

FEDERAL FUNDING TERMS DEMYSTIFIED

UNIFORM GUIDANCE OR SINGLE AUDIT

On Oct. 19, 1984, Congress passed the Single Audit Act of 1984. The original legislation required state and local governments and Indian Tribes expending more than \$100,000 in federal funds to obtain a “single audit” by an independent auditor.

The Single Audit was the term coined for the new approach meant to create more effective and efficient oversight of the use of public funds, specifically federal funds spent. Instead of separate audits of each program and separate financial versus compliance audits, a “single audit” would be conducted that looked at the organization (not grant by grant) and combined compliance and financial elements.

The Single Audit Act regulations are managed by the Federal Office of Management and Budget (OMB). In order to assist both auditors and non-federal entities in understanding the requirements for auditing and managing federal funds, the OMB issued several circulars subsequent to the Single Audit Act of 1984:

- A-21 Cost Principles for Educational Institutions
- A-87 Cost Principles for State, Local and Indian Tribal Governments
- A-110 Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations
- A-122 Cost Principles for Non-Profit Organizations
- A-89 Catalog of Federal Domestic Assistance
- A-102 Grants and Cooperative Agreements With State and Local Governments
- A-133 Audits of States, Local Governments and Non-Profit Organizations (Circular A-133)
- A-50 Audit Follow-up

In 1990, with OMB Circular A-133, OMB added not-for-profits to the list of entities required to obtain Single Audits if the entity expenditures met the threshold.

In 1996, Congress passed an amendment to the Single Audit Act of 1984, designed to improve the effectiveness of single audits. This amendment increased the expenditure rate of federal funds requiring an audit and introduced a risk-based audit approach, and gave the OMB the flexibility to make future single audit changes as needed.

In 2013, the federal government, in connection with other agencies, issued *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* commonly referred to as the Uniform Guidance. This new guidance, issued at Chapter 2 of the Code of Federal Regulations (CFR), Section 200 (2 CFR 200), combined the multiple previous sources of guidance related to the Single Audit Act and the Circulars into one central location, and to amended the information to further enhance the effectiveness and efficiency for both auditors and non-federal entities. The thresholds for entities requiring audits also increased to \$750,000 in expenditures of federal funds. The Uniform Guidance is applicable to any funding issued after 2014, and audits conducted for periods ending on or after June 30, 2016.

The Uniform Guidance is organized into several parts:

- Subpart A—Acronyms and Definitions
- Subpart B—General Provisions
- Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards
- Subpart D—Post-Federal Award Requirements

- Subpart E—Cost Principles

- Subpart F—Audit Requirements

Audits conducted under Subpart F of the Uniform Guidance are often still referred to as Single Audits. These audits entail an in-depth look at selected major programs operated by the non-federal entities including financial and compliance factors. Every year OMB issues a Compliance Supplement that provides guidance as to what compliance factors are relevant for audit procedures, provides guidance to the non-federal entity and the auditors on how those compliance factors should be complied with, and how the compliance should be tested. Furthermore, Subpart F requires that all audits in accordance with the Uniform Guidance must also be conducted in accordance with the Yellow Book requirements. Therefore, if your entity will be obtaining an audit under Uniform Guidance, the audit will also be conducted under the Yellow Book standards. An audit under Subpart F will include the reports required by GAAS or PCAOB, the Yellow Book Report, an independent auditor's report on compliance for each major program, and a report on internal control over compliance.

The Uniform Guidance generally applies to all non-federal entities receiving funds from federal agencies (see 2 CFR 200.101 for certain scope exceptions). A non-federal entity is defined by the Uniform Guidance as “a state, local government, Indian tribe, institution of higher education, or nonprofit organization that carries out a federal award as a recipient or subrecipient”. However, 2 CFR 200.101(c) states that a federal agency can make Subparts A-E of the Uniform Guidance applicable to “for-profit entities, foreign public entities, or foreign organizations, except where the federal awarding agency determines that the application of these subparts would be inconsistent with the international obligations of the United States or the statutes or regulations of a foreign government.”

The definition of a non-federal entity does not encompass for-profit entities, and therefore many entities may wonder about why an article such as this is important for any entity receiving CARES Act funds to review. Under Subpart F of the Uniform Guidance, there is a note that a federal agency or a pass-through funding agency can add the Single Audit requirement through the grant's terms and conditions to a for-profit. The CARES Act provided over \$2 trillion in economic relief, including billions to for-profit entities through federal agencies. In reviewing the history of the Single Audit and the goal to ensure that government funds are given efficient and effective oversight through external audits, it is not surprising that many federal agencies have included the Uniform Guidance requirements as part of the terms and conditions for the use of the CARES Act funds.