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PROGRAM GUIDANCE

PROGRAMS: All Programs

FOR: Tribal Government Leaders and Tribally Designated Housing Entities
Board of Commissioners

RJB

FROM: Rodger J. Boyd, Deputy Assistant Secretary, PN

TOPIC: Revisions to Office of Management Budget (OMB) Circular A-133

PURPOSE: This Guidance provides information to program participants on revisions to Circular A-133 issued by OMB in the Federal Register dated June 27, 2003.

BASIC REQUIREMENTS: Grant and sub-grant recipients are required by Title 24 CFR 85.26 to obtain a fiscal year audit conducted according to generally accepted government auditing standards by an independent auditor. The guidelines are issued by OMB and contained in Circular A-133 titled "Audits of States, Local Governments, and Non-Profit Organizations".

The revisions published in the Federal Register on June 27, 2003 are summarized below:

1. An increase in the audit threshold from \$300,000 to \$500,000;
2. An increase in the cognizant agency threshold from \$25 million to \$50 million;
3. A change to facilitate determining the cognizant agency; and
4. Allows for reassignment of oversight responsibility.

The revisions are effective for fiscal years ending after December 31, 2003. Early implementation is not permitted except for the change in definition of oversight agency that allows for reassignment, which was effective July 28, 2003.

Revision 1: Federal grant recipients who expend \$500,000 or more in a year are required to have a single audit or program specific audit conducted according to OMB Circular A-133 for fiscal years ending after December 31, 2003. Prior to the revision, the expenditure threshold was \$300,000. Federal grant recipients who expend less than \$500,000 in a year are exempt from the Federal audit requirements for that year. NOTE: IHBG recipients are allowed by 24 CFR 1000.546 to conduct a financial review in those years the recipient is not covered by or exempt from the Single Audit Act.

Revision 2: Recipients that expend more than \$50 million a year for fiscal years ending after December 31, 2003 will have a cognizant Federal agency for audit assigned PROGRAM by OMB. Prior to the revision, the expenditure threshold for assigning a cognizant Federal agency was \$25 million. Recipients who expend less than \$50 million a year will have an oversight agency determined based upon the Federal agency that provided the largest amount of direct or indirect funding.

Revision 3: Cognizant Federal agency for audit will be assigned based upon the Federal agency providing the largest amount of funds expended by a recipient in 2004, 2009, 2014 and every fifth year thereafter. Prior to the revision, the Federal cognizant agency determination was based upon expenditures of Federal awards made by recipients in 1995, 2000, 2005 and every fifth year thereafter.

Revision 4: Added a provision to the definition of oversight agency for audit to allow a Federal agency to transfer the oversight responsibility to another Federal agency. The provision also provides that the Federal agency re-assigning the oversight responsibility and the Federal agency accepting the oversight responsibility must notify grant recipients and auditors, if known, of the reassignment within 30 days of the reassignment.

Grant recipients and sub-recipients may obtain a copy of the revised OMB Circular A-133 on the Internet at http://www.whitehouse.gov/omb/grants/grants_circulars.html. Attached is a reprint of the Federal Register dated June 27, 2003 that revised Circular A-133.

Any inquires regarding the audit requirements of Circular A-133 should be referred to your Area ONAP.