the provisions of contracts or grant agreements may increase risk.

(3) The phase of a Federal program in its life cycle at the auditee may indicate risk. For example, during the first and last years that an auditee participates in a Federal program, the risk may be higher due to start-up or closeout of program activities and staff.

(4) Type B programs with larger Federal awards expended would be of higher risk than programs with substantially smaller Federal awards expended.

§ ____.530 Criteria for a low-risk auditee.

An auditee which meets all of the following conditions for each of the preceding two years (or, in the case of biennial audits, preceding two audit periods) shall qualify as a low-risk auditee and be eligible for reduced audit coverage in accordance with § ____.520:

(a) Single audits were performed on an annual basis in accordance with the provisions of this part. A non-Federal entity that has biennial audits does not qualify as a low-risk auditee, unless agreed to in advance by the cognizant or oversight agency for audit.

(b) The auditor's opinions on the financial statements and the schedule of expenditures of Federal awards were unqualified. However, the cognizant or oversight agency for audit may judge that an opinion qualification does not affect the management of Federal awards and provide a waiver.

(c) There were no deficiencies in internal control which were identified as material weaknesses under the requirements of GAGAS. However, the cognizant or oversight agency for audit may judge that any identified material weaknesses do not affect the management of Federal awards and provide a waiver.

(d) None of the Federal programs had audit findings from any of the following in either of the preceding two years (or, in the case of biennial audits, preceding two audit periods) in which they were classified as Type A programs:

(1) Internal control deficiencies which were identified as material weaknesses;

(2) Noncompliance with the provisions of laws, regulations, contracts, or grant agreements which have a material effect on the Type A program; or

(3) Known or likely questioned costs that exceed five percent of the total Federal awards expended for a Type A program during the year.

Appendix A to Part ____—Data Collection Form (Form SF–SAC)

[insert SF–SAC after finalized]

Appendix B to Part ____—Circular A–133 Compliance Supplement

Note: Provisional OMB Circular A–133 Compliance Supplement is available from the Office of Administration, Publications Office, room 2200, New Executive Office Building, Washington, DC 20503.

[FR Doc. 97–16965 Filed 6–27–97; 8:45 am]

BILLING CODE 3110–01–P

OFFICE OF MANAGEMENT AND BUDGET

OMB Circular A–133 Information Collection Under OMB Review

AGENCY: Office of Management and Budget.

ACTION: Notice.

SUMMARY: In accordance with the Paperwork Reduction Act of 1980, as amended (44 U.S.C. 3501 et seq.), this notice announces that an information collection request was submitted to the Office of Management and Budget's (OMB) Office of Information and Regulatory Affairs for processing under 5 CFR 1320.10. The first notice of this information collection request, as required by the Paperwork Reduction Act, was published in the **Federal Register** on November 5, 1996 (61 FR 57232), as part of the proposed revision of OMB Circular A–133, re-titled ''Audits of States, Local Governments, and Non-Profit Organizations.''

The information collection request involves two proposed information collections from two types of entities: (1) Reports from auditors to auditees concerning audit results, audit findings, and questioned costs; and, (2) reports from auditees to the Federal Government providing information about the auditees, the awards they administer, and the audit results. Circular A–133's information collection requirements will apply to approximately 25,000 States, local governments, and non-profit organizations on an annual basis.

DATES: Written comments must be received by July 30, 1997.

ADDRESSES: Written comments should be sent to: Edward Springer, Office of Information and Regulatory Affairs, OMB, Room 10236, New Executive Office Building, Washington, DC 20503. Electronic mail comments may be submitted via the Internet to SPRINGER__E@A1.EOP.GOV.

FOR FURTHER INFORMATION CONTACT: For further information, contact Sheila Conley, Office of Federal Financial Management, OMB (telephone: 202–395–3993). The text of this Notice and the November 5, 1996, **Federal Register** are available electronically on the OMB home page at http://www.whitehouse.gov/WH/EOP/omb, under the caption ''**Federal Register** Submissions.''

SUPPLEMENTARY INFORMATION:

A. Background

As part of the Single Audit Act Amendments of 1996 (1996 Amendments), Congress intended to improve the usefulness and effectiveness of single audit reporting with respect to information provided by both auditors and auditees. In its report on the 1996 Amendments, the House Committee on Government Reform and Oversight stated that ''the complexity of the reports makes it difficult for the average reader to understand what has been audited and reported * * * A summary of the audit results would highlight important information and thus enable users to quickly discern the overall results of an audit'' (H.R. Report 104–607, page 18).

