

## Background

Each year, the Federal Government provides over \$300 billion—one-sixth of the Federal budget—in grants to non-Federal entities (States, local and tribal governments, colleges and universities, and other non-profit organizations). Audits are a primary tool used by the Federal government to ensure that these funds are expended properly.

## Basic Requirements

All non-Federal entities that expend \$300,000 or more of Federal awards in a year are required to obtain an annual audit in accordance with the Single Audit Act Amendments of 1996, Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," the *OMB Circular A-133 Compliance Supplement* and *Government Auditing Standards*.

Entities expending less than \$300,000 in a year are exempt from Federal audit requirements, but must make records available for review or audit by Federal agencies or pass-through entities (non-Federal entities from whom they receive Federal funds), if requested.

## What is a Single Audit?

Most non-Federal entities annually prepare financial statements and have them audited. A single audit combines the annual financial statement audit with additional audit coverage of Federal funds. The single audit is intended to meet the basic audit needs of both the non-Federal entity and Federal awarding agencies. Any additional auditing by the Federal government shall build upon work performed by other auditors.

## Your Primary Responsibilities

In addition to your responsibility to administer Federal awards in compliance with Federal requirements, you have a key role to play in the single audit process:

- ◆ *Identifying Federal awards received and expended.*

You are required to account for Federal funds received and expended by individual award. This information is usually provided in grant award documents. Check with the awarding agency if you have any questions.

- ◆ *Preparing financial statements and a Schedule of Expenditures of Federal Awards (SEFA).*

Most non-Federal entities prepare annual financial statements for their own purposes and are familiar with the process. Your auditor can usually answer any questions on financial statement preparation.

OMB Circular A-133 sets forth the minimum content requirements for the SEFA. Questions on the preparation of the SEFA can be addressed to your auditor, Federal awarding agency, or pass-through entity.

- ◆ *Obtaining the audit and ensuring it is completed.*

OMB Circular A-133 requires that Federal administrative rules be followed in procuring audit services, which can be found on OMB's web site. Factors to consider in evaluating proposals for audit services include responsiveness to the request for proposal, availability of staff with professional qualifications and relevant experience, results of quality reviews and price.

The Mid-America Intergovernmental Audit Forum (<http://www.auditforum.org>) has published a pamphlet, *Choosing an External Auditor*, to assist non-Federal entities in the procurement of audit services.

The General Accounting Office's web site (<http://www.gao.gov>) also contains a pamphlet, *How to Avoid a Substandard Audit: Suggestions for Procuring an Audit*. *Government Auditing Standards*, the standards auditors must follow in conducting the audit, are also available at this site.

- ◆ *Submitting the audit reporting package and Data Collection Form (form SF-SAC) to the Federal Audit Clearinghouse (FAC) and pass-through entities.*

The reporting package includes your financial statements and SEFA, the auditor's reports, including a schedule of findings and questioned costs, and, if applicable, your corrective action plan and a summary schedule of prior audit findings.

You and your auditor jointly prepare form SF-SAC. You are encouraged to prepare the SF-SAC using the online option at the FAC web site (<http://harvester.census.gov/sac>). Blank forms can be downloaded from the FAC's web site and hard copies are also available on request.

It is your responsibility to submit the SF-SAC together with the appropriate number (per the SF-SAC instructions) of reporting packages to the FAC within 30 days of the receipt of the auditor's reports, but no later than 9 months after the end of your fiscal year. The FAC distributes the reporting package to Federal agencies and maintains an archival copy. Information from the data collection form is captured by the FAC in an electronic database, which is publicly accessible via its web site.

For more information concerning submissions to the FAC, contact the FAC at [govs.fac@census.gov](mailto:govs.fac@census.gov) or toll-free at 1-888-222-9907.

If you are a subrecipient receiving Federal funds from a pass-through entity, you are also required to submit either a copy of the reporting package, or a notification that the audit was completed, to each pass-through entity that provides you with Federal funding. Contact your pass-through entity(ies) for questions concerning submissions to them.

- ◆ *Taking corrective action on audit findings.*

You are required to prepare a corrective action plan that addresses each audit finding. The affected Federal awarding agency(ies) or pass-through entity(ies) should contact you on the acceptability of your plan or alternative actions it expects you to take. You are responsible for taking those actions.

Contact the affected Federal awarding agency or pass-through entity if you have any questions.

Failure to meet the single audit requirements could result in your entity having to repay grant monies and/or losing access to future Federal funding.

#### **Additional Information and Where to Get Help**

##### ◆ *OMB Source Documents*

Single audit requirements are set forth in OMB Circular A-133 and the *OMB Circular A-133 Compliance Supplement*, which are on OMB's web site (<http://www.omb.gov/grants>).

##### ◆ *Federal Agency Contact for General Assistance*

A Federal agency has been designated to answer your questions and provide help when needed with your single audit. This designation is generally based upon which Federal agency provides you with the most direct Federal funding. (Circular A-133 (paragraph .400) provides specific guidance for determining which Federal agency is designated to assist you.)

The single audit contacts are listed in Appendix III of the *OMB Circular A-133 Compliance Supplement*.

##### ◆ *Highlights of the Single Audit Process*

The Grants Management Committee of the Chief Financial Officers Council produced a pamphlet, *Highlights of the Single Audit Process*, to acquaint officials of Federal awarding agencies and non-Federal entities with the single audit process. It is available on the CFO Council's web site (<http://www.financenet.gov/financenet/fed/cfo/cfo.htm>). (Note: Effective December 1, 2001, the CFO Council's internet address will be changed to <http://cfoc.gov>).

Suggestions for improvements to this tri-fold may be mailed to the Grants Management Committee at: [PL106107@os.dhhs.gov](mailto:PL106107@os.dhhs.gov).

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# Single Audit Basics and Where to Get Help

for Federal Grant Recipients



Grants Management Committee