

APPENDIX VII OTHER AUDIT ADVISORIES

I. Effect of Changes to Generally Applicable Compliance Requirements in the 2015 Supplement

In the 2015 Supplement, OMB has removed several of the compliance requirements that previously were required to be tested across all programs, when applicable. The compliance requirements that were removed are Davis-Bacon Act (now applicable only for specified programs as a “special test or provision”); Relocation and Real Property Assistance; and, within Reporting, Subaward Reporting under the Federal Funding Accountability and Transparency Act. As with any other change in a compliance requirement, if there was a finding(s) in any of these areas in audits conducted using the 2014 Supplement, those findings must continue to be reported in the summary schedule of prior audit findings and the corrective action plan, as provided in OMB Circular A-133 §.315/2 CFR section 200.511, and be considered in the assessment of risk under OMB Circular A-133 §.525(b)/2 CFR section 200.519(b).

II. American Recovery and Reinvestment Act

Schedule of Expenditures of Federal Awards

Recipients and subrecipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133/2 CFR part 200, subpart F, must separately identify the expenditures for Federal awards under the American Recovery and Reinvestment Act (ARRA) on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133/2 CFR part 200, subpart F. This shall be accomplished by identifying expenditures for Federal awards made under ARRA separately on the SEFA, and as separate rows under Item 6 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix “ARRA-” in identifying the name of the Federal program on the SEFA and as the first characters in Item 6, Column c of Part III, “Name of Federal program,” on the SF-SAC.

Auditor Identification of ARRA Findings

The audit finding detail as described in §__.510(b)(1) of OMB Circular A-133/2 CFR section 200.516(b)(1) is required to include Federal program and specific Federal award identification including the CFDA title and number. The auditor should include in the audit finding detail explicit identification of applicable ARRA programs.

Removal of ARRA Programs from Supplement

Many of the ARRA programs have been deleted from Parts 4 and 5 of this Supplement based on their completion or limited amount of funds still subject to audit. However, if an entity has Federal awards expended from these programs they would be treated consistent with any other programs not included in this Supplement or not part of a cluster of programs. For example, if programs were deleted from a cluster: (1) the program would not be considered as part of a cluster for periods covered by this Supplement, as this Supplement does not include the program in a cluster, and (2) if the program was part of a cluster which was audited as a major program in

a prior year, the normal OMB Circular A-133/2 CFR part 200, subpart F, major program selection criteria and risk-based approach would apply and the program would be considered as audited in that prior year for purposes of major program determination, including consideration of any audit findings.

ARRA-Funded Programs Not Subject to A-133 Audit/2 CFR Part 200, Subpart F

The following ARRA-funded programs are not covered by the single audit requirements and are not required to be included in the Schedule of Expenditures of Federal Awards or in the determination of major programs.

Department of the Treasury

- ARRA section 1602: Grants to States for Low-Income Housing Projects in Lieu of Low-Income Housing Tax Credit (no CFDA number)
- ARRA section 1603: Payments for Specified Energy Property in Lieu of Tax Credits (no CFDA number)
- Build America Bonds (no CFDA number)

Department of Education

- Qualified School Construction Bonds (no CFDA number)

III. Clarification of Low-Risk Auditee Criteria

Background

Beginning with audits covered by the 2010 Supplement, auditors should be alert to the clarification provided by OMB Memorandum (M-10-14) which states: “In order to meet the criteria for a low-risk auditee (OMB Circular A-133 §___.530) in the current year, the prior two years audits must have met the requirements of OMB Circular A-133, including report submission to the FAC by the due date (OMB Circular A-133 §___.320). For example, an auditee would not meet the criteria for a low-risk auditee for the fiscal year ended June 30, 2012, if the audits for either of the prior two years audits (fiscal years June 30, 2010 or 2011) were not filed with the FAC by the due date (March 31, 2011 and 2012, respectively, assuming no approved extensions). This clarification has been made a requirement for audits performed pursuant to 2 CFR part 200, subpart F (2 CFR section 200.520(a)).

