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Report to the Subcommittee on Government Management, Information, and Technology, Committee on Government Reform, House of Representatives

September 2000

SINGLE AUDIT

Update on the Implementation of the Single Audit Act Amendments of 1996

GAO/AIMD-00-293

Contents

Abbreviations

AICPA	American Institute of Certified Public Accountants
CFDA	Catalog of Federal Domestic Assistance
IG	Inspector General
OMB	Office of Management and Budget
TANF	Temporary Assistance to Needy Families

United States General Accounting Office
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Accounting and Information
Management Division

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The Honorable Steve Horn, Chairman
The Honorable Jim Turner, Ranking Minority Member
Subcommittee on Government Management,
Information, and Technology
Committee on Government Reform
House of Representatives

In May 1999, we testified before your subcommittee on efforts to implement the Single Audit Act Amendments of 1996.[1] At that time, we said we would continue to monitor implementation of the amendments. This letter provides you with an update on the implementation of seven key amendments that cover a range of fundamental issues affecting the single audit process and the use of single audit results. These seven amendments

1. extend the law to cover all recipients of federal financial assistance,

2. ensure a more cost-beneficial threshold for requiring single audits,

3. focus audit work on programs that present the greatest financial risk to the federal government,

4. provide for summary reporting of audit results,

5. promote better analyses of audit results through the establishment of a federal clearinghouse and an automated database,

6. provide for timely reporting of audit results, and

7. authorize pilot projects to further streamline the audit process and make it more useful.

[1] *Single Audit: Efforts Underway To Implement 1996 Refinements* (GAO/T-AIMD-99-177, May 13, 1999).

Results in Brief

The intended objectives of the first two amendments have, for the most part, been accomplished. The legislation and subsequent implementation guidance issued by the Office of Management and Budget (OMB) resulted in uniform audit requirements for state and local governments and nonprofit organizations and raised, to a more cost-beneficial level, the dollar threshold for determining which recipients are subject to audit. Federal agencies, state and local governments, and nonprofit organizations that are recipients of federal awards and their respective auditors are applying the audit guidance in meeting their single audit responsibilities.

Actions by single audit stakeholders have laid the foundation for effective implementation of the next four amendments. OMB has issued detailed criteria on how to apply the risk-based audit approach, and auditors are using the risk-based approach on their engagements. Single audit reports now include a summary of the auditor's results regarding the recipient's financial statements, internal controls, and compliance with laws and regulations. Users of single audit reports can now obtain and analyze information on more than 27,000 annual reports more quickly than ever before by using the Internet to access a single audit automated database established by the Bureau of the Census. Finally, recipients have recently begun submitting their audit reports under the 9-month reporting deadline instead of the previous 13-month deadline.

There is not yet enough experience to evaluate the prospects for achieving the objective of the seventh amendment. OMB received two pilot project proposals and approved one, a proposal by the Washington State Auditor to combine 200 separate audits of state educational organizations into one audit. More experience with pilot projects is needed before their use as an alternative method for streamlining and improving single audits can be evaluated.

Background

The Single Audit Act, as amended, established the concept of the single audit to replace multiple grant audits with one audit of a recipient as a whole. As such, a single audit is an organizationwide audit that focuses on the recipient's internal controls and its compliance with laws and regulations governing federal awards. Federal awards consist of federal financial assistance including grants, loans, loan guarantees, property,

cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and federal cost reimbursement contracts.[2]

The objectives of the Single Audit Act, as amended, are to

- promote sound financial management, including effective internal controls, with respect to federal awards administered by nonfederal entities;
- establish uniform requirements for audits of federal awards administered by nonfederal entities;
- promote the efficient and effective use of audit resources;
- reduce burdens on state and local governments, Indian tribes, and nonprofit organizations; and
- ensure that federal departments and agencies, to the maximum extent practicable, rely on and use audit work done pursuant to the act.

In 1994, we reported[3] that state and local government officials had indicated that the single audit process had contributed to improving state and local government financial management practices. They reported that they had installed new accounting systems, begun having annual comprehensive financial statement audits, adopted or accelerated the adoption of generally accepted accounting principles, improved systems for tracking federal funds, strengthened administrative controls over federal programs, and increased oversight of recipients to whom they distributed federal funds.

Despite those reported improvements, we identified several issues that burdened the single audit process, hindered the usefulness of its reports, and limited its impact. We recommended changes to address these issues. These actions included increasing the dollar thresholds for determining which recipients were required to have a single audit, adding program risk criteria to the process for selecting programs to be audited, and compiling single audit results so that oversight officials and program managers can easily access and analyze them.

[2]The 1996 amendments added federal cost reimbursement contracts and changed the term federal financial assistance to federal awards to reflect the inclusion of nonprofit organizations, which often receive much of their funding through cost reimbursement contracts for research and development activities.

[3]*Single Audit: Refinements Can Improve Usefulness* (GAO/AIMD-94-133, June 21, 1994).

