

## APPENDIX G SINGLE AUDIT ACT

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, implements the Single Audit Act Amendments of 1996, establishing uniform audit requirements for non-Federal entities that administer Federal awards. For-profit entities are not covered by the Single Audit Act or Circular A-133. Organizations not covered by the audit provisions of OMB Circular A-133 should be subject to the audit requirements as stipulated in the award or sub-award document. The Circular requires States, local governments, and non-profit organizations (including nonprofit educational institutions and non-profit hospitals) that expend \$500,000 or more in Federal awards annually to have an annual single or program-specific audit. A “Single Audit” is so called because Federal programs may no longer require individual audits. All grants are now reviewed through one audit, thereby saving the government money and the grantee unnecessary burden.

The Single Audit encompasses the examination of a grantee’s financial records, financial statements, Federal award transactions and expenditures,<sup>1</sup> the general management of its operations, the systems of internal control, and the Federal assistance itself received during the audit period (the time period of grantee operations which will be examined in the Single Audit, which usually covers a natural or fiscal year).

The Single Audit is divided into two areas:

- Compliance - Component of a Single Audit that covers the study and understanding (planning stage) as well as the testing and evaluation (exam stage) of the grantee with respect to Federal assistance usage, operations and compliance with laws and regulations
- Financial - Component is a financial audit of a non-Federal entity which includes the audit of the financial statements and accompanying notes.

An independent auditor must conduct the audit in accordance with the requirements in Circular A-133, and the Generally Accepted Government Auditing Standards, as well as guidance provided in the OMB Circular A-133 Compliance Supplement. The [OMB Circular A-133: Compliance Supplement](http://www.whitehouse.gov/omb/circulars_a133-lead) ([http://www.whitehouse.gov/omb/circulars\\_a133-lead](http://www.whitehouse.gov/omb/circulars_a133-lead)) is a large and extensive guide created by the OMB for Single Audits, and is considered the most important tool of both the auditor and the grantee when performing, or being subject to, a Single Audit.

### Cognizant Agency

If a grantee expends more than \$50 million a year in Federal awards, a Cognizant agency is designated for the grantee’s audit. The designated Cognizant agency for the audit is the

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<sup>1</sup> The examination is of those funds expended during the audit period regardless of the grant year awarded.

Federal awarding agency that provides the predominant amount of direct funding to the grantee, unless OMB designates a specific agency to serve as the Cognizant agency.<sup>2</sup>

### Single Audit Reporting

At the audit's completion, the results of an A-133 audit are summarized in a Data Collection Form, which is made public on the Federal Audit Clearinghouse. The auditor prepares and submits the Data Collection Form, Reporting on Audits for States, Local Governments, and Non-profit Organizations (SF-SAC), and reporting package to the grantee. The grantee submits the SF-SAC and reporting package to the Federal Audit Clearinghouse designated by OMB. The Federal Audit Clearinghouse maintains a database of completed audits, provides appropriate information to Federal agencies, and follows up with those grantees that have not submitted the required data collection forms and reporting packages. If any findings result from the Single Audit, the applicable Federal awarding agency coordinates with the grantee to resolve these findings. To determine whether the report is available, go to the Federal Audit Clearinghouse at <http://harvester.census.gov/sac/>.

### Single Audit Act Activities

The DOT OIG serves as the National Single Audit Coordinator for the Department and has the responsibility of regularly downloading Single Audit submissions from the Federal Audit Clearinghouse and providing them to the respective Operating Administrations. For the Single Audits that pertain to FMCSA grants, the OIG provides the audits to the FMCSA Chief Safety Officer, Chief Financial Officer, and the Audit Liaison to the OIG (FMCSA Office of Policy and Program Development). In accordance with the DOT Office of the Senior Procurement Executive's Financial Assistance Guidance Manual and the May 1, 2009, DOT Policy and Procedures for Expediting Action on Single Audit Report, FMCSA is required to resolve Single Audits within 30 days and issue management decisions on audit recommendations and findings within six months of receipt. Resolution is accomplished by the Audit Liaison providing an email to OIG stating: (1) the report was received and reviewed; (2) FMCSA is in tentative agreement or disagreement with the audit recommendations and/or findings, and (3) a milestone plan reflecting needed action is provided. Unresolved Single Audit recommendations older than 30 days will be tracked as past due. FMCSA Grant Managers, as the individuals primarily responsible for monitoring grantees' administration of Federal funds, are often called upon to assist with audit resolutions. Audit resolutions are usually handled by the OIG. Audit resolution frequently results in both cost disallowability and requirements for corrective action by the grantee.

### Audit Driven Corrective Action Plans

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<sup>2</sup> FMCSA is the Cognizant agency for very few Grantees. See Appendix E for more details regarding determination of Cognizant agency status as well as the role of the Cognizant agency in the Single Audit.

FMCSA requires that the recommended or required plan of corrective action identified in the audit report be undertaken immediately by the grantee to eliminate all deficiencies. If the audit reporting package does not include a Corrective Action Plan, as required by A-133, the audit resolution official (CFO) should develop one with the grantee, the FMCSA Grant Manager and Service Center SPM and/or Program Manager, as needed, along with a timetable for completing the corrective actions.

When an agreement on the corrective actions is reached, the FMCSA Grant Manager should confirm this agreement in a letter to the grantee, a copy of which should be signed, returned, and placed in the official Grant Award File. All agreements on corrective actions should, at a minimum, include the following information:

- Specific actions taken or planned to correct each deficiency
- Dates(s) the actions have been, or will be, implemented
- Reference to any implementing policies, procedures, and forms or requirements that must be submitted by a specified date
- A requirement that the grantee obtain the audit resolution official's advance approval of any agreement modifications.

The following additional information should also be included in the agreement, as necessary, if deficiencies are serious or complex, or if the corrective actions will take a significant amount of time to implement:

- Statement indicating that a follow-up review will be made
- Description of any staff training needed to operate elements of the revised internal control system
- Requirement that the organization conduct periodic independent reviews to determine whether the internal controls are operating effectively and provide the results of these reviews to the FMCSA Grant Manager
- Time-phased implementation plan, including a description of each implementation phase and target dates
- Requirement that progress reports be submitted to report on the progress of the corrective action at specified intervals to coincide with the implementation plan.

If the grantee is unwilling or unable to correct the deficiencies within a reasonable period of time, the FMCSA Grant Manager, in consultation with the SPM and Program Manager, should immediately initiate a process leading to the establishment of safeguards to protect the government's interest. Depending on the nature and seriousness of the deficiencies, these safeguards may include special restrictions, limitations, or controls; more frequent and detailed financial reporting; a requirement for submission of documentation to support reimbursement claims prior to payment, and, in extreme cases, termination of current awards or denial of future awards.