The auditor may consider using the following steps to identify FAC submissions that do not meet the due date.

Suggested Steps

1. Inquire of entity management and review available prior-year financial reports and audits to ascertain if the entity had Federal awards expended of \$500,000 or more (audit periods under OMB Circular A-133) or \$750,000 or more (audit periods under 2 CFR part 200, subpart F), as applicable, in the prior two audit periods and, therefore, was required to have an audit under the circular/uniform guidance and file with the FAC.
2. If the entity was below the \$500,000/\$750,000 threshold in either of the prior two audit periods, and an audit was not required under the circular/uniform guidance, obtain written representation from management to this fact and no further audit procedures are necessary as the entity does not qualify as a low risk auditee.
3. If a prior-year audit was conducted, obtain a copy of the data collection form (form SF-SAC) and the reporting package.
 - a. Calculate the “Nine Month Due Date” to file with the FAC as the date 9 months after the end of the audit period. For example, for audit periods ending June 30, 2013, the audit report would be due March 31, 2014.
 - b. Access the FAC web page at <https://harvester.census.gov/fac/>.
 - c. Select the “Find Audit Information” option and using the “Search for Complete Records Only – Entity Search” option for the audit year in question, locate the FAC record for the entity. Verify correct record by comparing both entity name and EIN number from the entity’s copy of the SF-SAC to the FAC web page.
 - d. For this record, located on the FAC web page, compare the “FAC Accepted Date” to the Nine Month Due Date to determine if the due date was met. OMB granted an extension for all FY 2014 audit packages due on or before November 30, 2014, until November 30, 2014. The extension was automatic and no approval was required.
 - e. If the Nine Month Due Date was not met and the FY 2014 automatic extension described above was not applicable, inquire of entity management whether they received an extension from the cognizant or oversight agency for audit. If an extension was received, review documentation from the Federal agency supporting the extension and determine a “Revised Due Date” considering the extension.
4. If the entity was not in compliance with the Nine Month Due Date or Revised Due Date (if applicable) or did not submit the required audit to the FAC for either of the prior two audit periods, then the entity does not qualify as a low-risk auditee.
5. Contact the FAC at govs.fac@census.gov, (301) 763-1551 (voice), (800) 253-0696 (toll free), (301) 763-6792 (fax), if additional information is needed on using the FAC website or determining the date the FAC accepted the report submission as complete.

IV. Safe Harbor for Treatment of Large Loan and Loan Guarantee Programs in Type A Program Determination under OMB Circular A-133

Note: The following applies to audit periods subject to OMB Circular A-133. For audit periods subject to 2 CFR part 200, subpart F, see 2 CFR section 200.518(b)(3) for the applicable requirements.

When applying the risk-based approach to determine which Federal programs are major programs, § __.520(b)(3) of OMB Circular A-133 states: “The inclusion of large loan and loan guarantees (loans) should not result in the exclusion of other programs as Type A programs. When a Federal program providing loans significantly affects the number or size of Type A programs, the auditor shall consider this Federal program as a Type A program and exclude its values in determining other Type A programs.” To promote consistency of practice, auditors may consider the following as a “safe harbor” for treatment of large loan and loan guarantee programs in determining Type A programs when planning audits.

- (1) Each individual program that includes loans or loan guarantees (as described in § __.205(b) of OMB Circular A-133) that does not exceed four times the largest non-loan program is not considered to be large. A cluster of programs is treated as one program. The presumption is that only changes in the number or size of Type A programs that result from the exclusion of individual loan and loan guarantee programs that are in excess of four times that of the largest non-loan program are significant.
- (2) Auditors are only required to perform the recalculation of the Type A threshold described in § __.520(b)(3) of OMB Circular A-133 when the expenditures for a loan or loan guarantee program is more than four times that of the largest non-loan program (a cluster of programs is treated as one program).
- (3) The recalculation is performed after removing the total of all large loan and loan guarantee programs.

