



The Compliance Supplement

What is it, and how is it helpful?



What is The Single Audit Act?



- The Single Audit Act, as amended, establishes requirements for audits of States, local governments, Indian tribes, institutions of higher education (public or private nonprofit colleges and universities), and nonprofit organizations that expend a certain amount in Federal awards during its fiscal year (currently set at \$750,000).
- The Single Audit Act amendments are implemented through Subpart F—Audit Requirements of Title 2 of C.F.R., Chapter II, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR part 200).

What is The Compliance Supplement?



Single audits are performed by independent auditors and encompass both financial and compliance components.

The [Compliance Supplement](#) is based on the requirements of the 1996 Single Audit Act Amendments and 2 CFR part 200, subpart F, which provide for the issuance of a compliance supplement to assist auditors in performing the required audits.

2 CFR PART 200, APPENDIX XI

COMPLIANCE SUPPLEMENT



April 2022
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

History of the Compliance Supplement



- The Single Audit Act of 1984 established requirements for audits of states, local governments, and Indian tribal governments that administer federal financial assistance programs.
- In 1985 the Office of Management and Budget (OMB) issued OMB Circular A-128, “Audits of State and Local Governments,” to provide implementing guidance.



- In 1990, OMB administratively extended the single audit process to non-profit organizations by issuing OMB Circular A-133, “Audits of Institutions of Higher Education and Other Non-Profit Organizations.”

The 1996 Single Audit Act



- On July 5, 1996, the President signed the Single Audit Act Amendments of 1996 (31 USC Chapter 75). The 1996 Amendments extended the statutory audit requirement to non-profit organizations and substantially revised various provisions of the 1984 Act.
- On June 30, 1997, OMB issued revisions to OMB Circular A-133 (62 FR 35278) to implement the 1996 Amendments, extend the circular's coverage to states, local governments, and Indian tribal governments, and rescind OMB Circular A-128.

A-133 & Thresholds



- On June 27, 2003, OMB amended OMB Circular A-133 (68 FR 38401) to increase the audit threshold to an aggregate expenditure of \$500,000 in federal funds and to make changes in the thresholds for cognizant and oversight agencies.
- OMB further amended the circular on June 26, 2007 (72 FR 35080), to (1) update internal control terminology and related definitions and (2) simplify the auditee reporting package submission requirement.



The A-133 Yields to 2 CFR Part 200, Subpart F



- On December 26, 2013, OMB Circular A-133 was **superseded by the issuance of 2 CFR Part 200, Subpart F.**
- Among other things, those changes increased the audit threshold to \$750,000 for auditee fiscal years beginning on or after December 26, 2014 and made changes to the major program determination process.

The 2022 Compliance Supplement



- [2022 Compliance Supplement](#)
- The Compliance Supplement (Supplement) is based on the requirements of the 1996 Amendments and 2 CFR Part 200, Subpart F, which provide for the issuance of a compliance supplement to assist auditors in performing the required audits.



Why do we need the Compliance Supplement?



- The Supplement is a document that identifies existing, important compliance requirements that the federal government expects to be considered as part of an audit required by the 1996 Amendments to the Single Audit Act.
- Without the Supplement, auditors would need to research many laws and regulations for each program under audit to determine which compliance requirements are important to the federal government and could have both a direct and material effect on a program.



Auditor Testing



- The Supplement focuses the auditor to test the compliance requirements most likely to cause improper payments, fraud, waste, abuse, or generate audit findings for which the federal awarding agency will take sanctions.



Shifting the Focus to Performance



- Federal awarding agencies are encouraged to continue to shift their focus in grants management from one heavy on compliance to a balanced approach that includes establishing measurable program and project goals and analyzing data to improve results.
- The Compliance Supplement reduced the areas for compliance reviews from a maximum of 12 to a maximum of six.
- This reduction focused the agencies and the auditors on the areas that are most important for federal awarding agencies to manage programs more efficiently.



Guidance for Specific Federal Programs



- The Supplement also provides guidance to assist auditors in determining compliance requirements relevant to the audit, audit objectives, and suggested audit procedures for programs not included herein.
- For single audits, the Supplement replaces agency audit guides and other audit requirement documents *for individual federal programs.*

Auditor's Roadmap



- The 2 CFR Part 200, Subpart F, describes the non-federal entity's responsibilities for managing federal assistance programs (2 CFR section 200.508) and the auditor's responsibility with respect to the scope of the audit (2 CFR section 200.514).
- Auditors are required to follow both the provisions of 2 CFR Part 200, Subpart F, and this Supplement.

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Program Specific



For program-specific audits performed in accordance with a federal agency's program-specific audit guide, the auditor must follow such program-specific audit guide.

How do they do that?



Matrix of Compliance Requirements



- Part 2-The Matrix of Compliance Requirements (Matrix) identifies the federal programs and compliance requirements addressed in the Supplement and associates the programs with the applicable compliance requirements.
- The Matrix also identifies the applicable federal agency and the Assistance Listing (Catalog of Federal Domestic Assistance (CFDA)) number for each program included in the Supplement.

