

OMB Uniform Grant Guidance

- This final guidance supersedes the requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102, and A-133, and the guidance in Circular A-50 on Single Audit Act follow-up.



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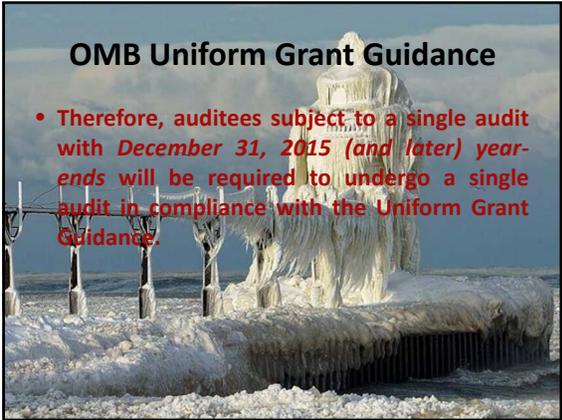
The new guidance contains the following:

- Administrative requirements
- Cost principles
- Audit guidance



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- Effective Date is December 26, 2013.
- However, the applicability date for Subpart F Audit Requirements, is for fiscal years beginning on or after December 24, 2014.



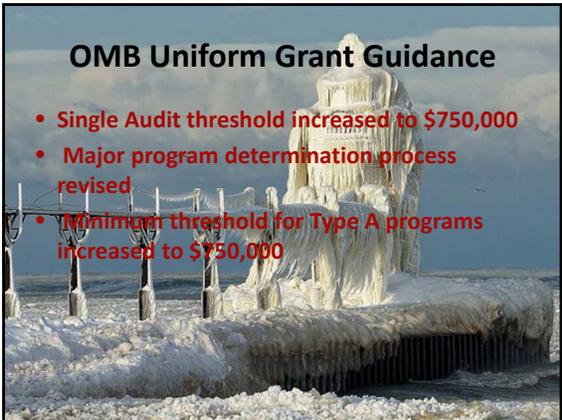
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- Therefore, auditees subject to a single audit with *December 31, 2015 (and later) year-ends* will be required to undergo a single audit in compliance with the Uniform Grant Guidance.



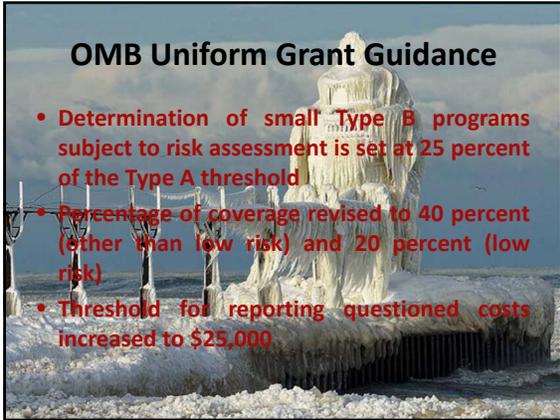
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- Note that auditees will be subject to the revised administrative requirements and cost principles for new federal awards (and additional funding to existing awards) for fiscal years beginning on or after December 26, 2014.



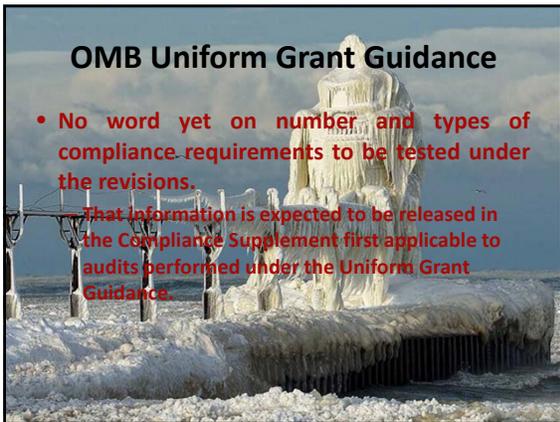
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- Single Audit threshold increased to \$750,000
- Major program determination process revised
- Minimum threshold for Type A programs increased to \$750,000