Following are the examples for the Safe Harbor computation

Example No.1

Loan Program	Expenditures
Student Financial Aid Cluster	
84.032 Federal Family Education Loans	299,000,000
84.038 Federal Perkins Loan Program	5,000,000
84.063 Federal Grant Program	859,000
84.033 Federal Work-Study Program	290,000
Loan Program Total	305,149,000

Note: The loan program expenditures include the loans beginning balance, current year loans, and any other loan program or cluster expenditures.

Non-Loan Programs	
R&D Cluster (multiple CFDA #'s)	20,000,000
Department of Health and Human Services	
93.044 Special Programs for the Aging	650,000
93.015 HIV Prevention Programs	200,000
Department of Education	
84.002 Adult Education	400,000
Non-Loan Programs Total	21,250,000
Total Federal Expenditures (Loans and Non-Loans)	326,399,000

Type A Threshold Calculation Including Loans	
Total Federal Expenditures (Loans and Non-Loans)	326,399,000
3/10 % for Threshold Calculation	3/10%
Type A Threshold Calculated including loans	979,197
Default Threshold per A-133	3,000,000

Safe Harbor Calculation	
Largest Non-Loan Program	
R&D	20,000,000
Multiply by 4	x4
Total of four times the largest Non-Loan program or cluster (Safe Harbor Threshold)	80,000,000

Which loan program(s) exceed the Safe Harbor Threshold and should be classified as "Large" and removed from the Type A threshold recalculation?

SFA Cluster	305,149,000
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Type A Threshold Calculation without "Large" Loans	
Total Federal Expenditures (Loans and Non-Loans)	326,399,000
"Large" Loan Programs:	305,149,000
Difference between lines 1 and 2 (recalculated total Federal Awards):	21,250,000
3% for Threshold Calculation	3%
Recalculated Type A Threshold	637,500

Type A Programs for FY 20XX	Expenditures
SFA Cluster	305,149,000
R&D Cluster	20,000,000
93.044 Special Programs for Aging	650,000

Example No. 2

Loan Programs	Expenditures
Student Financial Aid Cluster	
84.032 Federal Family Education Loans	299,000,000
84.038 Federal Perkins Loan Program	5,000,000
84.063 Federal Grant Program	859,000
84.033 Federal Work-Study Program	290,000
SFA Total	305,149,000
10.415 Rural Rental Housing Loans Program	1,500,000
Loan Program Total	306,649,000

Note: The loan program expenditures include the loans beginning Balance, current year loans and any other loan program or cluster expenditures.

Non-Loan Programs	
R&D Cluster (multiple CFDA #'s)	20,000,000
Department of Health and Human Services	
93.044 Special Programs for the Aging	2,650,000
93.015 HIV Prevention Programs	200,000
Department of Education	
84.001 Grant for Schools	400,000
Non-Loan Program Totals	23,250,000
Total Federal Expenditures (Loans and Non-Loans)	329,899,000

Type A Threshold Calculation Including Loans	
Total Federal Expenditures (Loans and Non-Loans)	329,899,000
3/10 % for Threshold Calculation	3/10%
Type A Threshold Calculated including loans	989,697
Default Threshold per A-133	3,000,000

Safe Harbor Calculation	
Largest Non-Loan Program	
R&D	20,000,000
Multiply by 4	x4
Total of four times largest Non-Loan	80,000,000

Which loan program(s) exceed the Safe Harbor Threshold and should be classified as "Large" and removed from the Type A threshold recalculation?