The Single Audit Act Amendments of 1996 refined the Single Audit Act of 1984. These amendments and the OMB implementing guidance provide the underpinnings for improving the auditing of the more than $300 billion in annual federal awards to nonfederal entities. The changes embodied in the amendments were developed through the collaborative efforts of the many stakeholders in the single audit process, including OMB, federal inspectors general, federal and state program managers, state auditors, the public accounting profession, and ourselves. The changes addressed the points we raised in the 1994 report and other issues.

The 1996 amendments were effective for audits of recipients whose fiscal years began after June 30, 1996. An amendment that required the submission of audit reports no later than 9 months after a recipient's year-end contained a 2-year transition period before it went into effect. As a result, this requirement became effective for entities with fiscal years that began after June 30, 1998.

Objectives, Scope, and Methodology

Because of the importance of the Single Audit Act's objectives, including promoting sound financial management and the efficient and effective use of audit resources, we have monitored and will continue to monitor the progress being made in implementing the Single Audit Act Amendments of 1996. This report addresses the status of the implementation of the seven amendments cited earlier.

In developing this status report, we

- coordinated the audit plan and the results of this assignment through the National Intergovernmental Audit Forum,[4]
- met with representatives of OMB, federal agencies, federal offices of inspector general, state audit offices, and the American Institute of Certified Public Accountants (AICPA) to gain their perspectives on single audit implementation issues,
- met with representatives of the Federal Audit Clearinghouse to determine the status of the development of the single audit database and to gain an understanding of their database applications and internal control responsibilities,

[4]The National Intergovernmental Audit Forum is an association of audit executives from federal, state, and local governments. Its primary purpose is to improve coordination and cooperation in intergovernmental auditing.

- met with representatives from OMB about their actions to meet their single audit act responsibilities and other single audit issues,
- tested single audit database functions offered on the Federal Audit Clearinghouse Internet site, identified problems and challenges, and worked with clearinghouse officials to address them,
- analyzed the single audit data collection form, the instrument used to document audit report data entered into the single audit database, and provided OMB with suggestions for improving the form,
- accessed and analyzed single audit report information on more than 27,000 annual audit reports contained in the Federal Audit Clearinghouse single audit database,
- developed databases of selected information from the *Catalog of Federal Domestic Assistance*[5] and federal programs that we have reported as prone to improper payments[6] and then linked them to single audit data to determine audit coverage of selected programs,
- created a database using Internet sources that identify nonprofit organizations and matched it with single audit report data to gain a perspective on the self-reporting aspect of the Single Audit Act and to demonstrate the potential of linking related sources of information,
- determined that 251 recipients, with federal award expenditures of $100 million or more, collectively accounted for about 78 percent of federal award expenditures reported in 1998 single audits,
- discussed the use of the risk-based approach with the auditors from a sample of 15 non-low-risk recipients that expended $100 million or more during calendar year 1998, and
- reviewed the results of the Department of Commerce Inspector General's (IG) review of the accuracy of the Federal Audit Clearinghouse single audit database.

We did not independently test the reliability of the single audit database. At OMB's request, the Department of Commerce IG performed a review of the database to assist OMB, the Census Bureau, and other users in assessing the accuracy of the fiscal year 1998 audit report information in the

[5]The *Catalog of Federal Domestic Assistance* contains information on all financial and nonfinancial assistance programs administered by the departments and establishments of the federal government.

[6]*Financial Management: Increased Attention Needed to Prevent Billions in Improper Payments* (GAO/AIMD-00-10, October 29, 1999).

database.[7] We reviewed the IG's sampling methodology, monitored the audit scope and the progress of the review, and discussed the preliminary results with OMB and IG officials.

We conducted our work from June 1999 through July 2000 in accordance with generally accepted government auditing standards. We discussed a draft of this report with representatives of stakeholder groups including federal inspectors general, state auditors, and the public accounting profession. We also provided a draft of this report for comment to the Director of OMB. We have incorporated their comments and views where appropriate.

Key Amendments and Status of Implementing Actions

Following is a synopsis of the implementation status of each of the seven amendments we are monitoring.

Extend the Law to All Recipients

The Single Audit Act of 1984 and its implementing guidance, OMB Circular A-128, covered audits of federal financial assistance to state and local governments. It did not cover colleges, universities, hospitals, or other nonprofit recipients. Instead, audit requirements for these entities were established administratively in OMB Circular A-133. This circular was, in some ways, inconsistent with OMB Circular A-128. For example, the circulars contained different criteria for determining which programs were to receive detailed audit coverage. They also established different time frames by which the recipients were required to transmit their audit reports to a federal clearinghouse and make them available for public inspection.