The revised information collection requirements included in the proposed revision of Office of Management and Budget (OMB) Circular A–133, re-titled ''Audits of States, Local Governments, and Non-Profit Organizations,'' published in the November 5, 1996, **Federal Register** notice (61 FR 57232), are intended to improve both the content of single audit reports and the dissemination of information included therein to various report users (e.g., Congress, Federal program managers, pass-through entities). As indicated in the November 5, 1996, **Federal Register** notice, OMB believes that the revised information collection requirements included in the proposed revision of Circular A–133 would result in significantly improved single audit reporting and governmentwide data collection.

Circular A–133's information collection requirements will apply to approximately 25,000 States, local governments, and non-profit organizations on an annual basis. OMB's estimate of the total annual reporting and recordkeeping burden that will result from this information collection is presented in Table 1.

B. Public Comments and Responses

Pursuant to the November 5, 1996, **Federal Register** notice, OMB received approximately 150 comments relating to this proposed information collection. Letters came from Federal agencies (including Offices of Inspectors General), State governments (including State auditors), certified public

accountants (CPAs), non-profit organizations (including colleges and universities), professional organizations, and others. All comments were considered in preparing OMB's responses presented below and in developing the final revision to Circular A–133, which is published in a companion Notice in this Part in today's **Federal Register**. The comments received relating to the information collection and OMB's responses are summarized below.

Estimates of Reporting Burden

Comments

In the preamble of the proposed revision, OMB stated that the reporting burden per audit will increase from 26 hours under the existing requirements of Circulars A–128, ''Audits of States and Local Governments,'' and A–133, ''Audits of Institutions of Higher Education and Other Non-Profit Institutions,'' to 34 hours under the proposed revision. OMB stated that the increase in hours was due, in part, to the new requirement to prepare the data collection form, which would take four hours, if prepared by the auditee, and two hours, if prepared by the auditor. Most commenters—primarily State auditors and CPAs—stated that OMB's estimates regarding the preparation of the data collection form are too low. Several State auditors commented that, while the estimates may be appropriate for smaller States and local governments, they are grossly understated for larger governments. Some State auditors provided estimates to prepare the form for smaller entities ranging from two to four hours but no estimates were provided by State auditors to prepare the form for larger entities. One State agency stated that ''For an audit the size and complexity of New York State, the preparation and review of a data collection form would take at least 15 hours and could take up to 40 hours. For smaller entities where New York State serves as the pass-through entity, the estimates range from 5 to 15 hours.'' One State auditor questioned how realistic any time estimates can be until someone actually prepares the form. One CPA commenter stated that ''OMB's estimate that auditor preparation of the data collection form would take two hours appears to be low. Most firms, including ours, have implemented policies that require reviews of work performed and reports issued, whether involving formal reports or preparation of government forms. Depending on the size and complexity of an auditee, the preparation and review of a data collection form could take anywhere from 5 to 15 hours.''

Response: Based on the comments received, OMB revised the reporting burden and cost estimates, as presented in Table 1. Several modifications were made in determining the revised estimates. First, OMB estimated reporting burden hours and costs separately for large auditees (i.e., auditees most likely to administer a large number of Federal awards) and all other auditees. For estimation purposes, OMB separately estimated burden for 200 large auditees, consisting of the 50 States, 50 largest counties and cities, and 100 largest non-profit organizations (including colleges and universities). The reporting burden for both auditees and auditors increases significantly for entities that administer a large number of Federal awards because the length of time required to prepare both the schedule of Federal awards and the data collection form increase with the number of Federal awards administered by the auditee. Second, the revised estimates reflect the modified requirements included in the final revision to Circular A–133 whereby the auditor will prepare and sign sections of the data collection form that relate to the audit results and Federal awards, and the auditee will review and sign the form certifying its completeness and accuracy. And, third, the cost estimates are now based on an average rate per hour of $25 per hour for auditees and $70 per hour for auditors.

The 1996 Amendments increased the threshold that triggers an audit requirement from $25,000 to $300,000, thereby reducing the number of entities subject to the Act's requirements from approximately 35,000 entities under the existing requirements to approximately 25,000 entities under the 1996 Amendments. As a result, the overall burden hours of this information collection decreased by 43,200 hours (from 910,000 burden hours under the existing requirements to 866,800 under the new requirements). However, the total annualized cost of this information collection increased by $1.6 million (from $38.5 million under the existing requirements to $40.1 million under the new requirements), due to an increase in the number of hours incurred by auditors (versus auditees) under the new requirements at a higher hourly rate.