SFA Cluster	305,149,000
Type A Threshold Calculation without "Large" Loans	
Total Expenditures with all Programs:	329,899,000
"Large" Loan Programs:	305,149,000
Difference between lines 1 and 2:	24,750,000
3% for Threshold Calculation	3%
Recalculated Type A Threshold	742,500

Type A Programs for FY 20XX	Expenditures
SFA Cluster	305,149,000
R&D Cluster	20,000,000
10.415 Rural Rental Housing Loans	1,500,000
93.044 Special Programs for Aging	2,650,000

Example No. 3

Loan Programs	Expenditures
10.415 Rural Rental Housing Loans Program	104,679,000
14.248 CDBG_Section 108 Loan Guarantees Program	200,470,000
Loan Program Total	305,149,000

Note: The loan program expenditures include the loans beginning Balance, current year loans and any other loan program or cluster expenditures.

Non-Loan Programs	
R&D Cluster (multiple CFDA #'s)	20,000,000
Department of Health and Human Services	
93.044 Special Programs for the Aging	650,000
93.015 HIV Prevention Programs	300,000
Department of Education	
84.001 Grant for Schools	1,932,300
Non-Loan Program Total	22,882,300
Total Federal Expenditures (Loans and Non-Loans)	328,031,300

Type A Threshold Calculation Including Loans

Total Federal Expenditures (Loans and Non-Loans.)	328,031,300	
3/10 % for Threshold Calculation		3/10%
Type A Threshold Calculated including loans	984,094	
Default Threshold per A-133	3,000,000	

Safe Harbor Calculation

Largest Non-Loan Program		
R&D	20,000,000	
Multiply by 4		x4
Total of four times largest Non-Loan	80,000,000	

Which loan program(s) exceed the Safe Harbor Threshold and should be classified as "Large" and removed from the Type A threshold recalculation?

10.415 Rural Rental Housing Loans	104,679,000
14.248 CDBG_Section 108 Loan Guarantees	200,470,000

Type A Threshold Calculation without "Large" Loans

Total Federal Expenditures (Loans and Non-Loan Programs)	328,031,300	
"Large" Loan Programs:	305,149,000	
Difference between lines 1 and 2:	22,882,300	
3 % Threshold Calculation		3%
Recalculated Type A Threshold	686,469	

Type A Programs for FY 20XX

	Expenditures
10.415 Rural Rental Housing Loans	104,679,000
14.248 CDBG_Section 108 Loan Guarantees	200,470,000
R&D Cluster	20,000,000
84.001 Grant for Schools	1,932,100

V. Treatment of National Science Foundation and National Institutes of Health Awards*National Science Foundation*

Effective for proposals due on or after January 14, 2013, all awards issued by the National Science Foundation (NSF) meet the definition of "Research and Development" at OMB Circular A-133 § 105/2 CFR section 200.87. As such, auditees should identify NSF awards as part of the R&D cluster on the Schedule of Expenditures of Federal Awards (SEFA) and the auditor should use the Research and Development cluster in Part 5 when testing any of those awards. NSF recognizes that some awards may have another classification for purposes of reimbursement of indirect costs. The auditor is not required to report this difference in treatment (i.e., the award is classified as R&D for A-133/2 CFR part 200, subpart F purposes, but non-research for indirect

cost rate purposes), unless the auditee is charging indirect costs at a rate other than the rate(s) specified in the award document(s).

There will be a transition period (probably 4 years) where SEFAs will include both awards funded previous to this change in approach and awards made subsequent to it. Previously funded awards may be identified on the SEFA at the university's discretion, but awards resulting from proposals due on or after January 14, 2013 must be included in SEFA as part of the R&D cluster. This guidance complies with the October 2012 version of the NSF Proposals and Awards Policies and Procedures Guide (PAPPG), which may be found at http://www.nsf.gov/publications/pub_summ.jsp?ods_key=nsf13001.

