

2011 OMB Circular A-133 Compliance Supplement



An Interactive Webinar
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Presented by  Rehmann

Presented by:

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Outline

- Overview of the 2011 Compliance Supplement
- Key guidance by compliance area
- Major changes from 2010
- Effects of the Recovery Act (ARRA) and the Transparency Act (FFATA)

OMB Circular A-133

2011 Compliance Supplement

- Issued annually to assist auditors conducting single audits and to identify auditee responsibilities
- The “March” 2011 update was released on June 2, 2011 and is available at www.whitehouse.gov/grants
- Over 1,500 pages long, but still not all-inclusive

OMB Circular A-133

2011 Compliance Supplement

- Part 1 - Background, Purpose, and Applicability
- Part 2 - Matrix of Compliance Requirements
- Part 3 - Compliance Requirements
- Part 4 - Agency Program Requirements
- Part 5 - Clusters of Programs
- Part 6 - Internal Control
- Part 7 - Guidance For Auditing Programs Not Included in this Compliance Supplement
- Appendices

Part 1

Background, Purpose, and Applicability

- Effective for June 30, 2011 FYE audits and later
- No “safe harbor” status:
 - The CS is updated annually, but laws change periodically, and delays are normal
 - Auditors should perform reasonable procedures to ensure compliance requirements are current
 - Suggested audit procedures are, as the name implies, only suggested - apply auditor judgment to achieve stated objectives

Part 2

Matrix of Compliance Requirements

- Lists all programs included in the Supplement and which compliance areas *may* apply to each
- Areas marked as applicable (“Y”) may not apply at a particular entity (or not be direct and material)
- Areas shaded grey may (infrequently) still have a direct and material effect on a major program
- Programs with ARRA funding are shown in **bold** (special tests and provisions always apply for ARRA)

Part 2

Matrix of Compliance Requirements

March 2011

Matrix of Compliance Requirements

CFDA	Types of Compliance Requirements													
	A. Activities Allowed or Unallowed	B. Allowable Costs/Cost Principles	C. Cash Management	D. Davis-Bacon Act	E. Eligibility	F. Equipment and Real Property Management	G. Matching, Level of Effort, Earmarking	H. Period of Availability of Federal Funds	I. Procurement and Suspension and Debarment	J. Program Income	K. Real Property Acquisition Relocation Assistance	L. Reporting	M. Subrecipient Monitoring	N.** Special Tests and Provisions
10 – United States Department of Agriculture (USDA)														
10.001*	Y	Y	Y			Y		Y	Y	Y		Y		Y
10.500	Y	Y	Y			Y	Y	Y	Y	Y		Y	Y	
10.551					See Part 4									
10.561	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
10.553														
10.555														
10.556														
10.559	Y	Y	Y		Y	Y	Y	Y	Y	Y		Y	Y	Y
10.557	Y	Y	Y		Y	Y		Y	Y	Y		Y	Y	Y
10.558	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
10.566	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
10.568														
10.569	Y	Y	Y	Y	Y	Y	Y	Y	Y			Y	Y	Y
10.582	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	
10.665														
10.666	Y	Y	Y				Y		Y					
10.760	Y	Y	Y	Y		Y	Y	Y	Y			Y		Y
10.766	Y	Y	Y	Y		Y		Y	Y			Y		Y

Part 3

Compliance Requirements

- Contains general guidance that applies to all programs (not repeated in Parts 4 and 5)
- OMB Circular A-102 (Common Rule) or Circular A-110 (Uniform Administrative Requirements) apply to most programs
- States may apply their own rules to subrecipients

Part 3 - Compliance Requirements

Activities Allowed or Unallowed

- Generally unique to each Federal program (refer to Parts 4 and 5)
- ARRA funds may not be used for:
 - casino or other gambling establishment
 - aquarium
 - zoo
 - golf course
 - swimming pool

Part 3 - Compliance Requirements

Allowable Costs/Cost Principles

- Applicable circular for federal cost principles:
 - A-87 - State, Local, and Indian Tribal Governments
 - A-21 - Educational Institutions
 - A-122 - Non-Profit Organizations
- Each circular has 43-54 specific items of cost, plus guidance for indirect cost allocation

Part 3 - Compliance Requirements

Cash Management

- Reimbursement based grants - program costs paid for by entity funds before reimbursement is requested
- Advance payment grants - minimize the time elapsing between transfer of funds from the US Treasury and disbursement
 - 31 CFR part 205 (Cash Management Improvement Act of 1990) generally limits advances to 3 days

