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February 2013 COGR Meeting Thursday Morning Presentation - Mary Lee Brown

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Proposed OMB Uniform Guidance

Audit Requirements Sub Chapter G (Pages 135-163)



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Agenda

Subchapter G: Audit Requirements

- **Background and Overview**
 - **Consolidates Circulars A-133 and A-50**
 - **Focus Agency oversight & follow up resources to target improper payments, waste, fraud and abuse**
- **Good / Bad ...it depends**
- **Compliance Supplement**

GOOD / BAD ... it depends

- **Audit Required.**
 - **Threshold raised to \$750,000 from \$500,000 in federal award expenditures (pg. 135 / __.701(a))**
- **Audit Requirements for subrecipients, contractors and for-profit subrecipients clarified and described (pg. 136 / __.701 (f),(g),(h))**

GOOD / BAD ... it depends

- **Program Specific Audits.**
 - **Removed language about extensions by Federal Agency (A-133 __.235 (c)(1))**
 - **Removed requirement for subrecipients to submit reporting package to pass-through entity (A-133 __.235 (c)(3))**
- **Auditee Responsibilities.**
 - **Removed authority for Federal agencies to grant extensions to due date (A133__.300(e))**

GOOD / BAD ... it depends

- **Audit Findings Follow-Up**
 - **Removed language outlining valid reasons for considering an audit finding as not warranting further action (A-133 __.315 (b)(4) (i – iii))**
 - **Requires corrective action plan and summary schedule of prior audit findings to include financial statement findings (pg. 144 / __.711(a))**
 - **Adds requirement for summary schedule of prior audit findings to include why finding recurred (pg. 144/ __.711(b)(2))**
- **Audit Findings**
 - **Raised the threshold for questioned costs from \$10,000 to \$25,000 (pg. 155/ __.717(a)(3))**

GOOD / BAD ... it depends

- **Report Submission**
 - **Instructs not to include personally identifiable information (PII) in report package (pg. 145/__.712(a))**
 - **Removed requirement for pass-through entity to retain copy of subrecipient reports since these will be accessible in the federal audit clearinghouse (A-133 __.320(e))**
 - **Added requirement to submit electronically (pg. 146/ __.712(d))**

GOOD / BAD ... it depends

- **Major Program Determination. Changes to all four steps of risk-based approach (pg. 158-161 / __.719)**
 - **Increased minimum threshold for Type A program from \$300,000 to \$500,000**
 - **Refocuses the criteria for Type A program to be high-risk: in most recent audit period the program failed to get unqualified opinion; had material weakness in internal controls; or questioned costs exceeding 5% of total federal program expenditures (pg. 159 __719(c)(1)(A-C)**
 - **Reduced the number of high risk Type B programs that must be tested from $\frac{1}{2}$ to $\frac{1}{4}$ of the number of low risk Type A programs (pg. 160 / __.719(d)(1))**
 - **Percent of Coverage Rule reduced from 50% to 40% for regular auditee and from 25% to 20% for low risk**

COMPLIANCE SUPPLEMENT

The following is not reflected in Proposed Guidance but would be implemented in 1st Compliance Supplement after changes are final:

- 7 of 14 compliance requirements kept:
 - A. Activities Allowed or Unallowed
 - B. Allowable Costs/Cost Principles
 - C. Cash Management
 - E. Eligibility
 - L. Reporting
 - M. Subrecipient Monitoring
 - N. Special Tests and Provisions
- (combined)*

* Some of H. Period of Availability, G. Matching and L. Reporting would likely be incorporated in A&B testing

COMPLIANCE SUPPLEMENT

- **7 of 14 compliance requirements to be eliminated****
 - **D. Davis Bacon**
 - **F. Equipment and Real Property Management**
 - **G. Level of Effort and Earmarking**
 - **H. Period of Availability of Federal Funds**
 - **I. Procurement and Suspension and Debarment**
 - **J. Program Income**
 - **K. Real Property Acquisition and Relocation Assistance**

****OMB will consider request from agencies to add 1 or more of these back under special tests and provisions when required by statute or federal agency makes a strong case**