



## Office of Inspector General

# GUIDANCE FOR AUDIT REQUIREMENTS

(Rev. 6/15)

National Endowment for the Arts award recipients (non-Federal entities, grantees) that expend \$750,000 or more of Federal awards in a year are required to obtain an single or program specific audit, for that year, in accordance with *2 CFR 200 Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*<sup>1</sup>, *Subpart F Audit Requirements*.

Recipients expending less than \$750,000 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 (other non-Federal entities from which it receives Federal funds), if requested.

The *Uniform Guidance* 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.

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<sup>1</sup> Effective December 26, 2014, the OMB Circulars which governed the management of Federal assistance awards will be replaced with *2 CFR 200 Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The guidance supersedes and streamlines OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102, A-133 and A-50. The guidance can be found at [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl). Furthermore, NEA's General Terms for Fiscal Year 2015 awards will include new guidance, incorporating 2 CFR 200.

Listed below are some compliance requirements that should be considered as part of the audit, if applicable.

**Requirements Per Uniform Guidance and Appendix XI Compliance Supplement<sup>2</sup>**

1. Whether Federal awards were expended only for allowable activities;
2. Whether the costs included in the Federal Financial Report (FFR) comply with the grant cost principles, including maintaining documentation to accurately reflect the work performed for salary costs charged to the Federal award, and whether the costs were incurred for the intended purposes of the grants;
3. Whether recipient'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 recipient complied with the Davis-Bacon Act (construction projects);
5. Whether recipient is eligible based on the type of organization, legal requirements, staffing, programming history, etc.;
6. Whether recipient 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 recipient followed the procurement requirements 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 recipient complied with the real property acquisition, appraisal, negotiation, and residential relocation requirements, etc.;

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<sup>2</sup> The 2015 Compliance Supplement is expected to be released later this year and will implement changes to complement the Uniform Guidance.

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 recipient 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.)

### **Audit Reporting**

The auditor's report(s), in the form of either combined or separate reports must state that the audit was conducted in accordance with the *Uniform Guidance Subpart F - Audit Requirements* and include the following in accordance with §200.515:

- Opinion on the financial statements and on the supplementary schedule of expenditures of Federal awards;
- Report on internal controls over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with GAGAS;
- Report on compliance for each major program and a report on internal controls over compliance; and
- Schedule of findings and questioned costs, if applicable.

### **Reporting Package**

The audit must be completed and the data collection form described in, paragraph (b) and the reporting package described in paragraph (c) of §200.512, must be electronically submitted, within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. A reporting package should be submitted to the Federal Audit Clearinghouse (FAC)<sup>3</sup>. The reporting package

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<sup>3</sup> The Federal Audit Clearinghouse is the repository of record and authoritative source for single audit reports.  
<https://harvester.census.gov/facweb/default.aspx/>

should include the reports listed above. Both the auditor and the auditee should prepare the Data Collection Form.

Using the information included in the reporting package, the auditor must complete the applicable data elements of the data collection form. The auditor is responsible for the sections on financial statements, schedule of expenditures of federal awards, related auditor reports, and signing as the preparer of the section.

The auditee is responsible for all other sections of the Form. A senior level official must attest that the auditee complied with the requirements and prepared the data in accordance with the *Uniform Guidance* and any accompanying instructions; the reporting package does not include protected personally identifiable information; the information is accurate and complete; and the FAC is authorized to make the reporting package and the data form publicly available on a website.

Reporting Package should include the following in accordance with §200.512:

1. Report on financial statements and schedule of expenditures of Federal awards;
2. Summary schedule of prior audit findings;
3. Auditor's Report (§200.515); and
4. Corrective action plan for current findings.

For **program-specific audits**, review *Uniform Guidance §200.507* and *Appendix XI Compliance Supplement* to determine which reports should be prepared.

For further information, the National Endowment for the Arts, Office of Inspector General can be reached by telephone at (202) 682-5402.