The 1996 amendments expanded the scope of the act to include colleges, universities, hospitals, and other nonprofit organizations, and required OMB to prescribe implementation guidance. Accordingly, OMB combined the two audit circulars and issued a revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* in June 1997. This circular establishes policies to guide implementation of the Single Audit

[7] *Bureau of the Census: Agreed-Upon Procedures and Results Assessment of Federal Audit Clearinghouse Database Fiscal Year 1998 Audit Reports* (Final Audit Report No. ATL-12556-0-0001/July 2000). The report can also be found at *http://www.oig.doc.gov/reports/recent.htm.*

Act Amendments of 1996 and provides an administrative foundation for uniform audit requirements for nonfederal entities that administer federal awards.

A significant part of Circular A-133 is the Compliance Supplement. This document provides auditors with guidance on compliance requirements relevant to specific federal programs, suggests audit procedures for these programs, and includes general audit procedures for programs not included in the supplement. In our 1994 report, we noted that the then existing supplement did not reflect all current legal and program requirements because it had not been updated since 1990.

OMB now updates the Compliance Supplement annually. The supplement is available in hard copy and has been available through OMB's Internet home page (*http://www.whitehouse.gov/OMB*) for several years. Each year, OMB works with federal agency representatives to identify programs that should be added to the supplement and changes that are needed in the program information for those programs already in the supplement. The March 2000 update included specific guidance and audit procedures for about 140 of the approximately 1,400 federal programs listed in the *Catalog of Federal Domestic Assistance* (CFDA) and general guidance to assist auditors in determining compliance requirements, audit objectives, and audit procedures for programs not included in the supplement. Auditors generally commended OMB for its update activities and commented that the annual updates on compliance requirements, audit procedures, and legislative citations are very helpful to them when performing their audit work.

More Cost-Beneficial Thresholds

The 1984 Single Audit Act established a $100,000 single audit threshold[8] for determining those entities that were required to have a single audit. In setting this threshold, the Congress intended that entities receiving the greatest amount of federal financial assistance each year be audited and that entities receiving comparatively small amounts of federal assistance be exempted. The fixed threshold, however, did not take into account future increases in amounts of federal financial assistance. As a result, over

[8]The 1984 act included a $25,000 exemption threshold but gave each entity that received between $25,000 and $100,000 in federal assistance an option to have separate audits of each of its federal assistance programs or a single audit. The 1996 amendments eliminated the multiple thresholds.

time, audit resources were being expended on recipients that received comparatively small amounts of federal financial assistance.

The 1996 amendments raised the dollar threshold from $100,000 to $300,000. Further, the threshold is now based on expenditures rather than receipts, and any recipient that expends less than $300,000 is exempt from the audit requirement. As a result of the threshold change, audit attention is again focused where the Congress originally intended that it be focused, that is, on recipients expending the largest amounts of federal financial assistance. Although information is not collected on the number of recipients affected by the threshold change, representatives of federal and state audit organizations and documents we have reviewed indicate that the number of entities required to have single audits has decreased, in some cases significantly. For example, Pennsylvania has reported that this change eliminated the requirement to audit approximately 1,200 relatively small entities and still provided audit coverage for 94 percent of the federal funds spent at the local level. Representatives from Maine, Rhode Island, and Massachusetts stated that the threshold change had a large impact on the number of audits conducted, although they did not have specific information on the number of audits eliminated.

The amendments require the Director of OMB to biennially review the appropriateness of the dollar threshold. The Director may adjust the amount consistent with the Single Audit Act's purpose but cannot lower it below $300,000. Exercising this authority in the future will give the OMB Director the flexibility to administratively maintain the single audit threshold at a reasonable level without the need for periodic legislative amendments.

OMB performed a preliminary evaluation of the single audit threshold in late 1999 and updated it during the summer of 2000. For each of these reviews, OMB used data obtained from the Federal Audit Clearinghouse database as its principal source of information. The database contained single audit report data for entities with fiscal years ending on or after June 30, 1997.

At the time of OMB's preliminary evaluation, the database did not contain single audit report information for any full calendar year. OMB officials have told us that they considered it critical for analysis that more information be available before OMB attempted to reach conclusions on the appropriateness of or need for a threshold change. Therefore, OMB used the 1999 review as a dry run to determine the types of evaluations and

analyses possible, the additional information needed, and other areas that needed to be considered before it could make a threshold change decision.

For its summer of 2000 evaluation, OMB analyzed database information for 1997 and 1998 single audit reports. In considering the threshold issue, OMB attempted to

- understand what threshold provides an appropriate balance between audit burden and audit coverage,
- provide a reasonable level of assurance that the entities that would no longer be subject to these audit requirements are not at higher risk for audit problems, and
- provide reasonable assurance that certain entity types, and by extension certain federal agencies, are not disproportionately affected by raising the threshold.

OMB is currently reviewing the results of its study and expects to reach its conclusion on the appropriateness of the current threshold and the need for a threshold change some time this fall.