National Institutes of Health

Effective for grants and cooperative agreements with budget periods beginning on or after December 26, 2014 and awards that receive supplemental funding on or after December 26, 2014, all awards issued by the National Institutes of Health (NIH) meet the definition of "Research and Development" at 45 CFR section 75.2. As such, auditees should identify NIH awards as part of the R&D cluster on the Schedule of Expenditures of Federal Awards (SEFA), and the auditor should use the Research and Development cluster in Part 5 when testing any of those awards. NIH recognizes that some awards may have another classification for purposes of reimbursement of indirect costs. The auditor is not required to report this disconnect (i.e., the award is classified as R&D for 2 CFR part 200, subpart F, purposes, but non-research for indirect cost rate purposes), unless the auditee is charging indirect costs at a rate other than the rate(s) specified in the award document(s). (See the March 31, 2015 version of the NIH Grants Policy Statement, which may be found at <http://grants.nih.gov/grants/policy/nihgps/nihgps.pdf>.)

VI. OMB-Approved Exceptions to the Guidance in 2 CFR Part 200

As part of each department or agency's adoption or implementation of the OMB guidance in 2 CFR part 200, the organization was able to request needed exceptions. Most departments and agencies requested such exceptions (see Appendix II to the Supplement for those that did not request any exceptions). The complete listing and text of the exceptions is available at <https://cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf>. Following by organization is a listing of the affected sections (all reference are to 2 CFR, e.g., 2 CFR 700, 2 CFR 910, unless otherwise indicated):

Agency for International Development

700.3 - Applicability

700.4 - Exceptions

700.8 - Payment

700.9 – Property Standards

700.12 – Contract Provisions

Corporation for National and Community Service

2205.201 – Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts

2205.306 – Cost sharing or matching

2205.332 – Fixed amount subawards

2205.414 – Indirect (F&A) costs

Department of Agriculture

415.1 – Competition in the awarding of competitive grants and cooperative agreements

416.1 – Special Procurement Provisions

Department of Defense

1103.100 – Applicability of 2 CFR part 200 to requirements for recipients in DoD Components' terms and conditions

1103.200 – Exception for small awards

1103.205 – Timing of payments made using the reimbursement method

1103.210 – Management of federally owned property for which a recipient is accountable

1103.215 – Intangible property developed or produced under an award or subaward

1103.220 – Debarment and suspension requirements related to recipients' procurements

1103.225 – Debt collection

Department of Education

3474.5 – How exceptions are made to 2 CFR part 200

3474.10 – Clarification regarding 2 CFR 200.207

Department of Energy

910.122 - Applicability

910.130 – Cost sharing (EPACT)

910.354 - Payment

910.356 - Audits

Department of Health and Human Services

The HHS implementation of 2 CFR part 200 has numerous variations from the OMB guidance. The preamble to the December 19, 2014 Federal Register notice (pages 75875-75876) specifies the nature of the changes from, and additions to, 2 CFR part 200 included in the HHS regulations at 45 CFR part 75 (<http://www.gpo.gov/fdsys/pkg/FR-2014-12-19/pdf/2014-28697.pdf>)

Department of the Interior

1402.101 – To who does this part apply?

1402.102 – Do DOI financial assistance policies include any exceptions to 2 CFR 200?

Department of Justice

2800.313 – Equipment

2800.314 – Supplies

Department of Labor

2900.1 – Budget

2900.2 – Non-federal entity

2900.3 – Questioned cost

2900.4 – Adoption of 2 CFR Part 200

2900.5 – Federal awarding agency review of merit of proposals

2900.6 – Advance Payment

2900.7 – Payment

2900.8 – Cost sharing or matching

2900.9 – Revision of budget and program plans

2900.10 - Prior approval requests

2900.11 – Revision of budget and program plans including extension of the period of performance

2900.12 – Revision of budget and program plans approval from Grants Officers

2900.13 – Intangible property

2900.14 – Financial reporting

2900.15 – Closeout

2900.16 – Prior written approval (prior approval)

2900.17 – Adjustment of negotiated IDC rates

2900.18 – Contingency provisions

2900.19 – Student activity costs

2900.20 – Federal Agency Audit Responsibilities

2900.21 – Management decision

Department of State

600.101 – Applicability

600.315 – Intangible property

600.407 – Prior written approval (prior approval)

