OMB Revisions to A-133 Audit Requirements

By Tim Lyons and Hope Pendergrass

The federal government expends **$600 million** annually in the form of grants and cooperative agreements. As this amount has grown significantly in recent years, the Office of Management and Budget (OMB) has been working with the various federal agencies to reform grant policies. These efforts have been concentrated on several objectives, including increasing the efficiency and effectiveness of federal programs, eliminating unnecessary and duplicative requirements and achieving better outcomes at a lower cost. The Council on Financial Assistance Reform (COFAR), who was working with the OMB on these changes and related guidance, summarized the changes as follows: *"The final guidance right-sizes the footprint of oversight and Single Audit requirements to strengthen oversight and focus audits where there is the greatest risk of waste, fraud, and abuse of taxpayer dollars."*

In December of 2013, the OMB issued Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The Uniform Grant Guidance supersedes and streamlines requirements from eight different grant circulars into one set of guidance which is found in Title 2 of the CFR, Subtitle A, Chapter II, Part 200 and includes several subparts as follows:

- Subpart A contains acronyms and definitions used throughout the Guidance.
- Subpart B discusses general provisions including the purpose of the Guidance, its applicability, and effective date.
- Subpart C covers administrative requirements directed primarily at federal agencies including pre-award activities and requirements for the contents of federal awards.
- Subpart D, includes many of the administrative requirements that will be areas of focus for your clients including procurement, internal control, and subrecipient monitoring.
- Subpart E, includes reforms to the Cost Principles previously found in Circulars A-21, A-87, and A-122.
- Subpart F, includes the reforms to single audit requirements which were previously found in Circulars A-133 and A-50.

Our Resources

As always, we are available as a resource to you as questions arise.

Please contact any of our governmental partners and managers, at 1-800-277-0050 for assistance.

Name	Email
Miller Edwards	medwards@mjcpa.com
Meredith Lipson	mlipson@mjcpa.com
Joel Black	jmblack@mjcpa.com
Adam Fraley	afraley@mjcpa.com
Doug Moses	dmoses@mjcpa.com
Craig Moye	cmoye@mjcpa.com
James Bence	jbence@mjcpa.com
David Irwin	dirwin@mjcpa.com

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Summary of Significant Changes in the Guidance for Auditees

While the Uniform Grant Guidance does contain significant changes, the basic structure of the Single Audit process remains unchanged. Perhaps the most significant of the changes is the threshold of federal awards that requires an entity to undergo a Single Audit. Since 2003, entities expending at least $500,000 annually in federal awards were subject to a Single Audit. The new guidance increases this threshold to $750,000 of annual expenditures of federal awards. Furthermore, the guidance states that any entity falling below the new threshold of $750,000 must make records available for review or audit by appropriate officials of the Federal agency, pass-through entities, and the Government Accountability Office.

In conjunction with the increase in the Single Audit threshold, the guidance from OMB also changes the major program determination process. During each audit period, an entity is required to have a Single Audit for each of its major programs which are those programs meeting certain criteria. The first step in the major program determination process requires the identification of "Type A" programs which, under current rules, are those programs of at least $300,000 in the period under audit. The guidance increases the Type A minimum threshold from $300,000 to $750,000. The following table shows the Type A/B threshold for all amounts of federal expenditures:

Type A/B Threshold	Total Federal Awards Expended (FAE)
$750,000	Equal to $750,000 but LT or EQ to $25 M
Total FAE times .03	Exceed $25M but LT or EQ to $100M
$3,000,000	Exceed $100M but LT or EQ to $1B
Total FAE times .003	Exceed $1B but LT or EQ to $10M
$30M	Exceed $10B but LT or EQ to $20B
Total FAE times .0015	Exceed $20B

The guidance also reduces the coverage auditors must obtain in performing Single Audits (i.e., the percentage of the schedule of expenditures of federal awards that must be tested). Under current guidance, auditors must test 50% of the Schedule of Expenditures of Federal Awards for auditees who are not low risk and 25% for auditees who are low risk. The new guidance reduces these coverage ratios to 40% and 20%, respectively.

Additionally, the guidance increased the threshold for reporting known and likely questioned costs from the previous amount of $10,000 to $25,000. Questioned costs must be identified by the Catalog of Federal Domestic Assistance (CFDA) number and applicable award number. Each audit finding must be identified as a repeat from the immediate prior audit (if applicable) and, if so, the prior year

audit finding number. Auditing finding numbers must also be in the format prescribed by the Data Collection Form (DCF).

In addition to changes to the audit guidance, the new Uniform Grant Guidance also includes significant changes in the Cost Principles, which as mentioned above, can be found in Subpart E. These include changes to indirect cost rates (including federal acceptance of an approved rate, a new de minimis rate, and a one-time extension for up to four years), compensation (including time and attendance), family friendly policies, and support for shared services.

One of the final major changes pertains to the reporting process. All auditees must submit the reporting package and the data collection form electronically to the Federal Audit Clearinghouse (FAC). Furthermore, the FAC will now require the reporting package to be in text-based PDF format that is searchable. Federal entities and pass-through organizations will now obtain reports by accessing the FAC website instead of requiring recipients and subrecipients to remit them directly. Subrecipients will no longer be required to submit a report to the pass-through entity, only to the FAC, and likewise, pass-through entities will no longer be required to retain a copy of subrecipient reports as they will be available online. Auditors and auditees must also ensure reports do not include protected personally identifiable information (PPII). Auditees will also sign a statement that the reports do not contain PPII and authorizing the FAC to make reports publicly available on a web site (note: there are some exceptions for Indian tribes).

Current Timeline and Implementation

Federal agencies must implement policies and procedures by promulgating regulations to be effective December 26, 2014. Non-federal entities will need to implement the new administrative requirements and Cost Principles for all new federal awards made after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. The revised audit requirements will be effective for fiscal years **beginning** on or after December 26, 2014.

Where to Find More Information

Want to know more? Below is a list of additional resources.
- Access all the various Uniform Grant Guidance documents at http://www.whitehouse.gov/omb/grants_docs
- To register and receive further announcements, information on upcoming webcasts, and other COFAR resources, join the COFAR mailing list at https://survey.max.gov/index.php/496587/lang-en
- Visit https://cfo.gov/cofar/ for an archive of an OMB web event and related presentation materials covering the contents of the various subparts and requirements, as well as to access a document containing frequently asked questions.