Broader Risk-Based Focus

The 1984 act's criteria for selecting programs for testing during the audit were based on the amount of federal financial assistance received. The 1996 amendments require auditors to use combined expenditure and risk-based criteria to determine which programs to include in the scope of a single audit. This gives auditors greater freedom in targeting risky programs by, for example, allowing them to eliminate low-risk large dollar programs from testing and include high-risk small dollar programs in their place.

OMB Circular A-133 prescribes a four-step process that auditors are to use when identifying programs that will be audited. When considering program risk during this process, auditors shall consider such items as the recipient's current and prior audit experience with federal programs; the results of recent oversight visits by federal, state, or local agencies; and the inherent risk of the program. The four steps of the risk-based process call for the auditor to

- identify the larger federal programs, using expenditure criteria specified in Circular A-133 as applied on an entity-by-entity basis;
- identify the larger federal programs that are low risk;

- identify smaller federal programs (i.e., those whose expenditures fall below the Circular A-133 criteria noted in step 1 above) that are high risk by considering the three areas of potential risk noted above, documenting risk assessments for programs that meet the expenditure criteria specified in Circular A-133, and applying auditor judgment; and
- audit all large federal programs, except that the auditor may exclude those judged low risk, and audit high-risk smaller programs.

When determining the number of smaller programs to audit, the auditor has two options—to audit at least 50 percent of the smaller programs identified as high risk, with certain exceptions, or to audit one high-risk smaller program for each larger program identified as low risk and excluded from the audit.

Auditors responsible for the 1998 single audits at 15 state and local governments and nonprofit organizations that we randomly selected to obtain information on the risk-based approach indicated that they used the risk-based approach when determining the programs that they examined. Specifically, the auditors stated that in

- all 15 audits, they used the risk-based approach when performing the audit;
- 11 instances, the risk-based approach identified at least one small-dollar program that they selected for testing;
- 4 instances, the risk-based analysis resulted in the auditors concluding that they should examine all large-dollar programs; and
- 1 instance, a large-dollar program was eliminated based on the risk-based analysis, but no smaller programs were examined because the risk-based analysis of all small programs resulted in the conclusion that all of the small programs were low risk.

We also found that, in 4 of the 11 instances where at least one small-dollar program was audited, the same small program (the Maternal and Child Health Services Block Grant Program) was audited in 4 states. The audit reports for all 4 states discussed internal control problems affecting this program.

In general, the auditors examined more small-dollar programs when the recipient expended funds from many federal programs than when they expended funds from a few programs. For example, one state single audit report identified expenditures for more than 400 federal programs. Based on its risk analyses, the auditors identified 7 large-dollar programs that they

deemed were low risk and did not audit. They replaced them with 7 small-dollar programs that the risk-based analysis identified as high risk.

Conversely, for example, the results of the risk-based approach for a recipient with expenditures from only four federal programs led the auditors to conclude that all large-dollar programs were high risk. They audited each of these programs.

In reviewing other information on single audit reports, we found that 51 percent of the entities filing single audit reports expended funds from five or fewer federal programs. At several of these entities, none of the programs qualified as a large-dollar program, based on the Circular A-133 criteria. For example, one nonprofit recipient expended funds from two federal programs, neither of which qualified as a large-dollar program. The auditors selected the largest of the programs, which accounted for about 81 percent of the expenditures, for audit, thereby meeting the general requirement that at least 50 percent of the federal expenditures be audited.

The audit officials we spoke to also identified benefits resulting from the implementation of the risk-based approach. Six of the 15 auditors we spoke to noted that the approach allows for more auditor flexibility and affords them the opportunity to use judgment in determining the programs that they will audit. In addition, two other auditors noted that the requirement to perform risk assessments has resulted in more intensive audit planning than was performed prior to the 1996 amendments.

Summary Reporting

In 1994, we reported that neither the Single Audit Act nor OMB's implementing guidance prescribed the format for conveying the results of the auditors' tests and evaluations. Single audit reports contained a series of as many as eight or more separate reports, including five specifically focused on federal financial assistance, and significant information was scattered throughout the separate reports. The 1996 amendments require that the auditor include, in the single audit report, a summary of the audit's results on the recipient's financial statements, internal controls, and compliance with laws and regulations. OMB Circular A-133 requires that a summary of the audit results be included in a schedule of findings and questioned costs.

Summary reports typically contain the following types of information:

- the type of auditors report on the entity's financial statements, internal controls, and compliance with laws and regulations,
- whether the auditor identified any material internal control weaknesses or had other audit findings,
- the dollar threshold used to distinguish between large- and small-dollar programs,
- whether the entity audited was low risk, and
- the federal programs audited.