Department of Transportation

1201.80 – Program income

1201.206 – Standard application requirements

1201.313 – Equipment

1201.317 – Procurements by States

1201.327 – Financial reporting

Department of the Treasury

1000.306 – Cost sharing or matching

1000.336 – Access to records

Environmental Protection Agency

1500.2 – Applicability

1500.3 – Exceptions

1500.5 – Fixed Amount Awards

1500.6 – Retention requirements for records

1500.7 – Program income

1500.8 – Revision of budget and program plans

1500.9 – General Procurement Standards

1500.10 – Use of the same architect or engineer during construction

National Aeronautics and Space Administration

1800.3 – Applicability

1800.315 – Intangible property

National Archives and Records Administration

2600.101 – Indirect costs exception to 2 CFR 200.414

National Science Foundation

See <http://www.nsf.gov/pubs/policydocs/pappguide/nsf15001/sigchanges.jsp>

Small Business Administration

2701.74 – Pass-through entity

2701.92 – Subaward

2701.93 – Subrecipient

2701.414 – Indirect (F&A) Costs

2701.503 – Relation to other audit requirements

VII. Report on the National Single Audit Sampling Project

In June 2007 the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) provided OMB with a report titled *Report on the National Single Audit Sampling Project* (Report). The full report is available at <http://www.ignet.gov/pande/audit/NatSamProjRptFINAL2.pdf>.

This report disclosed significant percentages of unacceptable audits and audits of limited reliability including failure to adequately document and test internal controls and compliance as required by OMB Circular A-133. Auditors are encouraged to review this report and related updates issued by the American Institute of Certified Public Accountants to ensure compliance with OMB Circular A-133 and this Supplement.

Common Deficiencies Identified in the PCIE Report

The most commonly occurring deficiencies cited in the Report are the following:

Material Reporting Errors (No. 1 on Page 17). Auditors misreported coverage of major programs. This occurred when the Summary of Auditor Results section of the Schedule of Findings and Questioned Costs identified that one or more major programs were audited as a major program when the audit documentation did not include support for all of the programs listed. Though inadvertent, this is a very consequential error because it results in the auditor opining on one or more programs that were not audited and report users relying on the erroneous opinions.

Apparent Audit Findings Not Reported (No. 2 on Page 18). The audit documentation or management letter content included matters that appeared to be audit findings. However, they were not reported as audit findings and there was no audit documentation explaining why.

Compliance (No. 3 on Page 20). In some audits, auditors are not documenting compliance testing of at least some compliance requirements. For most audits considered unacceptable, the lack of documentary evidence for compliance testing was substantial. The audit documentation did not always include evidence that the auditor tested major program compliance requirements or explain why certain generally applicable requirements identified in this Supplement were not applicable to the audit.

Also, in some cases the auditor documented that types of compliance requirements identified as generally applicable to the major program in Part 2 of this Supplement were not applicable (e.g., by marking “N/A” next to the item in an audit program), but did not explain why.

Internal Control (No. 4 on Page 22). In many single audits, auditors are not documenting their understanding of internal control over compliance as required by A-133 §.500(c)(1) in a manner that addresses the five elements of internal control. Further, the report stated that auditors did not document testing internal control of at least some compliance requirements as required by A-133 §.500(c)(2).

Risk Assessments of Federal Programs (No. 5 on Page 24). The following kinds of deficiencies in risk assessments of federal programs were identified:

- Required risk analyses not documented at all;
- Basis for the assessments of risk not documented;
- Documentation indicated the risk assessment not performed or not properly performed for reasons including not considering all programs, improperly clustering programs, not clustering programs, or mistakenly categorizing a program as a Type A program (i.e., a program with large expenditures) or as a Type B program (i.e., a program with smaller expenditures); and
- Risk assessment decision not consistent with information in the audit documentation.