The average reporting burden per respondent increased 8.7 hours under the new requirements (from an average of 26 hours per respondent under the existing requirements of Circulars A–128 and A–133 to an average of 34.7 hours per respondent under the new requirements) primarily due to requirements to prepare and submit to the Federal Government for the first time two new documents: (1) the auditor's summary of audit findings, and (2) the data collection form. The auditor's summary of audit findings is required by the 1996 Amendments. The data collection form is required by Circular A–133 and will be used to capture information about Federal awards in a governmentwide database that will be accessible by the Congress, Federal Government, non-Federal entities, and the public. These data are not currently available, yet they are essential for making decisions about Federal awards, including program design and delivery and audit requirements.

OMB estimates that approximately 80 percent of the annualized reporting burden cost results from statutorily-imposed requirements included in the 1996 Amendments, while the remaining 20 percent of the annualized reporting burden cost results from the new OMB-imposed requirement included in Circular A–133 to prepare a data collection form.

Necessity of the Data Collection Form

Comments:

Federal auditors and Federal agencies supported the use of the data collection form as an efficient and effective means to capture governmentwide information about Federal awards administered by non-Federal entities that expend $300,000 or more annually in Federal awards. One Federal auditor stated that the information collection is necessary for the Federal agency to carry out its grants management responsibilities. College and university commenters had mixed reactions, including some supporting the form and some not.

Many State auditors and State managers strongly opposed the requirement to prepare a data requirement form because it is viewed as being unnecessary, duplicative of information included in other reports, and especially burdensome for large entities. One State auditor commented that ''Making single audit information easy for Federal agencies to use seems to have been the primary consideration in the drafting of the requirements, with less concern for the preparation time and costs of auditees and especially auditors.'' Another State auditor noted that the Federal Government should be responsible for categorizing audit findings by using the reporting package as the sole source of this information. One local government manager stated that the burden of ''spoon-feeding''

information that is already available in the reporting package to the Federal Government should not be borne by either auditees or auditors. Alternatively, the commenter recommended that the data collection form should be an internal document completed by reviewers of single audit reports at the Federal Government level.

Most CPA commenters supported using the form to streamline the distribution of single audit reports and improve governmentwide collection and analysis of single audit results. One CPA commenter stated that ''We support the use of a data collection form to streamline distribution of audit reports and governmentwide collection and analysis of single audit results. Steps which increase the usefulness of audit results are positive for both the Federal Government and our profession. Tools, such as a data collection form, which increase the usability of audit reports serve that purpose.''

Response: The requirement to prepare and submit a data collection form at the completion of the audit is included in § ____.320(b) of Circular A–133. To streamline the distribution of audit reports and improve the governmentwide collection and analysis of single audit results, Circular A–133 provides for a data collection form to be prepared at the completion of each audit and submitted to the Federal clearinghouse designated by OMB. The data collection form will provide key information about the auditee, the Federal awards it administers, and the audit results. It will serve as the basis for developing a governmentwide database on covered Federal awards administered by States, local governments, and non-profit organizations that expend $300,000 or more in Federal awards annually. The database is intended to be used by entities responsible for overseeing the funding and administration of Federal awards (e.g., the Congress, Federal agencies, and pass-through entities) and entities responsible for administering Federal awards (e.g., State and government officials and board of directors of non-profit organizations). The information provided by the database is intended to be used to make better decisions about which Federal awards and recipients to fund in the future, identifying and resolving areas of noncompliance, and improving the administration and delivery of Federal awards.

In addition, this information is essential in developing effective governmentwide audit policies over Federal awards. For example, OMB is required by the 1996 Amendments to perform a biennial review of the threshold that triggers an audit requirement, prescribe a risk-based approach to auditing major programs, and provide guidance on other matters necessary to implement the Act. OMB cannot perform its duties required by the Act or develop effective future audit policies without the information to be collected in the database.

Initiatives, such as the Government Performance and Results Act of 1993 and Government Management Reform Act of 1994, highlighted the need for the Federal Government to improve its oversight of and accountability for the over $220 billion of Federal awards it funds annually. The information provided by the database will help Federal agencies fulfill their grants management responsibilities.

OMB believes that the development of a governmentwide database on Federal awards administered by non-Federal entities that expend $300,000 or more in Federal awards annually is critical. OMB also believes that the most efficient and effective approach to collecting these data is to have the auditee and auditor provide the required information to the Federal Government in a standardized form. An alternative to this approach would be to have the Federal Government extract the required data elements from the reporting package and enter the data into a database. However, OMB believes that the auditee and auditor are most familiar with the auditee's activities and the Federal awards it administers, and have a thorough understanding of the audit results. Therefore, it is most likely that the information would be more accurate if provided by the auditee and auditor than if the Federal Government compiled this information from the reporting packages.