Requirement	A	B	C	E	F	G	H	I	J	L	M	N
	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Program Number												
10.000 (no matrix)												
10.500	Y	Y	N	N	N	Y	Y	N	N	Y	Y	N
10.511	Y	Y	Y	N	Y	Y	N	N	N	Y	N	N
10.512	Y	Y	Y	N	Y	Y	N	N	N	Y	N	N
10.514	Y	Y	Y	N	N	N	N	N	N	Y	Y	N
10.515	Y	Y	Y	N	N	N	N	N	N	Y	Y	N
10.516	Y	Y	Y	N	Y	N	N	N	N	Y	Y	N
10.517	Y	Y	Y	N	Y	N	N	N	N	Y	Y	N
10.520	Y	Y	Y	N	Y	N	N	N	N	Y	Y	N
10.521	Y	Y	Y	N	Y	N	N	N	N	Y	Y	N
10.542**	Y	N	N	Y	N	N	N	Y	N	Y	N	N
10.551/10.561 (SNAP Cluster)	Y	Y	N	N	N	Y	N	Y	N	N	Y	Y
10.553/10.555/10.556/10.559/10.582 (Child Nutrition Cluster)	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y



Compliance Requirements



- Part 3 lists and describes the **12 types of compliance requirements** and, except for Special Tests and Provisions, **the related audit objectives that the auditor must consider, as applicable**, in every audit conducted under 2 CFR Part 200, Subpart F, (with the exception of program-specific audits performed in accordance with a federal agency's program-specific audit guide).

Auditor Responsibilities



- The auditor is responsible for achieving the stated audit objectives for the applicable compliance requirements.
- Suggested audit procedures are provided to assist the auditor in planning and performing tests of non-federal entity compliance with the requirements of federal programs.
- The compliance requirements for Special Tests and Provisions are unique to each federal program



Agency Program Requirements



- Part 4-The description of program procedures is general in nature. Some programs may operate somewhat differently than described due to (1) the complexity of governing federal and state laws and regulations; (2) the administrative flexibility afforded non-federal entities; and (3) the nature, size, and volume of transactions involved.



Agency Program Requirements



84 Department of Education (ED)	
84.000-Cross-Cutting Section	4-84.000
84.002-Adult Education-Basic Grants to States	4-84.002
84.010-Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	4-84.010
84.011-Migrant Education-State Grant Program (Title I, Part C of ESEA)	4-84.011
84.027-Special Education-Grants to States (IDEA, Part B)	4-84.027
84.032-Federal Family Education Loans (Guaranty Agencies)	4-84.032-G
84.032-Federal Family Education Loans (Lenders)	4-84.032-L
84.041-Impact Aid (Title VII of ESEA)	4-84.041
84.173-Special Education-Preschool Grants (IDEA Preschool)	4-84.027
84.181-Special Education-Grants for Infants and Families	4-84.181
84.217-TRIO-McNair Post-Baccalaureate Achievement	4-84.042
84.282-Charter Schools	4-84.282
84.287-Twenty-First Century Community Learning Centers	4-84.287
84.365-English Language Acquisition State Grants	4-84.365
84.367-Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	4-84.367
84.424-Student Support and Academic Enrichment Program	4-84.424
84.425-Education Stabilization Fund (ESF)	4-84.425-Intro
84.425-ESF Section 1 – Elementary and Secondary Education	4-84.425-ESF
84.425A-Education Stabilization Fund–State Educational Agency (Outlying Areas)	4-84.425-ESF
84.425C-Governor’s Emergency Education Relief Fund	4-84.425-ESF
84.425D-Elementary and Secondary School Emergency Relief Fund	4-84.425-ESF
84.425H-Education Stabilization Fund–Governors (Outlying Areas)	4-84.425-ESF
84.425R-Coronavirus Response and Relief Supplemental Appropriations Act, 2021– Emergency Assistance for Non-Public Schools (CRRSA EANS)	4-84.425-ESF
84.425U-American Rescue Plan–Elementary and Secondary School Emergency Relief (ARP ESSER)	4-84.425-ESF
84.425V-American Rescue Plan–Emergency Assistance to Non-Public Schools (ARP EANS)	4-84.425-ESF
84.425X-American Rescue Plan–Outlying Areas State Education Agency (ARP-OA-SEA)	4-84.425-ESF
84.425-ESF Section 2– Higher Education (Higher Education Emergency Relief Fund (HEERF)	4-84.425-HEERF

Clusters of Programs



- Part 5-A cluster of programs is a grouping of closely related programs that have similar compliance requirements. Look at your SEFA for an example.
- Although the programs within a cluster are administered as separate programs, a cluster of programs is treated as a single program for the purpose of meeting the audit requirements in 2 CFR Part 200, Subpart F. Example: Special Education Grants to Schools