As part of its review of the accuracy of the Federal Audit Clearinghouse single audit database, the Department of Commerce IG compared information contained in several components of the single audit reporting package and the data collection form with the information contained in the summary report. All single audit reports examined by the Commerce IG contained a summary report. However, the auditors identified several errors and discrepancies when matching single audit report information with the information contained in the summary report. For example, for the 150 single audit reports reviewed, the IG auditors found 8 instances in which the reportable condition information entered on the clearinghouse data collection form did not agree with the information included on the summary report. By projecting these errors to the universe of 18,992 reports from which the sample was selected, the Commerce auditors calculated that these errors could occur in up to 1,847 reports. They also found 4 instances in which a mismatch existed between the audit findings listed on the data collection form and the audit findings included on the summary report. These errors were the result of auditor mistakes in completing one of the documents examined. By projecting these mistakes, the Commerce auditors reported that these errors could occur in up to 1,333 reports.

Better Basis for Analysis

Our 1994 report also highlighted that data on the results of single audits were not readily accessible and discussed the benefits of compiling those results in an automated database. The Single Audit Act Amendments of 1996 has resulted in the establishment of an automated database of single audit information at the Federal Audit Clearinghouse. This database—containing information on over 27,000 annual reports and various query options—provides potential users (including program managers, auditors, and other interested parties) with significant amounts of readily available information on nonfederal entity financial management and internal

control systems and compliance with federal laws and regulations. Database analysis can provide, among other things, leads for follow-on audits and program oversight.

OMB Circular A-133 now requires all entities that submit single audit reports to submit a data collection form that includes information about the entity, its federal programs, and the results of the audit. Recipients are to submit these forms to the Federal Audit Clearinghouse along with their single audit reporting packages.

The Federal Audit Clearinghouse uses this data collection form as the source of the information for its automated, Internet-accessible[9] database of key information contained in single audit reports. Appendix I contains a copy of the data collection form. OMB is currently working with representatives of federal agencies and the Federal Audit Clearinghouse on form revisions. OMB is revising the form as part of its 3-year review required under the Paperwork Reduction Act and to clarify instructions for completing the form, allow for more detailed analyses of federal awards contained in the database, and facilitate more accurate report distribution. For example, one change is the addition of a question that asks whether awards are received directly from a federal awarding agency or received by a subrecipient indirectly from a pass-through entity. Federal agencies and pass-through entities need this information for resolution of audit findings (i.e., federal agencies resolve findings applicable to direct awards, and pass-through entities resolve findings applicable to indirect awards). The Federal Audit Clearinghouse needs this information to ensure proper report distribution.

The July 11, 2000, *Federal Register* included OMB's notice and request for comments on the draft revised form. OMB requested comments on or before September 11, 2000, and plans to require entities to use the new data collection form for audit periods ending on or after January 1, 2001.

Potential users can access the database and perform analyses of its information in two ways. First, they can select the data query function that is a part of the Federal Audit Clearinghouse Internet site's on-line options. Under this alternative, users select data fields from the options on the query form, which mirrors the data collection form, and the built-in query function will search the database and provide the search results. For

[9]The web address for the clearinghouse database is *http://harvester.census.gov/sac*.

example, using this method, a user can identify the number of specific single audit reports that identified internal control weaknesses in any program with a CFDA number. The 1999 catalog identifies and presents budget and other information on approximately 1,400 federal programs and assigns a specific number to each.

To demonstrate further, suppose that a user is looking for information in 1998 single audits concerning the Temporary Assistance to Needy Families (TANF) program. A search of the database, using the CFDA number as the program identifier, reveals that TANF was cited in 1,518 single audit reports. Analysis of these reports shows that auditors identified internal control weaknesses—either reportable conditions, material weaknesses, or both—146 times. These control weaknesses existed in state and local governments and nonprofit organizations. Using this query alternative, a user can quickly identify entities that expended TANF funds, entities that experienced internal control problems in their TANF operations, and specific pages within the entity single audit reports that discuss those problems.

This ability did not exist prior to the 1996 amendments. At that earlier time, a user would have to review paper copies of all single audit reports in an attempt to identify problems in programs of interest to them. Now a user has the opportunity to electronically create an automated inventory of reports that identifies problems. An inventory of reports identifying needed corrective action would be a useful tool for program managers that are responsible for managing resources required for resolving program compliance problems and for assuring that all expected audit reports are received.

Under the second query option, users can download the database and perform computations, develop a variety of analytical queries, and design graphics. For example, using the download alternative, a user can compute the percentage of reported TANF expenditures that were audited for compliance with TANF requirements. For the 1998 audit reports, about 90 percent of reported TANF expenditures were tested for compliance with laws and regulations. The problems identified most frequently in these reports (see table 1) included noncompliance with allowable costs/cost principles and noncompliance with program eligibility criteria. This type of summary statistics could be used to measure program improvement over time.