The data collection form also permits streamlining of the report distribution process. The form identifies which Federal agencies are required to receive a copy of the complete reporting package. When the schedule of findings and questioned costs disclosed no findings relative to the Federal awards funded by the Federal agency, and the summary schedule of prior audit findings did not report on the status of any audit findings relating to Federal awards funded by the Federal agency or pass-through entity (see § ____.235(c) and § ____.320(d) and (e) of the Circular for report submission requirements), the auditee will no longer be required to send a complete reporting package to each Federal agency. Without the data collection form (and the auditor's association with it), the Federal clearinghouse would have to review each reporting package submitted to determine which Federal agencies are required to receive a copy of the reporting package.

Data Collection Form Duplicates Other Reported Information

Comment

Many commenters—mostly State auditors and colleges and universities—are concerned about the need to repeat information on the data collection form that is readily available in the reporting package. Many State auditors specifically identified renumbered items ix, x, and xi on the data collection form (§ ____.320(b)) as being the same information presented on the schedule of expenditures of Federal awards (§ ____.310(b)). They stated that providing this information again on the form will be a time consuming and burdensome effort, as the schedule of expenditures of Federal awards in some States can range from 17 pages (with more than 700 Federal awards) to over 60 pages in length. Many State auditors also stated that renumbered item xii on the form is also particularly burdensome. Item xii requires a yes or no statement as to whether there are audit findings and requires that the total amount of questioned costs for each Federal award be included in the form.

Many State auditors suggest that the required information on the form be limited to only those programs with audit findings. Another State auditor suggested significantly reducing the required data elements included in the form and having the Federal Government input the Federal award and audit results data using the reporting package. This State auditor suggested that ''OMB could require that the schedule of expenditures of Federal awards be established in a columnar format with the specified data elements across the top with no subtotals appearing and by prohibiting the inclusion of extraneous rows and columns of data which have a tendency to creep in. Essentially, OMB could require the schedule to look like a spreadsheet containing a database of information.''

Most college and university commenters stated that the data collection form duplicates information already available from the schedule of expenditures of Federal awards and auditor's reports. The views of many respondents are reflected in the following statement by one college and university commenter that recommended ''that the schedule of expenditures of Federal awards be expanded to incorporate the necessary

data and that information in the auditor's reports be cross-referenced to the schedule of expenditures of Federal awards to achieve the equivalent of the data collection form without creating another form.'' Another college and university commenter stated that ''The recapping of Catalog of Federal Domestic Assistance (CFDA) number and name of each program is entirely unwarranted. So is the requirement to list individual awards within a cluster. If the information is needed, it should be separately gathered by the authorized Federal paying agencies. Surely, this information is available for each recipient.''

One Federal auditor encouraged OMB to explore the possibility of incorporating the schedule of expenditures of Federal awards in the data collection form to reduce redundancy.

One Federal auditor, one State manager, and one CPA commenter stated that it was duplicative to include a summary of the auditor's results in the schedule of findings and questioned costs prepared by the auditor (required by § ____.505(d)(1) of the Circular) and to present essentially the same information in the data collection form. One commenter recommended that, if the auditor prepares the data collection form, then the auditor's summary can be included in the data collection form and the requirement to include the auditor's summary in the schedule of findings and questioned costs can be removed from the Circular. One CPA commenter stated that ''Elimination of the summary of auditor results (data collection form would serve as the summary) could potentially reduce auditor time spent by one-half.''

Several commenters suggested requiring the data collection form to be prepared only when there are no audit findings and submitting it in lieu of the complete reporting package.

Response: OMB acknowledges that there are many duplicative aspects of the proposed data collection form. OMB has already begun working with the Federal clearinghouse to implement some of the suggestions provided by commenters, such as providing for the electronic submission of the data collection form information through the Internet and the electronic submission of the entire reporting package. OMB is fully committed to reducing or eliminating duplication in the future through electronic means. However, the Federal Government needs the information provided by the data collection form currently. Therefore, in the near term, reporting required by the Circular will be submitted initially to the Federal Government in ''hard copy.''

The proposed revision states that the form will use a ''machine-readable format.'' This term was removed from the Circular to provide the Federal clearinghouse flexibility in processing the initial data collections. OMB expects iterative developments in the data submission process which will evolve from initial hard copy submissions to electronic submissions.

Section ____.320(j) of Circular A–133 states that ''Nothing in this part shall preclude electronic submissions to the Federal clearinghouse in such manner as may be approved by OMB. With OMB approval, the Federal clearinghouse may pilot test methods of electronic submissions.'' The first phase of this pilot test has already begun and it is concentrating on providing auditees with the means to electronically submit the data collection form information through the Internet to the Federal clearinghouse for fiscal years beginning after June 30, 1997. In addition, the Federal clearinghouse is working with certain States to develop a mechanism whereby auditees may submit the required information to the Federal clearinghouse in a computerized format or diskette for fiscal years beginning after June 30, 1997.

