

OMB Circular A-133

Audits of States, Local Governments and Non-Profit Entities

- Standards for obtaining consistency and uniformity among Federal agencies for the audit of State, local governments and non-profit organizations expending Federal awards.
- Applies to recipients and sub-recipients.

Part A. Definitions: (long list)

CFDA

- Catalog of Federal Domestic Assistance
- All federal programs assigned a number

COGNIZANT AGENCY (not to be confused with OVERSIGHT AGENCY)

- Federal agency designated to carry out responsibilities described in D400a
- DHHS is UVA's cognizant agency

FEDERAL AWARD

- Federal financial assistance and Federal cost reimbursement contracts received by non-Federal entities, either directly or indirectly (i.e., pass-through)
- does not include procurement contracts used to buy good or services

GAGAS

- Generally Accepted Government Accounting Standards
- Issued by U.S. Comptroller General

INTERNAL CONTROL

- A process designed to provide reasonable assurance with respect to:
 - (a) effectiveness and efficiency of operations
 - (b) reliability of financial reporting
 - (c) compliance with applicable laws and regulations

PASS-THROUGH ENTITY- Non-federal entity that provides a federal award to a sub-recipient

- State block grants
- UVA subcontract to another university

R&D [same definitions as in A-110]

RECIPIENT-A non-federal entity that expends federal funds in order to carry out a federal program

SINGLE AUDIT

- Includes entity's financial statements and Federal awards
- Types of compliance requirements
 - (a) Allowable or unallowable activities
 - (b) Allowable costs/cost principles
 - (c) Cash management
 - (d) Eligibility
 - (e) Matching
 - (f) Level of effort
 - (g) Earmarking
 - (h) Reporting.

SUB-RECIPIENT- Non-federal entity that expends federal funds received from a pass-through entity

VENDOR- Dealer, distributor, merchant or other seller providing goods or services that are required for the conduct of the federal program

Part B. Audits

- "Audit" not defined
- Single audit required for non-Federal entities that expend \$500,000 or more in Federal funds in a FY.
- Can apply to recipient, subrecipient and a vendor. (See additional handout on Sub-Recipient & Vendor)
- A single audit would be in lieu of any financial audit required under an individual award.
- Annual or biennial
- If audit is conducted in accordance with A-133, costs may be charged to Federal award; considered direct cost or allocated indirect cost (based on applicable OMB circulars, Federal Acquisition Regs (FAR) or other applicable cost principles or regulations).
- If not in accordance with A-133, not allocable to Federal award.
- Option for program specific audit (i.e., for specific Federal program)

Part C. Auditees

- Auditee responsibilities
 - (a) Identify in accounts all Federal award received and expended
 - (b) Maintain internal controls over Federal programs
 - (c) Comply with grant and contract agreements
 - (d) Prepare financial statements, including schedule of expenditures of Federal awards
 - (e) Ensure proper audits
 - (f) Follow up and take corrective action on audit findings
- Financial statements for the organization; schedule of expenditures of Federal awards
- Audit findings follow-up: responsibility of auditee; corrective action plan

Part D. Federal Agencies and Pass-through Entities

- Entities expending > \$50,000,000 in Federal awards shall have a cognizant audit agency. Unless otherwise assigned by OMB, this is the agency that provides the predominant amount of direct Federal funding to a recipient.
- Cognizant Agency responsibilities:
 - (a) Provide technical audit advice
 - (b) Consider auditee requests for extensions
 - (c) Obtain or conduct quality control reviews
 - (d) Report to other federal agencies and law enforcement agencies any breach of GAGAS or laws and regulations
 - (e) Advise auditor and auditee of deficiencies found when corrective action is required
 - (f) Recommend follow up actions
 - (g) Coordinate other federal audits to promote consistency and efficiency
 - (h) Consider auditee requests during biennial reviews(**B220**) to be considered “low risk”(**E530a**)

Part E. Auditors

- Scope of audit:
 - (a) In accordance with GAGAS
 - (b) Cover entire operations of auditee, or a series of audits of departments, agencies and other units that spent or administered Federal awards.
 - (c) Follow-up audits as necessary
- Audit findings to include:
 - (a) conditions of internal controls
 - (b) material noncompliance (with laws, regulations, contracts or grant agreements)
 - (c) questioned costs >\$10,000
 - (d) known fraud
 - (e) clear presentation to allow auditee to address findings with a corrective action plan
- “Major Program” determined using a risk-based approach.
 - (a) Current and prior audit experience
 - (b) Oversight by Federal agencies and pass-through entities
 - (c) Inherent risk of the Federal program.
 1. Type A programs:
 - i. \$300,000 or 3% of total Federal awards expended, if total awards < \$100 million
 - ii. \$3 million or .003% of total Federal awards expended , if total awards > \$100 million and ≤\$10billion.
 - iii. \$30 million or or .0015% if > \$10 billion
 2. Type B programs: all others- Low risk: audited in one of two most recent [annual] audit cycles, and had no findings. Low risk programs need not be audited, or be eligible for a reduced audit.