

Revised 04/16	ARIZONA DEPARTMENT OF EDUCATION GUIDELINE & PROCEDURE	NO. GE-24
SUPERSEDES		SHEET 1 of 3
SUBJECT: SINGLE AUDIT REPORT		FILING INSTRUCTIONS (Guidelines & Procedures Manual) Section: General As item: GE-24

I. PURPOSE

The purpose of this guideline is to explain the requirements of the Single Audit Act Amendments of 1996, under the guidelines of the Office of Management and Budget (OMB) Circular No. A-133, and 2 CFR 200 Single Audit Requirements to outline the sanctions that will be imposed if the requirements are not met.

II. GUIDELINE

The Single Audit Act Amendments of 1996, under the guidelines of the Office of Management and Budget (OMB) Circular No. A-133, requires all sub-recipients to contract for a single audit if the sub-recipient expended \$500,000 or more in federal awards in any fiscal year, regardless of which federal agency provided the money. Starting July 1, 2015, under Subpart B, §____.200. Single Audits completed in Fiscal Year 2016 and beyond will adhere to the 2 CFR 200 Single Audit Requirements that have an updated threshold of \$750,000 in federal expenditures.

- a. Within six (6) months following the end of each fiscal year, all sub-recipients shall submit an Audit Evaluation form to the Grants Management Unit of the ADE.
- b. Within thirty (30) days of receiving the audit report, or within nine (9) months following the end of each fiscal year, unless a longer period is agreed to in advance with the ADE, all sub-recipients shall submit the single audit reports to the Grants Management Unit of the ADE, (OMB Circular No. A-133 §C.320(a) and §200.512).
- c. Pursuant to OMB Circular No. A-133 §B.225 and §200.505, the ADE can impose sanctions to ensure that sub-recipients have complied with requirements to provide an audit that meets the applicable standards, and to administer state and federal programs in accordance with the applicable requirements.
- d. ADE will ensure that appropriate timely and corrective action is taken within six (6) months after receipt of the audit report, (OMB Circular No. A-133 §D.400(d)(5) and §200.513)(c)(3)).
- e. As of July 1, 2015, this guideline applies to all entities who expended \$750,000 or more (previously \$500,000) of federal awards in any fiscal year, regardless of which federal agency provided the money.

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III. PROCEDURE

Each school that expends \$750,000 or more (previously \$500,000 prior to July 1, 2015) in federal award money in any fiscal year must submit an Audit Evaluation form to the Grants Management Unit of the ADE within six (6) months at the end of each fiscal year. The purpose of the Audit Evaluation form is to capture a detailed list of all federal funds expended during the previous fiscal year. This information will assist the ADE in determining which agencies should be submitting a single audit. ADE will send a reminder letter to all sub-recipients referencing this requirement.

Pursuant to OMB Circular No. A-133 §§C.320(a)(b)(c) and §200.512, each auditee shall submit the single audit results to the Grants Management Unit of the ADE within thirty (30) days of receiving the report, or within nine (9) months after the end of each fiscal year, unless a longer period has been agreed to in advance. A request showing good cause for a longer period shall be made in writing and directed to the Grants Management Unit. The request will be approved or denied with thirty (30) days of receipt. The single audit report that must be submitted to the ADE shall contain the following:

- (1) An opinion as to whether the recipient's financial statements and schedule of expenditures are consistent with each other and are presented fairly in all material respects in conformity with generally accepted accounting principles (GAAP).
- (2) A report on the recipient's internal controls over financial reporting and on compliance and other matters based on an audit of the financial statements.
- (3) A report on the recipient's compliance with laws, regulations, and the provisions of contracts or grant agreements, and any noncompliance which could have a direct and material effect on a major federal program.
- (4) A schedule of findings and questioned costs.

Pursuant to OMB Circular No. A-133 §B.225 and §200.505, if the ADE determines that the recipient is not in full compliance, the ADE can impose sanctions such as:

- (1) Withholding a percentage of Federal awards until the audit is completed satisfactorily;
- (2) Withholding or disallowing overhead costs;
- (3) Suspending Federal awards until the audit is completed; or
- (4) Terminating the Federal award.

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Some examples of where sanctions may be warranted include:

- (1) The sub-recipient did not submit an Audit Evaluation form;
- (2) The sub-recipient did not and should have completed an audit;
- (3) The sub-recipient did not send the audit to the ADE within the original or extended audit deadline;
- (4) The auditor did not perform the audit in accordance with OMB Circular No. A-133 and 2 CFR 200 Single Audit Requirements;
- (5) The audit reporting package is not complete, for example the reporting package is missing the corrective action plan or other required elements; or
- (6) The sub-recipient does not cooperate with ADE audit resolution efforts, for example the sub-recipient does not take corrective action or does not repay disallowed costs to the ADE.

Should any of the items listed above occur, ADE will issue written notification informing the sub-recipient of their non-compliance and request the information to be submitted upon receipt of the notification letter. ADE will continue to monitor and issue non-compliance notices every 30 days until the non-compliance issue has been resolved. However, if the non-compliance issue cannot be resolved immediately, the sub-recipient will provide the ADE with a corrective action timeline. Should the non-compliance issue continue for a period greater than 90 days, and with no corrective action timeline established, the ADE will consider the sub-recipient to be non-responsive and non-compliant. All non-responsive and non-compliant sub-recipients will be subject to the following sanctions:

- (1) The sub-recipient will be placed on HOLD status, which freezes all current and future federal projects until the sub-recipient satisfies all audit requirements; or
- (2) Require modified monitoring and/or reporting provisions.

Should any sub-recipients continue to be non-responsive and non-compliant, ADE will choose sanctions that suit the particular circumstances, and that promote compliance and/or corrective action. Possible sanctions include:

- (1) Discontinue contracting with the sub-recipient;
- (2) Conduct an audit or arrange for an independent audit of the sub-recipient and charge the cost of completing the audit to the sub-recipient;
- (3) Charge the sub-recipient for the loss of federal or state aid, or for penalties assessed to the granting agency because the sub-recipient did not comply with the audit requirements; or
- (4) Take other action that the ADE determines is necessary to protect state or federal funding.

Please contact the Grants Management Unit at 602-542-3901 with any questions or comments concerning the implementation or clarification of this guideline and procedure, No. GE-24.