The objective of the second phase will be to develop the capability to electronically submit the complete reporting package or key components of it, such as the auditee's schedule of expenditures of Federal awards and the auditor's schedule of findings and questioned costs. It is expected that, when auditees submit their reporting packages electronically, there will no longer be a need for the data collection form. However, the Federal clearinghouse will continue to process data collection forms for auditees that are unable or choose not to submit their reporting packages electronically.

Until such time as electronic submission is available, OMB's intent is to simplify the preparation of the data collection form by only requesting information in the form that is already required to be included in the reporting package. While this approach results in some duplication, it is intended to facilitate the ease of completing the form and the accuracy of the information provided.

With respect to renumbered items ix, x, and xi on the data collection form, OMB believes that it is necessary to capture Federal award information at this level of detail. The governmentwide database must contain information at the Federal program level so that future decisions about Federal awards and related audit policies (e.g., audit thresholds, the risk-based approach to determining major programs) can be made. Some commenters appeared to misunderstand the intended level of detail. For instance, one commenter indicated that it was onerous to list individual awards within a cluster of programs. Other than Research and Development (R&D), most clusters of programs include only about two or three Federal programs (CFDA numbers). For R&D, total Federal awards expended may be shown either by individual award or by Federal agency and major subdivision within the Federal agency.

It is also important to track in the governmentwide database not only which Federal awards had audit findings but also an indication of the nature of the audit findings relative to the Federal awards. For this reason, renumbered item xii in the proposed form is retained. Item xii requires a yes or no statement as to whether there are audit findings and the total amount of any questioned costs related to each Federal award. It also requires an indication of the type of compliance requirement to which the audit findings relate. This information is critically important for monitoring Federal awards, identifying systemic problems, and developing future policy changes for Federal awards.

In response to the comments received suggesting that the information in the form be limited to only those programs with audit findings, OMB believes that it is important that the governmentwide database include information about all Federal awards administered by auditees, not just those Federal awards with findings. The form must reflect each Federal award to ensure the completeness of the database, which will be important for future decisionmaking.

OMB does not support the comments suggesting that the schedule of expenditures of Federal awards be expanded to serve in lieu of the data collection form and that the Federal Government input the data using the reporting package. Similarly, OMB does not support the suggestion that the form be submitted only when there are no audit findings and in lieu of submitting the reporting package. OMB's long term goal is to eliminate the data collection form for auditees that report electronically in the future. However, in the near term, when hard copy reports are submitted, OMB opposes expanding the minimum reporting requirements on auditees beyond those included in § ____.310(b) of the Circular and having the Federal Government input the data

using the reporting package. As previously stated, OMB believes that the information would be more accurate if prepared by the auditee and auditor than if the Federal Government compiled this information from the reporting packages.

In response to comments received regarding the duplication between information required to be included in the form and also in the summary of audit results required by § ____.505(d)(1) of Circular, OMB acknowledges the duplication. However, the requirement for the auditor to prepare a summary of the auditor's results is contained 1996 Amendments (31 U.S.C. 7502(g)(2)). Also, Congress intended for this summary to be readily available to any reader of the reporting package. Some commenters suggested that the data collection form could satisfy the Act's summary reporting requirements, rather than preparing a separate schedule. However, the data collection form cannot be used to satisfy the Act's requirement because it will not be available to all users of the reporting package. In fact, the form will only be sent to the Federal clearinghouse. Also, this duplication can be eliminated once reporting packages are submitted electronically.

Data Elements in the Data Collection Form

Comment

Many comments were received addressing various data elements included in proposed data collection form (§ ____.320(b)) as follows: former item 2—Commenters suggested removing the requirement to state whether the auditor's report indicated that the auditor had substantial doubt about the auditee's ability to continue as a going concern; renumbered item vi—A commenter recommended removing the requirement to list which pass-through entities are required to receive a copy of the reporting package; renumbered item xii—A commenter suggested removing the list of types of compliance requirements (particularly the item for ''other'') into which audit findings are to be categorized, and including in its place a reference to the compliance supplement which will list the types of compliance requirements which the auditor is expected to test; renumbered item xiii—A commenter noted that it may be necessary for auditees to provide multiple employer identification numbers (EINs); and, renumbered item xv—A commenter questioned whether this item was necessary since every auditee will have either a cognizant or oversight agency for audit.