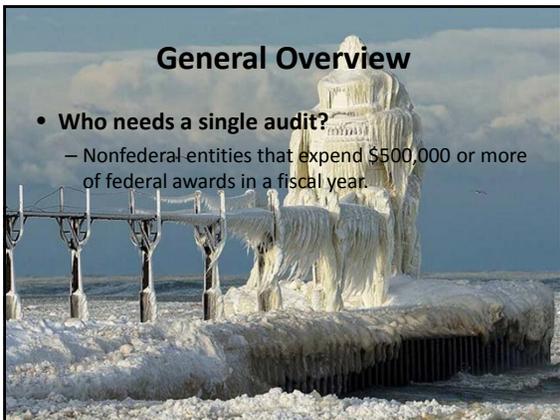
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- Determination of small Type B programs subject to risk assessment is set at 25 percent of the Type A threshold
- Percentage of coverage revised to 40 percent (other than low risk) and 20 percent (low risk)
- Threshold for reporting questioned costs increased to \$25,000



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- No word yet on number and types of compliance requirements to be tested under the revisions.
 - That information is expected to be released in the Compliance Supplement first applicable to audits performed under the Uniform Grant Guidance.



General Overview

- Who needs a single audit?
 - Nonfederal entities that expend \$500,000 or more of federal awards in a fiscal year.



General Overview

- **Your Responsibilities**
 - Three levels for auditing and reporting standards:
 1. General Accepted Auditing Standards (GAAS)
 2. Government Auditing Standards (GAGAS)
 3. OMB Circular A-133



Compliance Audits

- **When an auditor is engaged, to perform a compliance audit you need to disclose which of the following apply:**
 - **GAAS**
 - The standards for financial audits under Government Auditing Standards
 - **A governmental audit requirement that requires an auditor to express an opinion on compliance (such as OMB Circular A-133)**



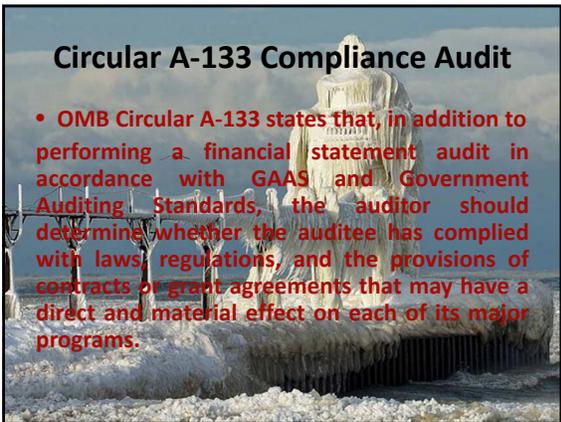
Objectives in a Compliance Audit

- **To obtain sufficient appropriate audit evidence to form an opinion and report at the level specified in the governmental audit requirement on whether the entity complied in all material respects with the applicable compliance requirements**



Objectives in a Compliance Audit

- To identify audit and reporting requirements specified in the governmental audit requirement that are supplementary to GAAS and Government Auditing Standards, if any, and perform procedures to address those requirements



Circular A-133 Compliance Audit

- OMB Circular A-133 states that, in addition to performing a financial statement audit in accordance with GAAS and Government Auditing Standards, the auditor should determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs.



Circular A-133 Compliance Audit

- This results in the auditor expressing an opinion on the auditee's compliance with those compliance requirements for each of its major programs.









OMB Circular A-133 Key Definitions

- Cluster of programs
- Federal award
- Federal financial assistance
- Federal program
- **Internal control**
- Internal control over federal programs
- Major program



Federal Award

- **Federal financial assistance, and federal cost reimbursement contracts that nonfederal entities receive directly from federal awarding agencies or indirectly from pass-through entities**