Audit Finding Elements (No. 6 on Page 25). A significant percentage of the audits reviewed did not include all of the required reporting elements in the audit findings.

Schedule of Expenditures of Federal Awards (SEFA) Problems (No. 7 on Page 26). While SEFA preparation is a client responsibility, the auditor reports on the SEFA in relation to the financial statements and the information in the SEFA are key to major program determination. For many audits reviewed, one or more of the following required SEFA content items were omitted:

- Subgrant awards numbers assigned by pass-through entities not included
- Names of pass-through entities missing
- Grantor Federal agency names missing
- Grantor Federal agency subdivision names missing

- Multiple lines for Catalog of Federal Domestic Assistance (CFDA) numbers shown – total expenditures for CFDA number not shown
- Programs that are parts of a cluster not shown as such
- Notes to SEFA missing
- Correct CFDA number; and
- Research and Development (R&D) programs not identified as such.

Management Representations (No. 8 on Page 28). For several audits, some or all of the management representations (identified in the AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits*), were not obtained. In a few other cases, the management representations were obtained several days prior to the dates of the auditor's reports.

Materiality (No. 9 on Report Page 29). In single audits, the auditor must consider his or her findings in relation to each major program, which is a significantly lower materiality level than all programs combined. In some of the audits reviewed, the auditor did not document whether he or she considered materiality at the individual major program level.

Sampling (Other Matters -Page 36). In the audits reviewed, inconsistent numbers of transactions were selected for testing of internal control and compliance testing for the allowable costs/cost principles compliance requirement. Also, many single audits did not document the number of transactions and the associated dollars of the universe from which the transactions were drawn.

Other Findings (No. 10 on Page 29). Numerous other findings were noted, primarily attributed by the reviewers as being caused by a lack of due professional care. They included the following:

- Low-risk auditee determination not documented or incorrect,
- Minimum percentage of coverage requirement not met,
- Audit programs missing or inadequate for part of the single audit,
- Part of a major program or a major program cluster not tested,
- The Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs missing some information or including erroneous information,
- Error in threshold for distinguishing Type A and Type B programs, and
- Indications that current compliance requirements not considered.

VIII. Effect of Prior Suspension and Debarment Audit Findings Based Solely on “Principals” Tests

Subsequent to the issuance of the March 2013 Supplement, OMB issued guidance that auditors are not required to report audit findings based solely on the tests for suspended and debarred “principals” pursuant to Part 3I, “Procurement and Suspension and Debarment,” steps 6 and 7 (page 3-I-5), of the March 2013 Supplement. These steps relate to whether the principal of an entity with which the non-Federal entity has a covered transaction is suspended, debarred, or otherwise excluded. However, auditors still are required to report audit findings for non-compliance with the other suspension and debarment requirements.

When performing the risk-based approach under the Supplement, the auditor is not required to consider audit findings or modifications of audit opinions based solely on the tests for suspended and debarred principals pursuant to Part 3I, Procurement and Suspension and Debarment, steps 6 and 7 of the March 2013 Supplement if the auditor can determine that the auditee was otherwise in compliance with the suspension and debarment requirements. For example, a material non-compliance, material weakness in internal control over compliance, or a modified opinion based solely on Part 3I, steps 6 and 7 of the March 2013 Supplement in a previously issued audit report would not preclude a program from being low risk or an entity from qualifying as a low-risk auditee in the two subsequent-year audits.

This modified audit guidance was provided due to the first time inclusion of the “and principals” provision in the 2013 Supplement and the implementation challenges that non-Federal entities expressed in preparing for the audit of this requirement. However, it is important for non-Federal entities to note that this is not a new requirement and they still are required to comply with the “and principals” provision of the suspension and debarment requirements. Even though the Supplement does not include the “and principals” language, auditors performing audits subject to the Supplement are strongly encouraged to remind those charged with governance of the non-Federal entity of their responsibilities to ensure that the principals of an entity with which they enter into a covered transaction are not suspended, debarred or otherwise excluded.