Response: § ____.320(b) of Circular A–133 was revised to reflect several modifications as a result of these comments. First, former item 2 was removed from the final revision for consistency purposes because the requirement to report ''going concern'' information in the summary of the auditor's results (§ ____.505(d)(1)) was removed. Second, renumbered item vi was modified to remove the requirement to list pass-through entities that are required to receive a copy of the reporting package. Third, renumbered item xii was revised to reflect the types of compliance requirements included in the provisional ''Circular A–133 Compliance Supplement'' (which is Appendix B to Circular A–133). Fourth, renumbered item xiii was modified to indicate whether there are multiple EINs. While not currently required, it may be necessary in the future for auditees to provide each EIN covered by the form for identification purposes. And, finally, a clarification was made to renumbered item xv. It is important to distinguish between whether an auditee has either a cognizant or oversight agency for audit, and to include this information in the governmentwide datatbase because of the different duties assigned to cognizant and oversight agencies in § ____.400(a) and (b) of Circular A–133.

Comment

Suggestions were also made to add to the data collection form each of the matters addressed in the summary of the auditor's results, described in § ____.505(d)(1), such as the matters discussed in § ____.505(d)(1)(ii), § ____.505(d)(1)(iii), and § ____.505(d)(1)(iv).

Response: § ____.320(b) of Circular A–133 was revised to include in the data collection form each of the matters addressed in the summary of the auditor's results under § ____.505(d)(1).

Suggested Additional Data Elements for Inclusion in the Form

Comment

Several commenters—primarily Federal auditors and a pass-through entity—requested that the data collection form indicate if a management letter was issued. Commenters stated that management letters sometimes discuss significant deficiencies that are not disclosed in the auditor's report. One commenter requested that management letters be submitted to the Federal Government as part of the reporting package and, if that were not possible, then the data collection form should indicate if a management letter was issued. Conversely, two State auditors requested that the requirement in § ____.320(f) of the proposed revision, which requires auditees to provide copies of management letters if requested by a Federal agency and pass-through entity, be removed from the Circular.

Response: No changes to Circular A–133 were made as a result of these comments. The management letter will not be a required component of the reporting package (§ ____.320(c)) and the data elements on the form (§ ____.320(b)) will not include a statement as to whether or not a management letter was issued by the auditor. The Circular (§ ____.510(a)) clearly describes matters that the auditor shall report as audit findings in the schedule of findings and questioned costs. In *no* instance should the management letter be used as a substitute for reporting audit findings in the schedule of findings and questioned costs. OMB believes that the fundamental cause of the concern raised by the Federal auditors regarding the misuse of management letters has more to do with audit quality than with the content of management letters. OMB believes that it is more effective for Federal agencies to address the issue of audit quality (including adherence to professional standards and regulatory audit requirements) as part of their quality reviews of auditors performing audits in accordance with Circular.

Also, no change was made to § ____.320(f) of Circular A–133. OMB agrees with many commenters that it is not necessary to routinely submit all management letters issued by auditors. However, because management letters may contain information relevant to the needs of Federal agencies and pass-through entities to monitor Federal awards, the provision permitting Federal agencies and pass-through entities to request a copy of management letters remains unchanged in Circular A–133.

Who Should Sign the Data Collection Form for the Auditee

Comment

Several commenters questioned who within an auditee's organization would be required to sign the data collection form, particularly for large entities, such as a State government.

Response: The proposed revision (§ ____.320(b)) provided that the chief executive officer or chief financial officer shall sign a statement that the

information on the form is accurate and complete. The requirement was modified to clearly indicate that a senior official from State or local government shall sign the form, as appropriate. The intent of this requirement is to ensure that the form is signed by a senior or executive level representative of the auditee that is authorized to, and can be held accountable for, representations made to the Federal Government on behalf of the auditee. The certifying official should be knowledgeable about the Federal awards administered by the auditee, the requirements of Circular A–133, and the actual audit results. In a State-wide single audit, it is expected that a State official (e.g., State controller, State treasurer) would sign the form.

Level of Form's Specificity Provided in the Circular and Supplemental Forms

Comment

One Federal auditor stated that, while it was necessary to include specific certification language on the form to provide reviewers with sufficient detail to understand the proposal, the Circular should not contain language that is so detailed that it precludes amending the data collection form without revising the Circular. The commenter recommended removing the certification language in § ____.320(b) of the Circular and including a provision authorizing OMB to add or remove data elements, as needed. A CPA commented that the final revised Circular should provide specific guidance on preparing the form and include, as an attachment, the form itself and the standard wording to be developed by OMB and the audit community to appropriately characterize the auditor's and auditee's responsibility for information included in the form. One college and university commenter recommended that OMB clearly state that the data collection form is the only form that can be used by Federal agencies and pass-through entities to gather information related to the audit and that entities may not develop their own supplemental forms.