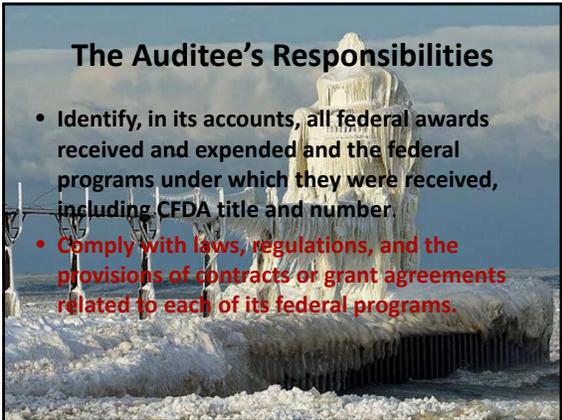
Federal Financial Assistance

- Assistance that nonfederal entities receive or administer in the form of grants, loans, **loan guarantees**, cooperative agreements, **donated surplus property**, property, **interest subsidies**, insurance, **food commodities**, direct appropriations, and other assistance



Major Program

- A federal program determined by the auditor to be a major program in accordance with the Circular or a program **identified as a major program by a federal agency or pass-through entity** in accordance with the Circular



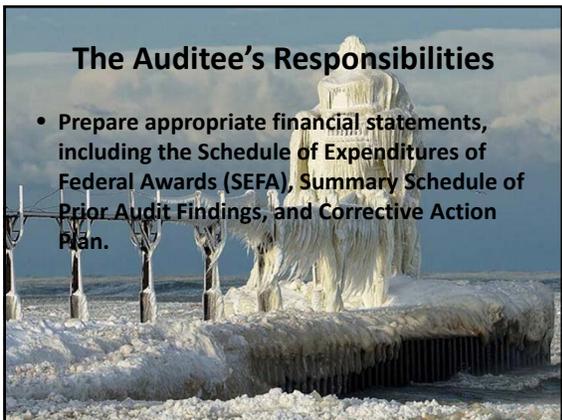
The Auditee's Responsibilities

- Identify, in its accounts, all federal awards received and expended and the federal programs under which they were received, including CFDA title and number.
- **Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs.**



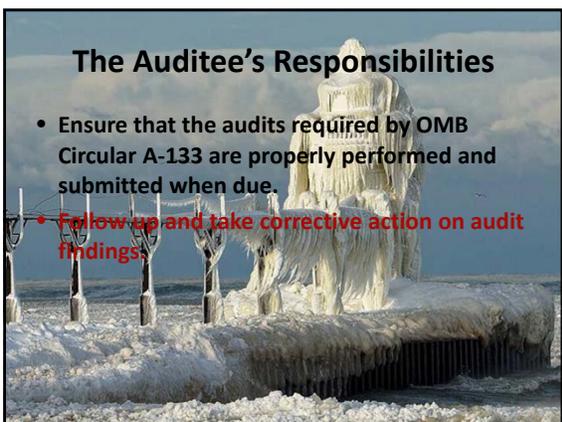
The Auditee's Responsibilities

- Maintain internal control over federal programs that provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.



The Auditee's Responsibilities

- Prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards (SEFA), Summary Schedule of Prior Audit Findings, and Corrective Action Plan.



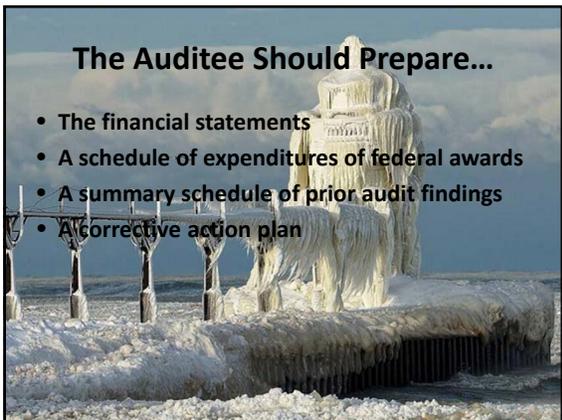
The Auditee's Responsibilities

- Ensure that the audits required by OMB Circular A-133 are properly performed and submitted when due.
- Follow up and take corrective action on audit findings.