Part 3 - Compliance Requirements

Davis Bacon Act

- Requires payment of “prevailing wage rates” for:
 - laborers and mechanics
 - employed by contractors or subcontractors
 - to work on construction contracts in excess of \$2,000

Part 3 - Compliance Requirements

Eligibility

- Generally unique to each Federal program (refer to Parts 4 and 5)
- May apply to:
 - Individuals
 - Groups / areas of service delivery
 - Subrecipients

Part 3 - Compliance Requirements

Equipment/Real Property Management

- Title to equipment (>\$5,000) purchased with federal funds rests with the non-federal entity
 - Equipment records must be maintained
 - Inventory taken every 2 years
 - Proceeds from sale may be reinvested or returned to the federal government

Part 3 - Compliance Requirements

Matching, Level of Effort, Earmarking

- Generally unique to each Federal program (refer to Parts 4 and 5)
 - *Matching* - local/in-kind contributions
 - *Level of Effort* - supplement vs. supplant
 - *Earmarking* - % of funding used for specific purposes

Part 3 - Compliance Requirements

Period of Availability of Federal Funds

- Federal funds may only be expended during the time specified in the grant agreement
- Unpaid obligations must generally be liquidated within 90 days of the end of the funding period

Part 3 - Compliance Requirements

Procurement, Suspension & Debarment

- Procurement - follow local practices
- Suspension and debarment - no “covered transactions” with parties blacklisted by the federal government
 - Procurement contracts for goods or services expected to exceed \$25,000
 - All non-procurement transactions (subawards)
 - See www.epls.gov
- ARRA - Buy-American Act

Part 3 - Compliance Requirements

Program Income

- Special rules may apply to gross income directly generated by a federally funded project
 - Fees
 - Interest
 - Refunds / proceeds from sales

Part 3 - Compliance Requirements

Real Property Acquisition/Relocation

- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (URA) provides for uniform and equitable treatment of persons displaced by federally-assisted programs from their homes, businesses, or farms

Part 3 - Compliance Requirements

Reporting

- Use of standard OMB forms (SF-425, SF-269, SF-270)
- American Recovery and Reinvestment Act (ARRA)
 - Section 1512 reporting
 - Applies to all Recovery Act awards
- Federal Funding Accountability and Transparency Act (FFATA)
 - FFATA Subaward Reporting System (FSRS) reporting
 - Applies to all non-ARRA funding awarded after October 1, 2010

Part 3 - Compliance Requirements

Reporting - ARRA vs. FFATA

- ARRA requires information about cumulative expenditures and current period payments, as well as jobs created
 - www.FederalReporting.gov
- FFATA focuses on subcontracts and subawards awarded during the period, and the entities to which they were awarded
 - www.USASpending.gov

Part 3 - Compliance Requirements

Reporting - ARRA vs. FFATA

Comparison of ARRA and Transparency Act Reporting for Federal Awards			
	ARRA Funded (Reported under Section 1512 of ARRA)	Not ARRA Funded (Reported Under the Transparency Act)	
		<i>Federal awards <u>not</u> subject to the FAR</i>	<i>Federal awards (contracts) subject to the FAR</i>
DUNS Number	Required of recipients (referred to as contractors under the FAR) and first-tier subrecipients (referred to as subcontractors under the FAR)	Required of recipients and first-tier subrecipients	Required of recipients (referred to as contractors under the FAR) and first-tier subcontractors (may also be subrecipients for purposes of OMB Circular A-133 audits)
CCR Registration	Required of recipients and first-tier subrecipients however not required for first-tier subcontractors under the FAR.	Required of recipients; not required for first-tier subrecipients	Required of recipients; not required for first-tier subcontractors

Part 3 - Compliance Requirements

Reporting - ARRA vs. FFATA

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	ARRA Funded (Reported under Section 1512 of ARRA)	Not ARRA Funded (Reported Under the Transparency Act)	
		<i>Federal awards <u>not</u> subject to the FAR</i>	<i>Federal awards (contracts) subject to the FAR</i>
What is reported	As required by Section 1512 of ARRA	Each first-tier subaward or action of \$25,000 or more in Federal funds IF the Federal award that is the source of the funding was made on or after 10/1/2010 with a new FAIN; does not include vendor payments by recipients or subawards to individuals	Each first-tier subcontract with a value of \$25,000 or more in Federal funds and any modification to that amount made on or after 10/1/2010
Who reports it	Recipient or may delegate reporting responsibility to first-tier subrecipients	Recipient	