Response: Circular A–133 (§ ____.320(b)) identifies the data elements to be included in the data collection form and provides a general description of the auditee's certification and auditor's statement that will accompany the form. The data collection form to be used by the Federal clearinghouse will be presented as an Appendix to the final revised Circular A–133. The form, developed cooperatively by a Federal interagency task force, is the *only* form that may be used by a Federal agency for the purpose of collecting single audit data. However, OMB expects that the standard form may be modified in the future, as circumstances warrant. Any revisions require approval from OMB's Office of Information and Regulatory Affairs and the revised form, or a notice of its revision, will be published in the **Federal Register**.

Data Collection Form Sent Only to the Federal Clearinghouse

Comment

The CPA community's support for the proposal requiring the auditor to prepare and sign the form was based on the understanding that the data collection form would be sent only to the Federal clearinghouse designated by OMB and not to Federal agencies and pass-through entities. Also, several college and university commenters urged OMB to permit a subrecipient to simply send a letter to a pass-through entity when there are no audit findings that relate to the Federal awards provided by the pass-through entity.

Response: Several modifications were necessary to reflect this understanding in the final revision of Circular A–133. First, Circular A–133 now reflects that the data collection form will no longer be a required component of the reporting package described in § ____.235(c)(3) and § ____.320(c) of the Circular. Also, the requirement for subrecipients to send copies of the data collection form to pass-through entities was removed from § ____.235(c)(3) and § ____.320(e) of the Circular.

When there are no audit findings that relate to a Federal award provided by a pass-through entity, the subrecipient is not required to send the reporting package to that pass-through entity. In this situation, without receiving the data collection form, the pass-through entity would not otherwise receive any audit result information about the Federal awards it provides to the subrecipient. Therefore, § ____.235(c)(3) and § ____.320(e) of Circular A–133 requires a subrecipient in this situation to inform a pass-through entity that an audit of the subrecipient was conducted in accordance with Circular A–133 and that no audit findings relative to the Federal awards provided by the pass-through entity were reported. Examples of ways in which the subrecipient may communicate this information to the pass-through entity include: (1) writing a letter to the pass-through entity indicating that an audit of the subrecipient was conducted in accordance with Circular A–133 and that no audit findings relative to the Federal awards provided by the pass-through entity were reported, (2) submitting the complete reporting package to the pass-through entity, and (3) a combination of both (1) and (2).

Applicability of Freedom of Information Act and Other Federal Laws

Comment

One CPA commenter asked whether the data collection form is available under the Freedom of Information Act (FOIA) and whether other Federal laws apply, such as those relating to false statements.

Response: The data collection form is subject to FOIA. Also, representations made by auditees and auditors are subject to applicable penalties for false statements.

Report Copies

Comment

One Federal auditor suggested that a copy of the report be provided to the Federal clearinghouse by all auditees that have cognizant agencies for audit (i.e., auditees that expend more than $25 million a year in Federal awards), so that each cognizant agency can carry out its responsibilities required by the Circular. A State agency commented that reports should be provided for every Federal agency and pass-through entity that provided Federal awards to the auditee, regardless if any audit findings are reported or not. This commenter stated that the reports are necessary for closeout and other program monitoring purposes, and that this State agency will now be required to request all reports. The commenter also stated that this proposal to streamline the report distribution process places additional pressure on auditors to issue more reports with no audit findings.

Response: No change was made to the number of reporting package copies to be sent to the Federal clearinghouse. In all instances, the Federal clearinghouse will retain one copy for archival purposes. If requested by the cognizant agency for audit, the Federal clearinghouse will provide a copy of the reporting package to the cognizant agency.

OMB believes that the benefits to be achieved through report distribution streamlining outweigh the possible inconveniences that may result for some Federal agencies and pass-through entities from having to request report copies, as needed. Therefore, no changes to the proposed streamlined report distribution process were made.

Comment

One local government manager commented that savings may result from

using the data collection form rather than submitting the reporting package to every Federal agency and pass-through entity. However, if those entities routinely request copies of the reporting package regardless of the audit results, then the savings will diminish. It was suggested that OMB discourage routine requests for the reporting packages and monitor report distribution during the next few years.

Response: For several reasons, OMB does not expect Federal agencies or pass-through entities to routinely request copies of reporting packages that do not include audit findings or report on the status of prior findings relative to the Federal awards funded by the Federal agency or pass-through entity. First, Federal agencies and pass-through entities are facing resource constraints with respect to both the administrative capacity to collect and store reports and the professional capability to review and process ''no findings'' reports. Also, once Federal agencies and pass-through entities become familiar with the information that will be routinely provided to them from (or accessible to them through) the governmentwide database maintained by the Federal clearinghouse, OMB believes requests for reporting packages will decline. However, over the next few years, OMB will periodically review if the objectives of streamlining the report distribution process have been met.