Table 1: TANF Compliance Findings

Compliance area	Number of findings
A: Activities allowed or unallowed	13
B: Allowable costs/cost principles	52
C: Cash management	21
D: Davis Bacon Act	2
E: Eligibility	41
F: Equipment and real property management	17
G: Matching, level of effort, earmarking	4
H: Period of availability of funds	4
I: Procurement	15
J: Program income	1
K: Real property acquisition and relocation assistance	0
L: Reporting	37
M: Subrecipient monitoring	27
N: Special tests and provisions	19

Source: Federal Audit Clearinghouse database as of July 19, 2000.

Timely Reporting

Under the 1984 act, entities had up to 13 months from their fiscal year-end to submit their single audit reporting packages to the federal government. Our 1994 report noted that nearly 90 percent of the program managers we queried told us that a 13-month reporting time frame provided data too late. Program managers supported changing the time frame to 9 months for state government single audits and to 6 months for all other entities.

The 1996 amendments reduced the reporting time frame to 9 months. However, compliance with this requirement was not mandatory for 2 years. As a result, this requirement became effective for entities with fiscal years that began after June 30, 1998. Thus, the first entities subject to the new time frame are those with fiscal years beginning on July 1, 1998. Their reporting packages were due 9 months after June 30, 1999, meaning by March 31, 2000. The single audit reporting package contains (1) the financial statements and schedule of expenditures of federal awards, (2) the summary schedule of prior audit findings, (3) the auditor's report, and (4) the corrective action plan. Entities also submit the data collection form with their reporting packages.

Based on information obtained from Federal Audit Clearinghouse officials and the single audit database, as of March 31, 2000, the Federal Audit Clearinghouse had received 14,993 single audit reporting packages from entities with a June 30, 1999, year-end. Of these, available information showed that 13,891 reporting packages contained all required information and 1,102 were returned to the entity for resubmission because of items missing from the reporting package, errors in the data collection form, or both. By June 30, 2000, the cumulative number of reporting packages the Federal Audit Clearinghouse reported as being received had increased to 16,800, with 799 of these shown as returned to the entities and not yet resubmitted.

Neither OMB nor the Federal Audit Clearinghouse could precisely determine the number of single audit reports that were due by March 31, 2000, or any other date because of current data limitations. The trigger for evoking the need for a single audit is the nonfederal recipient's expenditure of $300,000 in federal awards within its own fiscal year. However, according to clearinghouse and OMB officials, there are no current governmentwide systems that routinely collect data on nonfederal recipients' expenditures of federal awards applicable to their respective financial reporting periods. OMB plans to work with federal agencies to explore ways to identify recipients that are required to submit a single audit report and the due dates.

Pilot Projects

The 1996 amendments allow the Director of OMB to authorize pilot projects to test alternative ways to achieve the objectives of the Single Audit Act. To date, OMB has received two requests for pilot project approval. OMB approved the first proposal, by the Washington State Auditor's Office for an annual audit of the Washington State Education System, on May 7, 1999, for a maximum of 4 years. The other proposal, by the Georgia State Auditor's Office for an audit of local education agencies, was not finalized, in part because of other priorities at the State audit office. Because of the limited number of requests for and conduct of pilot projects, it would be premature at this time to draw a conclusion on the benefits of these projects.

In Washington, the state's education system is made up of three groups—the state education agency, educational service districts, and local education agencies—that work in unison to fulfill both federal and state educational goals. In the past, each of the approximately 200 organizations in these three groups was audited separately. With centralized planning and

reporting, development of standardized audit programs, and good internal communication, the state audit office proposed that the resulting audit report would be an informative, comparative, and constructive report that would be more useful to both Washington State and the federal community.

The Washington State Auditor has completed two audits under this pilot project—the first on September 30, 1999, and the second on June 26, 2000. An advisory committee, consisting of about 30 stakeholders from throughout the state, provided input and other guidance to the auditors throughout the pilot project process. Further, the advisory committee is conducting a post-audit evaluation, and representatives of federal inspector general organizations are conducting a quality control review of the pilot audits. These evaluations, which have not been completed, will focus on issues including what should be done on the pilot in subsequent years.

OMB Comments

In commenting on a draft of this report, OMB agreed with our assessment of the status of the implementation of the 1996 amendments.

We are sending copies of this report to Senator Fred Thompson, Chairman, and Senator Joseph I. Lieberman, Ranking Minority Member, Senate Committee on Governmental Affairs; Representative Dan Burton, Chairman, and Representative Henry A. Waxman, Ranking Minority Member, House Committee on Government Reform; and members of other interested committees. We are also sending copies to the Honorable Jacob J. Lew, Director of the Office of Management and Budget, and representatives of the Federal Audit Clearinghouse, the National Intergovernmental Audit Forum, federal agencies, federal offices of inspector general, state audit offices, and the AICPA, who where stakeholders on this review. Copies will also be made available to others upon request.

If you or your staff have any questions about our work, I can be reached at (202) 512-9489 or by e-mail at *clarkd.aimd@gao.gov*. Staff contacts and other key contributors to this letter are listed in appendix III.

