audit Sampling Project* (Report). The full report is available at <http://www.ignet.gov/pande/audit/NatSamProjRptFINAL2.pdf>.

This report disclosed significant percentages of unacceptable audits and audits of limited reliability including failure to adequately document and test internal controls and compliance as required by OMB Circular A-133. Auditors are encouraged to review this report and related updates issued by the American Institute of Certified Public Accountants to ensure compliance with OMB Circular A-133 and this Supplement.

### ***Common Deficiencies Identified in the PCIE Report***

The most commonly occurring deficiencies cited in the Report are the following:

*Material Reporting Errors (No. 1 on Page 17).* Auditors misreported coverage of major programs. This occurred when the Summary of Auditor Results section of the Schedule of Findings and Questioned Costs identified that one or more major programs were audited as a major program when the audit documentation did not include support for all of the programs listed. Though inadvertent, this is a very consequential error because it results in the auditor opining on one or more programs that were not audited and report users relying on the erroneous opinions.

*Apparent Audit Findings Not Reported (No. 2 on Page 18).* The audit documentation or management letter content included matters that appeared to be audit findings. However, they were not reported as audit findings and there was no audit documentation explaining why.

*Compliance (No. 3 on Page 20).* In some audits, auditors are not documenting compliance testing of at least some compliance requirements. For most audits considered unacceptable, the lack of documentary evidence for compliance testing was substantial. The audit documentation did not always include evidence that the auditor tested major program compliance requirements or explain why certain generally applicable requirements identified in this Supplement were not applicable to the audit.

Also, in some cases the auditor documented that types of compliance requirements identified as generally applicable to the major program in Part 2 of this Supplement were not applicable (e.g., by marking “N/A” next to the item in an audit program), but did not explain why.

*Internal Control (No. 4 on Page 22).* In many single audits, auditors are not documenting their understanding of internal control over compliance as required by A-133 §.500(c)(1) in a manner that addresses the five elements of internal control. Further, the report stated that auditors did not document testing internal control of at least some compliance requirements as required by A-133 §.500(c)(2).

*Risk Assessments of Federal Programs (No. 5 on Page 24).* The following kinds of deficiencies in risk assessments of federal programs were identified:

- Required risk analyses not documented at all;
- Basis for the assessments of risk not documented;
- Documentation indicated the risk assessment not performed or not properly performed for reasons including not considering all programs, improperly clustering programs, not clustering programs, or mistakenly categorizing a program as a Type A program (i.e., a program with large expenditures) or as a Type B program (i.e., a program with smaller expenditures); and
- Risk assessment decision not consistent with information in the audit documentation.

*Audit Finding Elements (No. 6 on Page 25).* A significant percentage of the audits reviewed did not include all of the required reporting elements in the audit findings.

*Schedule of Expenditures of Federal Awards (SEFA) Problems (No. 7 on Page 26).* While SEFA preparation is a client responsibility, the auditor reports on the SEFA in relation to the financial statements and the information in the SEFA are key to major program determination. For many audits reviewed, one or more of the following required SEFA content items were omitted:

- Subgrant awards numbers assigned by pass-through entities not included
- Names of pass-through entities missing
- Grantor Federal agency names missing
- Grantor Federal agency subdivision names missing
- Multiple lines for Catalog of Federal Domestic Assistance (CFDA) numbers shown – total expenditures for CFDA number not shown
- Programs that are parts of a cluster not shown as such
- Notes to SEFA missing
- Correct CFDA number; and
- Research and Development (R&D) programs not identified as such.

*Management Representations (No. 8 on Page 28).* For several audits, some or all of the management representations (identified in the AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits*), were not obtained. In a few other cases, the management representations were obtained several days prior to the dates of the auditor's reports.

*Materiality (No. 9 on Report Page 29).* In single audits, the auditor must consider his or her findings in relation to each major program, which is a significantly lower materiality level than all programs combined. In some of the audits reviewed, the auditor did not document whether he or she considered materiality at the individual major program level.

*Sampling (Other Matters -Page 36).* In the audits reviewed, inconsistent numbers of transactions were selected for testing of internal control and compliance testing for the allowable costs/cost principles compliance requirement. Also, many single audits did not document the number of transactions and the associated dollars of the universe from which the transactions were drawn.

*Other Findings (No. 10 on Page 29).* Numerous other findings were noted, primarily attributed by the reviewers as being caused by a lack of due professional care. They included the following:

- Low-risk auditee determination not documented or incorrect,

- Minimum percentage of coverage requirement not met,
- Audit programs missing or inadequate for part of the single audit,
- Part of a major program or a major program cluster not tested,
- The Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs missing some information or including erroneous information,
- Error in threshold for distinguishing Type A and Type B programs, and
- Indications that current compliance requirements not considered.

