

Part 3- I, Procurement and Suspension and Debarment

Q: Are auditors required to report audit findings based solely on the tests for suspended and debarred **principals** pursuant to Part 3- I, Procurement and Suspension and Debarment, steps 6 and 7 (page 3-I-5), of the March 2013 OMB Circular A-133 Compliance Supplement?

A: No, for audits covered by the March 2013 Supplement, auditors are not required to report audit findings that relate solely 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 are still required to report audit findings for non-compliance with the other suspension and debarment requirements. The 2014 Compliance Supplement will provide additional guidance for future years.

When performing the risk based approach under OMB Circular A-133 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 is being 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 are still required to comply with the “and principals” provision of the suspension and debarment requirements. Auditors performing fiscal year 2013 single audits 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 which they enter into a covered transactions are not suspended, debarred or otherwise excluded. Non-Federal entities may find that the best method to comply with this requirement is by adding a clause or condition to the covered transaction with the entity.