David L. Clark
Director, Audit Oversight and Liaison

Data Collection Form for Reporting on Audits of States, Local Governments and Non-profit Organizations

OMB No. 0348-0057

FORM **SF-SAC** (8-97)

U.S. DEPARTMENT OF COMMERCE - BUREAU OF THE CENSUS
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET

Data Collection Form for Reporting on

AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS

Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

RETURN TO **Single Audit Clearinghouse**
1201 E. 10th Street
Jeffersonville, IN 47132

PART I **GENERAL INFORMATION** ***(To be completed by auditee, except for Item 7)***

1. Fiscal year ending date for this submission
Month / Day / Year

2. Type of Circular A-133 audit
1 ☐ Single audit 2 ☐ Program-specific audit

3. Audit period covered
1 ☐ Annual 3 ☐ Other – Months
2 ☐ Biennial

FEDERAL GOVERNMENT USE ONLY

4. Date received by Federal clearinghouse

5. Employer Identification Number (EIN)
a. Auditee EIN ☐☐☐☐☐☐☐☐☐ **b.** Are multiple EINs covered in this report? 1 ☐ Yes 2 ☐ No

6. AUDITEE INFORMATION

a. Auditee name

b. Auditee address *(Number and street)*
City
State ZIP Code

c. Auditee contact
Name
Title

d. Auditee contact telephone
( ) –

e. Auditee contact FAX *(Optional)*
( ) –

f. Auditee contact E-mail *(Optional)*

g. AUDITEE CERTIFICATION STATEMENT – This is to certify that, to the best of my knowledge and belief, the auditee has: (1) Engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II,** and **III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Signature of certifying official Date
Month / Day / Year

Name/Title of certifying official

7. AUDITOR INFORMATION ***(To be completed by auditor)***

a. Auditor name

b. Auditor address *(Number and street)*
City
State ZIP Code

c. Auditor contact
Name
Title

d. Auditor contact telephone
( ) –

e. Auditor contact FAX *(Optional)*
( ) –

f. Auditor contact E-mail *(Optional)*

g. AUDITOR STATEMENT – The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 5 and 6, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is **not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II** and **III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor Date
Month / Day / Year

EIN: ☐☐☐☐☐☐☐☐☐

PART I **GENERAL INFORMATION – Continued**

8. Indicate whether the auditee has either a Federal cognizant or oversight agency for audit. *(Mark (X) one box)*

1 ☐ Cognizant agency 2 ☐ Oversight agency

9. Name of Federal cognizant or oversight agency for audit *(Mark (X) one box)*

01 ☐ African Development Foundation
02 ☐ Agency for International Development
10 ☐ Agriculture
11 ☐ Commerce
94 ☐ Corporation for National and Community Service
12 ☐ Defense
84 ☐ Education
81 ☐ Energy
66 ☐ Environmental Protection Agency
83 ☐ Federal Emergency Management Agency
34 ☐ Federal Mediation and Conciliation Service
39 ☐ General Services Administration
93 ☐ Health and Human Services
14 ☐ Housing and Urban Development
03 ☐ Institute for Museum Services
04 ☐ Inter-American Foundation
15 ☐ Interior
16 ☐ Justice
17 ☐ Labor
43 ☐ National Aeronautics and Space Administration
89 ☐ National Archives and Records Administraton
05 ☐ National Endowment for the Arts
06 ☐ National Endowment for the Humanities
47 ☐ National Science Foundation
07 ☐ Office of National Drug Control Policy
08 ☐ Peace Corps
59 ☐ Small Business Administration
96 ☐ Social Security Administration
19 ☐ State
20 ☐ Transportation
21 ☐ Treasury
82 ☐ United States Information Agency
64 ☐ Veterans Affairs
☐ Other – *Specify:*

PART II **FINANCIAL STATEMENTS** ***(To be completed by auditor)***

1. Type of audit report *(Mark (X) one box)*

1 ☐ Unqualified opinion 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report? 1 ☐ Yes 2 ☐ No

