

# 2012 OMB Circular A-133 Compliance Supplement



An Interactive Webinar  
July 24, 2012

Presented by  Rehmann

## Presented by:

Stephen W. Blann, CPA, CGFM  
Director of Governmental Audit Quality  
Principal, Government/Nonprofit Services  
Grand Rapids

## Outline

- Overview of the 2012 Compliance Supplement
- Key guidance by compliance area
- Major changes from 2011
- Effects of the Recovery Act (ARRA) and the Transparency Act (FFATA)

3



OMB Circular A-133

## 2012 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](http://www.whitehouse.gov/grants)
- The “March” 2012 update has still not been released, but is available in draft form at:
  - [http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/OMBCircularA133/DownloadableDocuments/Final%20Draft\\_Compliance-Supplement\\_2012.pdf](http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/OMBCircularA133/DownloadableDocuments/Final%20Draft_Compliance-Supplement_2012.pdf)
- Over 1,500 pages long, but still not all-inclusive

4



OMB Circular A-133

## 2012 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

5



Part 1

## Background, Purpose, and Applicability

- Effective for June 30, 2012 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

6



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 2012 Background, Purpose, and Applicability

CFDA	Types of Compliance Requirements											N**		
	A. Activities Allowed or Disallowed	B. Allowable Costs/Principles	C. Cash Management	D. Davis-Bacon Act	E. Eligibility	F. Equipment and Real Property Management	G. Matching Level of Effort/Counterpart	H. Period of Availability of Federal Funds	I. Procurement and Suspension and Debarment	J. Program Income	K. Real Property Acquisition Assistance		L. Reporting	M. Subrecipient Monitoring
<b>10 – United States Department of Agriculture (USDA)</b>														
10.000*	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	Y
10.558	Y	Y	Y		Y	Y	Y	Y	Y	Y		Y	Y	Y
10.566	Y	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	Y	
10.665														
10.666	Y	Y	Y						Y					
10.760														
10.781	Y	Y	Y	Y		Y	Y	Y	Y			Y		Y
10.766														
10.780	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

9



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

10



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

11



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

12



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

13



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

14



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

15



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

16



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

17



Part 3 - Compliance Requirements

## Procurement, Suspension & Debarment

- Procurement - follow local practices
  - Federal awarding agency approval may be required for procurements over \$100,000 (not changed by the new Federal simplified acquisition threshold)
- 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](http://www.epls.gov)
- ARRA - Buy-American Act

18



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

19



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

20



### Part 3 - Compliance Requirements

## Reporting

- Use of standard OMB *Federal Financial Report* (SF-425)
  - SF-269 and SF-272 are now removed from the CS
- 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

21



### 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](http://www.FederalReporting.gov)
- FFATA focuses on subcontracts and subawards awarded during the period, and the entities to which they were awarded
  - [www.USASpending.gov](http://www.USASpending.gov)
  - See also <https://www.fsr.gov/#a-faqs>

22



## 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 not subject to the FAR</i>	<i>Federal awards (contracts) subject to the FAR</i>
<b>DUNS Number</b>	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)
<b>CCR Registration</b>	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

23



## 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 not subject to the FAR</i>	<i>Federal awards (contracts) subject to the FAR</i>
<b>What is reported</b>	As required by Section 1512 of ARRA	Each first-tier subaward or action of \$25,000 or more in Federal funds <b>IF</b> 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
<b>Who reports it</b>	Recipient or may delegate reporting responsibility to first-tier subrecipients	Recipient	

24



## Part 3 - Compliance Requirements Reporting - ARRA vs. FFATA

	ARRA Funded (Reported under Section 1512 of ARRA)	Not ARRA Funded (Reported Under the Transparency Act)	
		Federal awards <i>not</i> subject to the FAR	Federal awards (contracts) subject to the FAR
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 <sup>th</sup> 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>

25



## 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

26



### Part 3 - Compliance Requirements

## Reporting - ARRA vs. FFATA

- FFATA reporting - **what is a subaward?**
  - Consistent with the OMB guidance, 2 CFR part 170 defines "subaward" as a legal instrument to provide support for the performance of any portion of the substantive project or program for which a recipient received a grant or cooperative agreement award and that is awarded to an eligible subrecipient. The term does not include procurement of property and services needed to carry out the project or program. A subaward may be provided through any legal agreement, including an agreement that the recipient considers a contract.

27



### 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

28



### Part 3 - Compliance Requirements

## Subrecipient Monitoring

- Factors that may affect the nature, timing, and extent of during-the-award monitoring:
  - Program complexity
  - Percentage passed through
  - Amount of awards
  - **Subrecipient risk**
- Monitoring activities normally occur throughout the year and may take various forms:
  - Reporting
  - Site visits
  - Regular contact

29



### 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

30



## CPE Prompt

Please respond to the online polling question now



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

32



## 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)

33



## Part 6

### Internal Control

- The A-102 Common Rule and OMB Circular A-110 require auditee management to establish and maintain internal controls over compliance
- 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

34



Part 7

## Programs Not Included in the CS

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

35



Appendix 1

## Federal Programs Excluded from A-102

- List of programs not subject to the Common Rule

36



## 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

37



## 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

38



Appendix 4

Internal Reference Tables

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

39



Appendix 5

List of Changes for the 2012 CS

- New or updated guidance since the 2011 CS

40



Appendix 6

Disaster Waivers/Special Provisions

- Special rules for natural disaster relief areas

41



Appendix 7

Other OMB Circular A-133 Advisories

- ARRA considerations:
  - Major program determination
  - Separate accountability/reporting
  - Unlisted ARRA programs still subject to Single Audit
  - ARRA programs not subject to Single Audit
- 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

42



## Appendix 7

### Other OMB Circular A-133 Advisories

- Impact on major program risk assessment:
  - In general, ARRA programs are not low-risk (A or B)
- 20% exception extended to prior **two** years:
  - Program had ARRA dollars in the prior period
  - Program was tested as major **in either of the prior two periods**
  - Current ARRA dollars < 20% of total
  - Program otherwise meets low-risk criteria

43



## Appendix 8 - SSAE 16 Examinations of EBT Service Organizations

- Applies to States for the Supplemental Nutrition Assistance Program

44



## Appendix 9

# Compliance Supplement Core Team

- List of members who worked on the CS

45



## OMB Circular A-133

# Proposed Changes

- In February, OMB posted "advance notice" of proposed changes:
  - Increase threshold from \$500K to \$1M
  - Establish new category of Single Audit (entities between \$1-3M)
  - Changes for larger Single Audits >\$3M
  - Changes to cost principles and administrative requirements

46



OMB Circular A-133

## Proposed Changes

- AICPA has several “concerns” with the proposed changes
- OMB will deliberate feedback received and issue proposed regulatory changes before 12/31/2012
- Any changes would not be effective until some future (unknown) date

47



OMB Circular A-133

## Avoiding Common Findings

- “Know thy grants”
- Prepare a complete and accurate SEFA
- Design and follow internal controls over compliance
- Be mindful of federal cost principles (especially for payroll allocations)
- Separately account for ARRA grants
- Watch out for new FFATA requirements
- When in doubt, ask!

48



## Questions and Answers...



49



## For More Information

Rehmann Robson  
866.799.9580  
[www.rehmann.com](http://www.rehmann.com)

[stephen.blann@rehmann.com](mailto:stephen.blann@rehmann.com)

50

