

# **NEA GUIDELINES FOR OMB CIRCULAR A-133 AUDITS**

(Rev. 4/09)

*Only non-Federal entities that **expend \$500,000 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, as amended, 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 \$500,000 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.*

The Office of Management and Budget (OMB) Circular A-133 (A-133),"Audits of States, Local Governments and Other Nonprofit Institutions," establishes audit requirements and defines Federal responsibilities for audit oversight. In general, the audits should be conducted on an organization-wide basis to test the following: (1) the fiscal integrity of the financial transactions; (2) the effectiveness of the internal control structure including controls over Federal awards; and (3) compliance with the terms and conditions of the Federal grants and other agreements.

Listed below are compliance issues that should be considered as part of the audit, if applicable. Furthermore, organizations that have either (1) a grant from NEA's "Planning and Stabilization" category, or (2) a grant for an endowment that was awarded prior to July 1, 1996, should contact the Office of Inspector General (OIG) for additional information about specific compliance issues applicable to these grants. The OIG can be reached by telephone at (202) 682-5402.

## **Requirements Per OMB Compliance Supplement**

1. Whether Federal awards were expended only for allowable activities;
2. Whether the costs included in the final financial status reports (FSR) comply with the grant cost principles (including maintaining personnel activity reports to allocate salaries and fringe benefits) and whether the costs were incurred for the intended purposes of the grants;
3. Whether grantee's financial management systems include procedures to minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursement of those funds in accordance with NEA and/or U.S. Treasury guidelines;
4. Whether grantee complied with the Davis-Bacon Act (construction projects);
5. Whether grantee is eligible based on the type of organization, legal requirements, staffing, programming history, etc.;
6. Whether grantee is managing and disposing of equipment and real property as required;
7. Whether the matching, level of effort, and earmarking requirements of the grants were met (usually, there is a one to one match, but the grant terms and conditions and/or program guidelines should be reviewed to verify the matching requirements);
8. Whether Federal funds were obligated within the period of availability;
9. Whether grantee followed the procurement requirements identified in A-133 and ensured that parties that they deal with are not suspended or debarred;
10. Whether program income is correctly recorded and used in accordance with the program requirements;
11. Whether grantee complied with the real property acquisition, appraisal, negotiation, and

residential relocation requirements, etc.;

12. Whether the required reports (financial, performance or special) for Federal awards include all activity of the reporting period, and are supported by accounting and performance records;
13. Whether the pass-through entity identifies Federal award information and compliance requirements, monitors subrecipient activities, ensures required audits are performed, etc.; and
14. Whether grantee complies with the Labor Standards on Projects or Productions Assisted by Grants from the NEA (29 CFR Part 505). (Note: This means that professional performers and related or supporting professional personnel including stagehands, electricians, etc. must be paid at least the prevailing minimum union scale for persons employed on similar activities even if the organization is not a union shop.)

For an **A-133 audit**, the following **reports** may be required to be prepared. (See AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits* for sample auditor reports.)

- Report on financial statements and on the supplementary schedule of expenditures of Federal awards
- Opinion on the financial statements and on the supplementary schedule of expenditures of Federal awards
- Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with GAS
- Report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133
- Schedule of findings and questioned costs, if applicable
- Summary schedule of prior audit findings
- Corrective action plan for current findings
- Data collection form

For **program-specific audits**, review A-133 to determine which reports should be prepared.

### **REPORTING PACKAGE**

Within nine months following the end of the audit period, a reporting package should be submitted to the Federal Audit Clearinghouse. The package should include the reports listed above. Both the auditor and the auditee should prepare the Data Collection Form. The auditor is responsible for the section on financial statements, schedule of expenditures of federal awards, related auditor reports, and for signing as the preparer of the section. The auditee is responsible for all other sections of the Form. One copy of the package should be submitted for the Clearinghouse and, in addition, one copy of the entire package should be submitted for each Federal-awarding agency identified in the schedule of findings and questioned costs (or summary of prior audit findings). The package(s) should be sent to the following address:

Federal Audit Clearinghouse  
Bureau of the Census  
1201 E. 10th Street  
Jeffersonville, IN 47132