

APPENDIX N

FEDERAL AUDIT CLAUSES

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AUDIT CLAUSE TO BE USED IN AGREEMENTS WITH SUBRECIPIENTS
RECEIVING FEDERAL AWARDS FROM THE COMMONWEALTH

SINGLE AUDIT REPORT REQUIREMENTS.

The [NAME OF SUBRECIPIENT] must comply with all federal and state audit requirements including: *The Single Audit Act Amendments of 1996*; [Office of Management and Budget, Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations](#), (*OMB Circular A-133*) as amended; and any other applicable law or regulation, and any amendment to such other applicable law or regulation which may be enacted or promulgated by the federal government.

If the [NAME OF SUBRECIPIENT] is a local government or non-profit organization and expends total federal awards of \$500,000 or more during its fiscal year, received either directly from the federal government or indirectly from a recipient of federal funds, the [NAME OF SUBRECIPIENT] is required to have an audit made in accordance with the provisions of *OMB Circular A-133*.

If the [NAME OF SUBRECIPIENT] is a local government or non-profit organization and expends total federal awards of \$500,000 or more during its fiscal year **under one federal program**, received either directly from the federal government or indirectly from a recipient of federal funds, the [NAME OF SUBRECIPIENT] can submit a program-specific audit in lieu of a single audit in accordance with the provisions of *OMB Circular A-133*.

If the [NAME OF SUBRECIPIENT] expends total federal awards of less than \$500,000 during its fiscal year, it is exempt from these audit requirements, but is required to maintain auditable records of federal awards and any state funds which supplement such awards, and to provide access to such records by federal and state agencies or their designees.

If the [NAME OF SUBRECIPIENT] is a for-profit entity, it is not subject to the auditing and reporting requirements of *OMB Circular A-133*. However, the pass-through commonwealth agency is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The contract with the for-profit subrecipient should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the contract and post-award audits. The post-award audits may be in the form of a financial audit in accordance with [Government Auditing Standards](#), a single audit report or program-specific audit report in accordance with *OMB Circular A-133*. However, these post-award audits must be submitted directly to the affected commonwealth agency that provided the funding. Only single audit reports for local governmental and non-profit subrecipients are electronically submitted to the Office of the Budget, Office of Comptroller Operations, Bureau of Audits.

COMPONENTS OF THE SINGLE AUDIT REPORTING PACKAGE.

The [NAME OF SUBRECIPIENT] must submit an electronic copy of the audit report package to the commonwealth, which shall include:

1. Auditor's reports
 - a. Independent auditor's report on the financial statements, which expresses an opinion on whether the financial statements are presented fairly in all material respects in conformity with the stated accounting principles.
 - b. Independent auditor's report on the supplementary Schedule of Expenditures of Federal Awards (SEFA), which expresses an opinion on whether the SEFA is presented fairly in all material respects in relation to the financial statements taken as a whole. This report can be issued separately or combined with the independent auditor's report on the financial statements.
 - c. Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
 - d. Report on compliance for each major program and report on internal control over compliance.
 - e. Schedule of findings and questioned costs.
2. Financial statements and notes to the financial statements
3. SEFA and notes to the SEFA
 - a. All single audit reporting packages must contain a SEFA prepared by the subrecipient, not the subrecipient's auditor. In accordance with § ____.310(b) of *OMB Circular A-133*, all SEFAs, at a minimum, shall:
 - (1) List individual federal programs by federal agency. For federal programs included in a cluster of programs, list individual programs within a cluster of programs. For research and development (R&D), the total federal awards expended shall be shown either by individual award or by federal agency and major subdivision within the federal agency;
 - (2) For federal awards received as a subrecipient, include the name of the pass-through entity and the identifying number assigned by the pass-through entity;
 - (3) Provide the total federal awards expended for each individual federal program and the CFDA number or other identifying number when the CFDA information is not available;

- (4) Include notes that describe the significant accounting policies used in preparing the SEFA;
 - (5) For federal awards received as a pass-through entity, identify, to the extent practical, the total amount provided to subrecipients from each federal program;
 - (6) Include, in either the SEFA or a note to the SEFA, the value of federal awards expended in the form of noncash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end.
- b. In addition to the requirements of *OMB Circular A-133*, single audit reporting packages containing federal funding passed through a commonwealth agency must include the following components in the SEFA as required by the pass through agency:
- (1) A breakdown of federal funds passed through the commonwealth, by federal grantor, CFDA number, CFDA name and state program name (if different from CFDA name), state program year, and state contract number (if applicable);
 - (2) Contract period beginning and ending dates for federal funds passed through each commonwealth agency, by contract;
 - (3) Program or award amount for each commonwealth agency, by contract;
 - (4) Total received during the year for each commonwealth agency, by contract;
 - (5) Accrued or deferred revenue at the beginning of the year for each commonwealth agency, by contract;
 - (6) Revenue recognized during the year for each commonwealth agency, by contract;
 - (7) Accrued or deferred revenue at the end of the year for each commonwealth agency, by contract.

4. Schedule of Findings and Questioned Costs

5. Summary schedule of prior audit findings

6. Corrective action plan (if applicable)

7. Data collection form

8. Management letter (if applicable)

In instances where a federal program-specific audit guide is available, the audit report package for a program-specific audit may be different and should be prepared in accordance with the appropriate audit guide, *Government Auditing Standards*, and *OMB Circular A-133*.

SUBMISSION OF THE AUDIT REPORT

The Office of the Budget, Office of Comptroller Operations, Bureau of Audits accepts **only** electronic submissions of single audit/program-specific audit reporting packages. Instructions and information regarding submission of the single audit/program-specific audit reporting package are available to the public on Single Audit Submissions page of the Office of the Budget website (<http://www.budget.state.pa.us>).

AUDIT OVERSIGHT PROVISIONS.

The [NAME OF SUBRECIPIENT] is responsible for obtaining the necessary audit and securing the services of a certified public accountant or independent governmental auditor.

The commonwealth reserves the right for federal and state agencies or their authorized representatives to perform additional audits of a financial or performance nature, if deemed necessary by commonwealth or federal agencies. Any such additional audit work will rely on work already performed by the [NAME OF SUBRECIPIENT]'s auditor and the costs for any additional work performed by the federal or state agencies will be borne by those agencies at no additional expense to the [NAME OF SUBRECIPIENT].

Audit documentation and audit reports must be retained by the [NAME OF SUBRECIPIENT]'s auditor for a minimum of five years from the date of issuance of the audit report, unless the [NAME OF SUBRECIPIENT]'s auditor is notified in writing by the commonwealth, the cognizant federal agency for audit, or the oversight federal agency for audit to extend the retention period. Audit documentation will be made available upon request to authorized representatives of the commonwealth, the cognizant federal agency for audit, the oversight federal agency for audit, the federal funding agency, or the Government Accountability Office.