### **VIII. Effect of Prior Suspension and Debarment Audit Findings Based Solely on "Principals" Tests**

Subsequent to the issuance of the March 2013 Supplement, OMB issued guidance that auditors are not required to report audit findings based solely on the tests for suspended and debarred "principals" pursuant to Part 3I, "Procurement and Suspension and Debarment," steps 6 and 7 (page 3-I-5), of the March 2013 Supplement. These steps relate to whether the principal of an entity with which the non-Federal entity has a covered transaction is suspended, debarred, or otherwise excluded. However, auditors were still required to report audit findings for non-compliance with the other suspension and debarment requirements.

When performing the risk-based approach under the Supplement, the auditor is not required to consider audit findings or modifications of audit opinions based solely on the tests for suspended and debarred principals pursuant to Part 3I, Procurement and Suspension and Debarment, steps 6 and 7 of the March 2013 Supplement if the auditor can determine that the auditee was otherwise in compliance with the suspension and debarment requirements. For example, a material non-compliance, material weakness in internal control over compliance, or a modified opinion based solely on Part 3I, steps 6 and 7 of the March 2013 Supplement in a previously issued audit report would not preclude a program from being low risk or an entity from qualifying as a low-risk auditee in the two subsequent-year audits.

This modified audit guidance was provided due to the first time inclusion of the "and principals" provision in the 2013 Supplement and the implementation challenges that non-Federal entities expressed in preparing for the audit of this requirement. However, it is important for non-Federal entities to note that this is not a new requirement and they still are required to comply with the "and principals" provision of the suspension and debarment requirements. Even though this Supplement does not include the "and principals" language, auditors performing audits subject to this Supplement are strongly encouraged to remind those charged with governance of the non-Federal entity of their responsibilities to ensure that the principals of an entity with which they enter into a covered transaction are not suspended, debarred or otherwise excluded.

## **IX. Preview of Compliance Supplement Revisions for 2015**

As mentioned in the Guidance published in the *Federal Register* on December 26, 2013, OMB plans to make changes to the 2015 Supplement based on available evidence of past findings and the potential impact of non-compliance for each type of compliance requirement. OMB plans to maintain the basic structure of Part 3 of the Supplement with the 14 types of compliance requirements format (A through N) and is evaluating whether any of those requirements should be deleted. OMB has begun to conduct outreach with the single audit constituency (internal and external to Federal agencies) to explore ways to ensure that the Supplement focuses the auditor on testing the compliance requirements most likely to cause improper payments, waste, fraud, or abuse or generate audit findings for which the Federal awarding agency will apply sanctions.

Consideration is being given to the following:

- How Part 3 audit objectives and suggested audit procedures and Part 4 and 5 compliance requirements may be revised to relieve audit burden and focus on the areas of greatest risk to Federal awards.
- Whether the types of compliance requirements which require the auditor to test beyond the normal financial system (e.g., performance reporting, special reporting, and certain special tests and provisions) can be reduced where the associated risk and benefits of such tests are minimal.
- Updates to Part 3 for changes under the Uniform Guidance such as Subpart D—Post Federal Award Requirements, and Subpart E—Cost Principles.
- Updates to Part 6 – Internal Control to be consistent with the GAO’s “Green Book” (when its revisions are finalized) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this outreach, by August 30, 2014, OMB will prepare a revised Part 3 draft for a preliminary vetting in addition to the normal Supplement annual vetting of changes in December 2014 – January 2015.

In addition, as a result of flexibility provided under the Consolidated Appropriations Act, 2014 (the Act), changes will be made to the 2015 Supplement in the affected programs to support the additional flexibility and accountability for outcomes provided by Performance Partnership Pilots for disconnected youth. The Act authorizes the Departments of Labor, Health and Human Services, Education, and the Corporation for National and Community Service to establish up to 10 pilots, which will allow a State, region, locality, or federally recognized tribe to propose pooling a portion of discretionary FY 2014 funds from participating agencies while measuring and tracking specific cross-program outcomes. This model for pooling funds, combined with strengthened accountability for results, is designed to ease administrative burden and promote better education, employment, and other key outcomes for youth. As a result, changes to the Supplement for affected programs in Part 4 will focus on ensuring sound measurement of the

extent to which outcome-oriented goals and objectives are achieved, as well as proper stewardship of Federal funds using streamlined administrative requirements.