SEFA Clusters



Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
US Dept of Agriculture			
<i>Passed Through Idaho Dept of Education:</i>			
Child Nutrition Cluster:			
COVID-19 - School Breakfast Program	10.553	202121/202222N109947	\$203,492
COVID-19 - National School Lunch Program*	10.555	202121/202222N109947	440,957
COVID-19 - Summer Food Service Program for Children	10.559	202121N109947	2,249
Total Child Nutrition Cluster			<u>646,698</u>
Total US Dept of Agriculture			<u>646,698</u>
US Dept of Treasury			
<i>Passed Through Idaho Dept of Education:</i>			
COVID-19 - Coronavirus Relief Fund	21.019	20-1892-0-1-806	116,171
COVID-19 - Coronavirus State & Local Fiscal Recovery Fund	21.027	SLFRP0142	160,980
Total US Dept of Treasury			<u>277,151</u>
US Dept of Education			
<i>Passed Through Idaho Dept of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027A	H027A210088	294,287
COVID-19 - Individuals with Disabilities Education Act/American Rescue Plan Act of 2021	84.027X	H027X210088	32,190
Total	84.027		<u>326,477</u>
Special Education - Preschool Grants	84.173A	H173A210030	16,750
COVID-19 - Individuals with Disabilities Education Act/American Rescue Plan Act of 2021	84.173X	H173X210030	4,213
Total	84.173		<u>20,963</u>
Total Special Education Cluster			<u>347,440</u>
Title I Grants to Local Educational Agencies	84.010A	S010A20/210012	203,715
Career & Technical Education - Basic Grants to States	84.048A		16,868
Supporting Effective Instruction State Grants	84.367A	S367A20/210011	41,831
Student Support & Academic Enrichment	84.424A	S424A210013	17,649
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	S425D20/210043	314,021
COVID-19 - American Rescue Plan - Elementary and Secondary Schools Emergency Relief Fund	84.425U	S425U210043	217,260

Internal Control



- Part 6 - As a condition of receiving federal awards, non-federal entities (LEAs) **agree to comply with laws, regulations, and the provisions of grant agreements and contracts**, and to also maintain internal control to provide reasonable assurance of compliance within these requirements.
- Part 6 addresses the **objectives, principles, and components of internal control** based on the “Standards for Internal Control in the Federal Government,” (“Green Book”), issued by the Government Accountability Office, and the “Internal Control Integrated Framework.”



Assistance Listing Specifics



April 2022

Special Education Cluster (IDEA)

ED

DEPARTMENT OF EDUCATION

ASSISTANCE LISTING 84.027 SPECIAL EDUCATION—GRANTS TO STATES (IDEA, Part B)

ASSISTANCE LISTING 84.173 SPECIAL EDUCATION—PRESCHOOL GRANTS (IDEA Preschool)

I. PROGRAM OBJECTIVES

The purposes of the Individuals with Disabilities Education Act (IDEA) are to (1) ensure that all children with disabilities have available to them a free appropriate public education (FAPE) that emphasizes special education and related services designed to meet their unique needs and prepares them for further education, employment, and independent living; (2) ensure that the rights of children with disabilities and their parents are protected; (3) assist states, localities, educational service agencies, and federal agencies to provide for the education of all children with disabilities; and (4) assess and ensure the effectiveness of efforts to educate children with disabilities. The Assistance to States for Education of Children with Disabilities program (IDEA, Part B) and the Preschool Grants for Children with Disabilities program (IDEA Preschool) provide grants to states to assist them in meeting these purposes (20 USC 1400 et seq.).



Testing Grid & Allowability



April 2022

Special Education Cluster (IDEA)

ED

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	Y	Y	Y	Y	N	N	Y	N

A. Activities Allowed or Unallowed

See also Part 4, 84.000 ED Cross-Cutting Section.

1. SEAs

Allowable activities for SEAs are subgranting funds to LEAs and state administration, and other state-level activities (see Section III.G.3, “Matching, Level of Effort, Earmarking – Earmarking,” for a further description of these activities).

2. LEAs

- a. *IDEA, Part B* – An LEA may only use federal funds under IDEA, Part B for the excess costs of providing special education and related services to children with disabilities. Special education includes specially designed instruction, at no cost to the parent, to meet the unique needs of a child with a disability, including instruction conducted in the classroom, in the home, in hospitals and institutions and in other settings, and instruction in physical education. Related services include transportation and such developmental, corrective and other supportive services as may be required to assist a child with a disability to benefit from special education. Related services do not include a medical device that is surgically implanted or the replacement of such device. A portion of these funds, under conditions specified in the law, may also be used by the LEA (1) for services and aids that also benefit nondisabled children; (2) for early intervening services; (3) to establish and implement high-cost or risk-sharing funds; and (4) for administrative case management. Excess costs are those costs for the education of an elementary school or secondary school student with a disability that are in excess of the average annual per student expenditure in an LEA during the preceding school

Why is this important?



When you apply your grant management knowledge, and you know what the auditor is looking for, you can have successful audit outcomes!