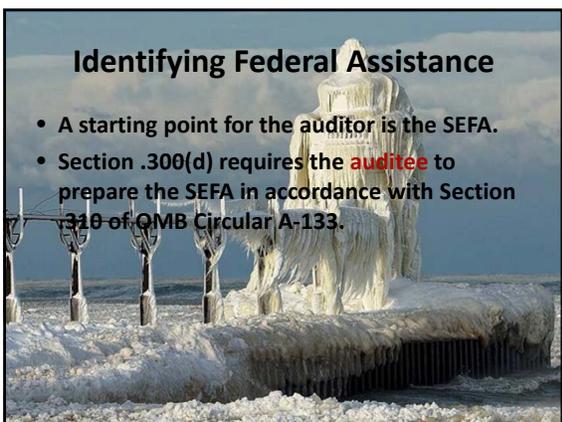
Auditor Procurement

- Auditees should follow applicable federal procurement standards.
- An auditor who prepares the indirect cost proposal or cost allocation plan may not also be selected to perform the audit required by OMB Circular A-133 when the indirect costs recovered by the auditee during the prior year exceed \$1 million.
- Yellow Book independence rules apply



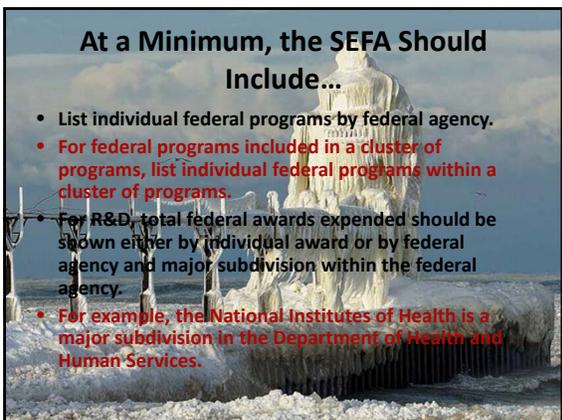
The Auditee Should Prepare...

- The financial statements
- A schedule of expenditures of federal awards
- A summary schedule of prior audit findings
- A corrective action plan



Identifying Federal Assistance

- A starting point for the auditor is the SEFA.
- Section .300(d) requires the **auditee** to prepare the SEFA in accordance with Section 310 of OMB Circular A-133.

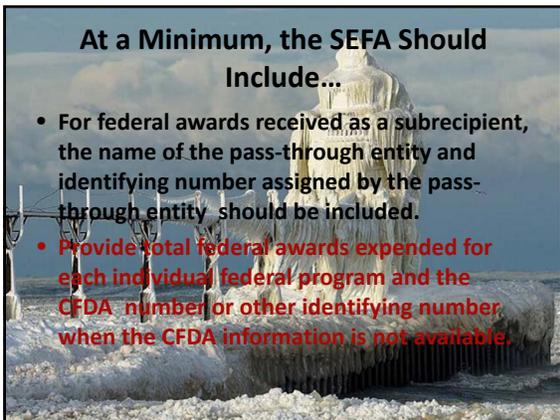


At a Minimum, the SEFA Should Include...

- List individual federal programs by federal agency.
- For federal programs included in a cluster of programs, list individual federal programs within a cluster of programs.
- For R&D, total federal awards expended should be shown either by individual award or by federal agency and major subdivision within the federal agency.
- For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

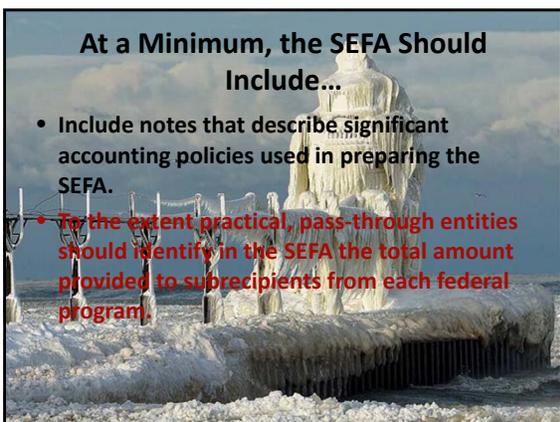
At a Minimum, the SEFA Should Include...

