



# CIRCULAR

## STATE OF NEW JERSEY

### DEPARTMENT OF THE TREASURY

NO.: 15-08-OMB	ORIGINATING AGENCY: OFFICE OF MANAGEMENT AND BUDGET	PAGE 1 OF 5
EFFECTIVE DATE: 12-26-14	EXPIRATION DATE: INDEFINITE	SUPERSEDES: 04-04-OMB
SUBJECT: SINGLE AUDIT POLICY FOR RECIPIENTS OF FEDERAL GRANTS, STATE GRANTS, AND STATE AID		
ATTENTION: AGENCY FISCAL AND GRANT OFFICERS		
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The Single Audit Act of 1984 (Act) was revised by the Single Audit Act Amendments of 1996 (Amendments) to incorporate non-profit organizations. Pursuant to the Amendments to the Act, the federal Office of Management and Budget (OMB) rescinded Circular A-128, Audits of State and Local Governments. OMB also revised Circular A-133 and renamed it Audits of States, Local Governments, and Non-Profit Organizations.

OMB Circular A-133 was revised (Federal Register June 27, 2003) to raise the audit expenditure threshold for all recipients, including state and local governments to \$500,000. The provisions of OMB Circular A-133 Revised and the \$500,000 threshold remain effective for fiscal years ending after December 31, 2003 and prior to December 26, 2015.

On December 26, 2013, OMB issued final guidance titled Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The Uniform Guidance supersedes and combines the requirements of eight existing OMB Circulars (A-21, A-50, A-87, A-89, A-102, A-110, A-122 and A-133) and is effective December 26, 2014. New and incrementally-funded federal awards issued on or after December 26, 2014 will be subject to the Uniform Guidance. The Uniform Guidance raises the single audit expenditure threshold to \$750,000 for recipients and audit requirements under this guidance are effective for any fiscal year period beginning after December 26, 2014.

#### I. PURPOSE

The purpose of this circular is to revise State policy regarding audits of grant recipients as follows:

- New and incrementally-funded federal awards issued on or after December 26, 2014 will be subject to the recently issued federal Uniform Guidance (noted above).
- The Uniform Guidance raises the single audit expenditure threshold to \$750,000. The new single audit expenditure threshold is applicable for recipients expending federal funds or State funds of \$750,000 or greater during any fiscal year period beginning after December 26, 2014.

This revision also includes definition and language changes that are consistent with the federal Uniform Guidance, and adds a section outlining State Cognizant Department responsibilities.

## II. DEFINITIONS

### A. Recipient

Recipient is defined as any unit of local government (including a county, borough, municipality, city, town, township, local public authority, special district, school district, welfare agency, and any other instrumentality of local government), Indian tribe, institution of higher education, or non-profit organization (including hospitals) that receives from a State agency any federal grant, State grant, or State aid funds to carry out or administer a program.

### B. Contractor (Vendor)

Contractor (vendor) is defined as any entity that receives any federal grant, State grant, or State aid funds to provide the State with goods or services (procurement) and does not carry out or administer a program. The audit requirements contained in this Circular are not applicable for contractors. State departments should use the same procedures to monitor these contractors as they use to monitor other procurements. In addition, the procurement, receipt and payment for goods and services should comply with applicable federal and State laws and regulations.

### C. Recipient Individual

Recipient Individual is defined as a person that is a beneficiary of a program who may receive funds, rebates, services, or other similar benefits based upon program eligibility or other similar criteria. The audit requirements contained in this Circular are not applicable for recipient individuals.

### D. Grant

Grant is defined as an award of financial assistance provided by a State agency to a recipient for the recipient to carry out part of a program (State funded or federal pass-through funded) that is administered by the State awarding agency. It does not include payments to a contractor or payments to an individual that is a beneficiary of a State or federal program.

### E. State Aid

State aid is a major subdivision of the State budget. This category shall mean:

1. Monies paid by the State to a local government or to a non-governmental agency for:
  - a) Assistance distributed to local governments according to a formula;
  - b) Assistance provided to aid local governments to carry out activities that are the responsibility of the local unit;
  - c) Grants-in-aid to non-governmental agencies for functions carried out on behalf of a local unit of government;
  - d) Payments specifically designated by law as State aid.
2. Expenses incurred by a State department or agency on behalf of a local unit of government. Such expenditures may include:
  - a) Monies budgeted by the State to make payments on behalf of local government;
  - b) Administrative costs of State aid programs;
  - c) Costs of State personnel engaged in services normally provided and paid for by a local government.

For audit purposes and determining if State aid funds should be included in the population of funds to be tested for compliance with laws and regulations, the recipient (and/or their auditor) should first review any award notices or agreements received for these funds, if available. Recipients may also

review the agency's State Grant Compliance Supplement (see Section IV) to determine if guidance is available for the State Aid funding type and/or State account number.

If compliance information is not available in award notices, agreements, or the agency's State Grant Compliance Supplement, the recipient (or their auditor) should directly contact the State agency that provided funding and/or the agency's assigned Single Audit Contact.

[http://www.state.nj.us/treasury/omb/publications/grant/pdf/dept\\_contacts.pdf](http://www.state.nj.us/treasury/omb/publications/grant/pdf/dept_contacts.pdf)

#### **F. State Cognizant Department**

State Cognizant Department is the State department or agency that has been assigned audit oversight responsibility for a recipient to ensure the timely receipt of a quality audit report from the entity that complies with federal and State requirements. (Audits generally must be completed and submitted by the recipient within 9 months after the end of the recipient's fiscal year audit period. Shorter submission periods may be designated by a State funding agency.)