3. Is a reportable condition disclosed? 1 ☐ Yes 2 ☐ No – *SKIP to Item 5*

4. Is any reportable condition reported as a material weakness? 1 ☐ Yes 2 ☐ No

5. Is a material noncompliance disclosed? 1 ☐ Yes 2 ☐ No

PART III **FEDERAL PROGRAMS** ***(To be completed by auditor)***

1. Type of audit report on major program compliance

1 ☐ Unqualified opinion 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion

2. What is the dollar threshold to distinguish Type A and Type B programs §___.520(b)?

$

3. Did the auditee qualify as a low-risk auditee (§___.530)?

1 ☐ Yes 2 ☐ No

4. Are there any audit findings required to be reported under §___.510(a)?

1 ☐ Yes 2 ☐ No

5. Which Federal Agencies are required to receive the reporting package? *(Mark (X) all that apply)*

01 ☐ African Development Foundation
02 ☐ Agency for International Development
10 ☐ Agriculture
11 ☐ Commerce
94 ☐ Corporation for National and Community Service
12 ☐ Defense
84 ☐ Education
81 ☐ Energy
66 ☐ Environmental Protection Agency
83 ☐ Federal Emergency Management Agency
34 ☐ Federal Mediation and Conciliation Service
39 ☐ General Services Administration
93 ☐ Health and Human Services
14 ☐ Housing and Urban Development
03 ☐ Institute for Museum Services
04 ☐ Inter-American Foundation
15 ☐ Interior
16 ☐ Justice
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47 ☐ National Science Foundation
07 ☐ Office of National Drug Control Policy
08 ☐ Peace Corps
59 ☐ Small Business Administration
96 ☐ Social Security Administration
19 ☐ State
20 ☐ Transportation
21 ☐ Treasury
82 ☐ United States Information Agency
64 ☐ Veterans Affairs
00 ☐ None
☐ Other – *Specify:*

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FORM SF-SAC (8-97)

EIN: ☐☐☐☐☐☐☐☐☐

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PART III **FEDERAL PROGRAMS – Continued**

6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR			7. AUDIT FINDINGS AND QUESTIONED COSTS				
CFDA number [1] (a)	Name of Federal program (b)	Amount expended (c)	Major program (a)	Type of compliance requirement[2] (b)	Amount of questioned costs (c)	Internal control findings[3] (d)	Audit finding reference number(s) (e)
		$	1☐ Yes 2☐ No		$	1☐A 3☐C 2☐B	
		$	1☐ Yes 2☐ No		$	1☐A 3☐C 2☐B	
		$	1☐ Yes 2☐ No		$	1☐A 3☐C 2☐B	
		$	1☐ Yes 2☐ No		$	1☐A 3☐C 2☐B	
		$	1☐ Yes 2☐ No		$	1☐A 3☐C 2☐B	
		$	1☐ Yes 2☐ No		$	1☐A 3☐C 2☐B	
		$	1☐ Yes 2☐ No		$	1☐A 3☐C 2☐B	
		$	1☐ Yes 2☐ No		$	1☐A 3☐C 2☐B	
		$	1☐ Yes 2☐ No		$	1☐A 3☐C 2☐B	
		$	1☐ Yes 2☐ No		$	1☐A 3☐C 2☐B	
TOTAL FEDERAL AWARDS EXPENDED →		$	*IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS*				

[1] Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available.

[2] Type of compliance requirement *(Enter the letter(s) of all that apply to audit findings and questioned costs reported for each Federal program.)*

A. Activities allowed or unallowed
B. Allowable costs/cost principles
C. Cash management
D. Davis - Bacon Act
E. Eligibility
F. Equipment and real property management
G. Matching, level of effort, earmarking
H. Period of availability of funds
I. Procurement
J. Program income
K. Real property acquisition and relocation assistance
L. Reporting
M. Subrecipient monitoring
N. Special tests and provisions
O. None

[3] Type of internal control findings *(Mark (X) all that apply)*

A. Material weaknesses B. Reportable conditions C. None reported

Comments From the Office of Management and Budget

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 20 2000

Mr. Jeffrey C. Steinhoff
Assistant Comptroller General
United States General Accounting Office
Washington, DC 20548

Dear Mr. Steinhoff:

Thank you for the opportunity to review and comment on the draft report, "Single Audit Act: Update on Implementation of the 1996 Amendments."

The single audit process has been an effective tool to improve accountability for the $300 billion in Federal awards expended annually by States, local governments, and non-profit organizations (non-Federal entities). The 1996 Amendments and OMB's implementation guidance have been successful in achieving the purposes that led to the Amendments by improving accountability over Federal programs, establishing uniform single audit requirements, promoting efficient and effective use of audit resources, reducing burden on grantees, and maximizing reliance on single audits by Federal agencies. A key element of this success is the continued cooperation between single audit stakeholders, which include non-Federal entities, auditors conducting single audits, and Federal agencies. Single audit stakeholders continue to work together in areas such as the annual updates of the "OMB Circular A-133 Compliance Supplement" and the evolution of the database of single audit reports maintained by the Federal Audit Clearinghouse.

We are pleased that your report recognizes the many successes to date in this important area. We agree with your assessment that the underlying objectives of the1996 Amendments either have been met or the foundation has been laid for their effective implementation.

We have no formal comments on the draft report. If you wish to contact us or have any questions regarding single audit matters, please call either George Rippey at 202-395-5699 or Terry Ramsey at 202-395-3812.

Sincerely,

Joshua Gotbaum
Executive Associate Director and Controller

GAO Contact and Staff Acknowledgments

GAO Contact

Thomas Broderick, (202) 512-8705

Acknowledgments

Staff making key contributions to this report were Mary Ellen Chervenic, Perry Datwyler, and Gloria Hernandez-Saunders.

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