- For federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity should be included.
- Provide total federal awards expended for each individual federal program and the CFDA number or other identifying number when the CFDA information is not available.



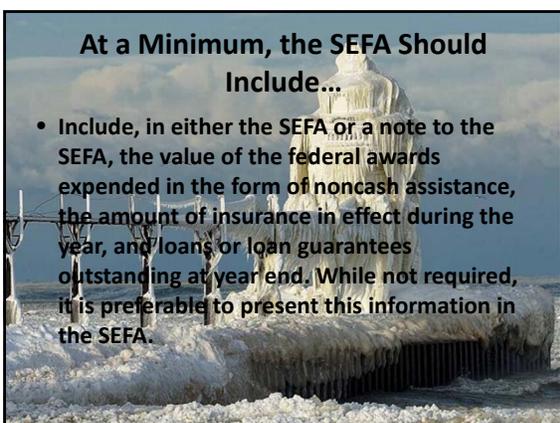
At a Minimum, the SEFA Should Include...

- Include notes that describe significant accounting policies used in preparing the SEFA.
- To the extent practical, pass-through entities should identify in the SEFA the total amount provided to subrecipients from each federal program.



At a Minimum, the SEFA Should Include...

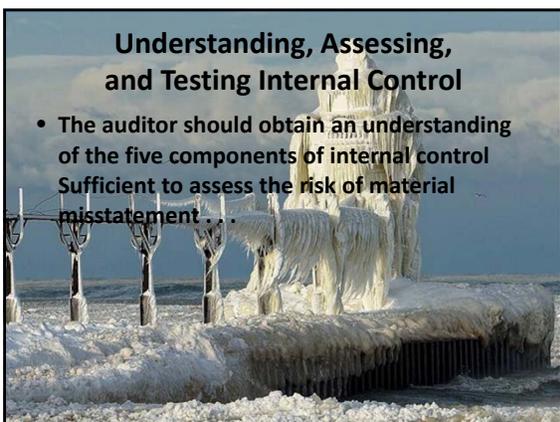
- Include, in either the SEFA or a note to the SEFA, the value of the federal awards expended in the form of noncash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the SEFA.





Additional SEFA Considerations

- The information in the SEFA may not fully agree to reports submitted to grantors.
- Adjustment should be made to the schedule when reporting state and other awards along with the federal awards.



Understanding, Assessing, and Testing Internal Control

- The auditor should obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement.



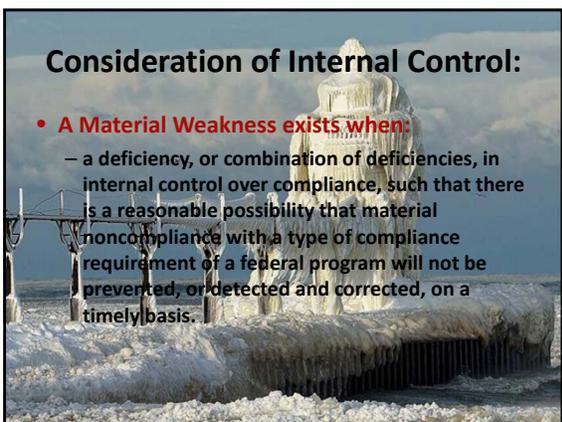
Consideration of Internal Control:

- OMB Circular A-133 requires the auditee to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.



Consideration of Internal Control:

- **A Deficiency exists when:**
 - the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.



Consideration of Internal Control:

- **A Material Weakness exists when:**
 - a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.



Consideration of Internal Control:

- **A Significant Deficiency exists when:**
 - a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Reporting Package

- Financial statements [AUDITEE]
- SEFA [AUDITEE]
- Summary schedule of prior audit findings [AUDITEE]
- Corrective action plan [AUDITEE]
- Auditor's reports required by OMB Circular A-133



OMB Circular Availability

- OMB Circulars are available at www.omb.gov



QUESTIONS/COMMENTS?