State Cognizant Department recipient assignments are made annually upon the conclusion of the State fiscal year and are available to all Grantee Single Audit Tracking System (GSA) users via GN07, GN08, and GN09 reports.

#### **G. Department Single Audit Contact**

A Department Single Audit Contact is an individual assigned by a State department to act as a liaison with OMB – Accounting Operations and other State departments concerning federal and State audit requirements. A listing of Department Single Audit Contacts is included in the State Grant Compliance Supplement.

### **III. POLICY**

The following State policy regarding audits of recipients is effective for fiscal years beginning after December 26, 2014. This policy is **not** applicable for contractors or recipient individuals as previously defined.

All State agencies that disburse federal grant, State grant, or State aid funds to recipients that expend \$750,000 or more in federal financial assistance or State financial assistance within their fiscal year must require these recipients to have annual single audits or program-specific audits performed in accordance with the Act, Amendments, Subpart F - Audit Requirements (of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) and State policy. It should be noted that the federal government will not pay for any costs of auditing a recipient that is exempted from having an audit conducted under the Act and Subpart F - Audit Requirements because its expenditures under federal awards are less than \$750,000 during the recipient's fiscal year.

All State agencies that disburse federal grant, State grant or State aid funds to recipients that expend less than \$750,000 in federal or State financial assistance within their fiscal year, but expend \$100,000 or more in State and/or federal financial assistance within their fiscal year, must require these recipients to have either a financial statement audit performed in accordance with Government Auditing Standards (Yellow Book) or a program-specific audit performed in accordance with the Act, Amendments, Subpart F – Audit Requirements (of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) and State policy.

Program-specific audits in accordance with Subpart F - Audit Requirements (of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) can be elected when a recipient expends federal or State awards under only one federal or State program and the federal or State program's statutes, regulations, or terms and conditions of the grant award do not require a financial statement audit of the recipient.

Although Subpart F - Audit Requirements allows specific provisions for biennial audits; State policy continues to require all audits to be performed on an annual basis.

In addition to federally required reports and opinions, recipient single audits must contain similar reports and opinions for State grant or State aid funds.

Auditors should use the risk based approach for federal programs as described in federal Subpart F – Audit Requirements, Section 200.518 to determine which State programs are major programs. Auditors should also use the criteria outlined in Sections 200.519 and 200.520 when making risk determinations for State programs.

Recipient single audit reports must include a supplementary schedule of the entity's State grant and State aid financial assistance programs. This schedule entitled Schedule of Expenditures of State Financial Assistance must show for each State grant:

- State Grantor Department
- Program Title/Name
- State Grant Award Number or Account Number
- Grant Award Period
- Fiscal Year Grant Expenditures
- Total Grant Expenditures to Date

Unless a funding department's policy requires an earlier submission, audit reports are due nine months after the end of the audit period. Funding departments must include audit report due dates in standard grant agreements.

Each department must maximize the recovery of federal audit costs (as direct or indirect) in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, to fund federal monitoring positions.

Any State department that mandates audit requirements, above and beyond the minimum federal and State requirements, is responsible for funding the additional audit work performed. Additional audit requirements must be communicated to the recipient and the State Cognizant Department Single Audit Contact at least 180 days prior to the recipient's fiscal year end.

State Cognizant Departments must update the Grantee Single Audit Tracking System on a timely basis.

In instances of reported recipient noncompliance with material terms and conditions of grant agreements or State and federal laws and regulations, State agencies must ensure that appropriate corrective action is initiated within six months after receipt of the audit report.

#### **IV. COGNIZANT DEPARTMENT RESPONSIBILITIES**

State cognizant department responsibilities include:

- The timely performance of desk reviews of single audit reports and issuance of a management decision on audit findings within six months after receipt of the recipient's audit report;
- Requesting corrective action plans from recipients where necessary and ensuring that audit exceptions are resolved;
- Confirmation of independent audit organization external Quality Control Reviews (QCR);
- Communication of the results of audit desk reviews and QCRs to OMB – Accounting Operations and other system users via timely updating of the Grantee Single Audit Tracking System (GSA); and
- Periodic review and update of the department's section of the State Grant Compliance Supplement.

**V. STATE GRANT COMPLIANCE SUPPLEMENT**

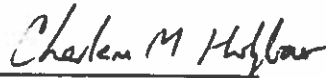
To assist auditors in testing recipient compliance with State grant and State aid financial assistance programs, and applicable laws and regulations, OMB – Accounting Operations maintains a website entitled, State Grant Compliance Supplement.

The State Grant Compliance Supplement includes individual sections submitted by State funding departments and is available on the Internet at:

<http://www.state.nj.us/treasury/omb/publications/grant/index.shtml> or

<http://www.state.nj.us/treasury/omb/> (see Financial Publications).

Department Single Audit Contacts listed in the Supplement have the responsibility to address inquiries concerning compliance requirements for any accounts not included in the Supplement. When programs or accounts are not included in the Compliance Supplement, recipients and auditors should review funding agreement's terms and conditions to identify compliance requirements.



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