Part 3 - Compliance Requirements

Reporting - ARRA vs. FFATA

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Where is it reported	FederalSpending.gov	Recipient information at CCR; first-tier subrecipient information at FSRs	Recipient information at CCR; first-tier subcontract information at FSRs
When must it be reported	By the 10 th day after the end of the calendar quarter in which the Federal award was made and on a similar timeframe thereafter	By the end of the month following the month in which the funding occurred	By the end of the month following the month in which the funding or modification occurred
Quick reference to requirement	OMB M-09-21 Questions 2.1 – 2.11	2 CFR part 170 75 FR 55663 <i>et seq.</i>	75 FR 39414 <i>et seq.</i>

Part 3 - Compliance Requirements

Reporting - ARRA vs. FFATA

- FFATA reporting - what meets the \$25,000 threshold?

If the value of a first-tier subaward	and the subaward is	then
under a grant or cooperative agreement is \$65,000 in Federal funds (e.g., State funds may also be included)	funded in three actions for \$25,000, 15,000, and \$25,000, respectively	the first and third actions must be reported pursuant to 2 CFR part 170 because they are \$25,000, but the second action is not required to be reported
under a contract is \$65,000 in Federal funds	funded in full at award or funded in multiple actions up to the \$65,000 value	the subaward must be reported at the time of the initial award pursuant to FAR 52.204-10
under a contract is increased from \$65,000 to \$75,000	—	the changed value must be reported

Part 3 - Compliance Requirements

Subrecipient Monitoring

- Responsibilities of pass-through entities:
 - Determining Subrecipient Eligibility
 - ARRA - Central Contractor Registration (CCR)
 - Award Identification
 - During-the-Award Monitoring
 - Subrecipient Audits
 - Ensuring Accountability of For-Profit Subrecipients
 - Pass-Through Entity Impact

Part 3 - Compliance Requirements

Special Tests and Provisions

- Generally unique to each Federal program (refer to Parts 4 and 5)
- ARRA Special Tests and Provisions:
 - Separate accountability for ARRA funding
 - Presentation on SEFA and Data Collection Form
 - Subrecipient monitoring

Part 4

Agency Program Requirements

- Lists specific compliance requirements, audit objectives, and suggested audit procedures for 200+ individual programs
- Certain federal agencies have cross-cutting sections that apply to multiple grants

Part 5

Clusters of Programs

- Clusters are groupings of CFDA numbers that are treated as if they are a single program for purposes of the single audit
 - Research and Development (R&D)
 - Student Financial Assistance (SFA)
 - Other clusters (approx. 50)
- Many new clusters were created due to ARRA funding
- The addition of a new CFDA number to a cluster makes the cluster a “new” program for purposes of major program determination (R&D and SFA are exempt)

Part 6

Internal Control

- Five elements of the COSO ICS Integrated Framework:
 - Control environment
 - Risk assessment
 - Control activities
 - Information and communication
 - Monitoring
- These should be applied to each of the applicable compliance requirements for each federal program

Part 7

Programs Not Included in the CS

- Provides guidance on identifying applicable compliance requirements, and determining appropriate audit procedures

Appendix 1

Federal Programs Excluded from A-102

- List of programs not subject to the Common Rule

Appendix 2

Codification of Grant Requirements

- OMB Circulars were codified to give them equal status with other federal regulations
- Lists federal agencies and the codification references for OMB Circulars A-102 and A-110

Appendix 3

Federal Agency Contacts

- List of Single Audit contacts for each federal agency and/or program
- These experts can answer questions not addressed in a grant agreement or by a local contact

Appendix 4

Internal Reference Tables

- Various tables of where supplemental guidance is located throughout the CS

Appendix 5

List of Changes for the 2011 CS

- New or updated guidance since the 2010 CS

Appendix 6

Disaster Waivers/Special Provisions

- Special rules for natural disaster relief areas

Appendix 7

Other OMB Circular A-133 Advisories

- ARRA considerations
- Granting of extensions eliminated
- Clarification of low-risk auditee criteria
- Safe harbor for treatment of “large” loan programs in Type A program determination
- Report on the National Single Audit Sampling project

Appendix 8 - SSAE 16 Examinations of EBT Service Organizations

- Applies to States for the Supplemental Nutrition Assistance Program

Appendix 9

Compliance Supplement Core Team

- List of members who worked on the CS

Questions and Answers...



For More Information

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