Report Submission and Distribution

Comment

Several commenters requested clarification regarding the report submission requirements.

Response: § ____.320 (d) and (e) of the proposed revision were modified slightly to reflect the following report submission requirements. In all instances, an auditee is required to submit, at a minimum, the data collection form and one copy of the reporting package to the Federal clearinghouse. An auditee is also required to submit to the Federal clearinghouse a copy of the reporting package for each Federal awarding agency when there are audit findings reported in the auditor's schedule of findings and questioned costs, or the auditee's summary of prior audit findings reports on the status of any audit findings, relating to the Federal awards that the Federal awarding agency provided directly. The Federal clearinghouse will be responsible for actually distributing the reporting packages to the appropriate Federal agencies.

Where the auditee is also a subrecipient, the subrecipient shall submit a copy of the reporting package to each pass-through entity when there are audit findings reported in the auditor's schedule of findings and questioned costs, or the auditee's summary of prior audit findings reports on the status of any audit findings, relating to the Federal awards provided by the pass-through entity. When there are no audit findings reported in the auditor's schedule of findings and questioned costs and the auditee's summary schedule of prior audit findings does not report on the status of any audit findings relating to the Federal awards provided by the pass-through entity, the subrecipient is *not* required to submit the reporting package to the pass-through entity, unless the pass-through entity requests a copy under § ____.320(f). However, if the subrecipient chooses not to submit the reporting package to the pass-through entity in these circumstances, the subrecipient must inform the pass-through entity, in writing, that an audit of the subrecipient was conducted in accordance with Circular A–133, and that no audit findings were reported (nor was the status of any prior audit finding reported) that relate to the Federal awards provided by the pass-through entity.

To illustrate the report submission process, suppose an auditee administers four Federal awards. The first program is provided directly to the auditee from the U.S. Department of Health and Human Services (HHS), and the auditor reported audit findings relating to this program. The second program is provided directly to the auditee from the U.S. Department of Education (ED), and no audit findings have ever been reported relating to this program. The third program is provided to the auditee by a State agency, or pass-through entity, funded by the U.S. Department of Labor, and audit findings were reported relating to this program. The fourth program is provided to the auditee by a local government pass-through entity funded by the U.S. Department of Agriculture, and no audit findings have ever been reported relating to this program. In this example, the auditee would be required to submit to the Federal clearinghouse a data collection form and two copies of the reporting package (one for the Federal clearinghouse to retain for archival purposes and one for the Federal clearinghouse to distribute to HHS). The auditee would also be required to submit a reporting package to the State agency because audit findings were reported that relate to the third program and the State agency needs the reporting package to ensure appropriate resolution of the audit findings. With respect to the fourth program, the auditee could either send the reporting package to the local government, or send some form of written communication stating that the audit was conducted in accordance with the Circular and no audit findings were reported relating to the fourth program.

Federal Clearinghouse Responsibilities

Comment

A few college and university commenters requested that the Federal clearinghouse be responsible for supplying all report copies to Federal agencies *and* pass-through entities. One commenter suggested that the Federal clearinghouse provide reporting packages in electronic form accessible to potential users through the Internet. Another respondent requested more specific information about acceptable forms of electronic submissions.

Response: Until such time as the reporting packages are available in electronic form, it is not feasible for the Federal clearinghouse to be responsible for distributing reporting packages to pass-through entities. It is possible, however, that once reporting packages are available electronically, there may not be a continued need for pass-through entities to receive ''hard paper copies'' of the reporting packages. As previously noted, the Federal clearinghouse expects to be capable of processing reporting packages electronically for audits of fiscal years beginning after June 30, 1998.

Requirement for the Auditor To Prepare and Sign the Data Collection Form

Comment

In the preamble of the proposed revision, OMB stated that it was considering adding a provision that requires the auditor (rather than the auditee) to prepare and sign the data collection form and requested respondents to comment on this proposal. OMB received approximately 45 comments —'' more than any other individual issue included in the November 5, 1996, **Federal Register** publication —'' in response to this proposed requirement.

All Federal auditors and State governments, and most CPAs and Federal agencies supported this proposal. Many of these respondents commented that the auditor should prepare and sign the sections of the form that relate to the audit results, and that, even if the auditor prepares and

signs sections of the form, the auditee should also be required to sign the form certifying to the completeness and accuracy of the entire form.

Federal auditors, Federal agencies, and State governments cited the following reasons for supporting the proposal for auditors to prepare and sign the form: (1) greater assurance as to the accuracy of the form and the governmentwide database, (2) greater efficiency in preparing the form, (3) more streamlined audit reporting achieved by having the auditor sign the form rather than issuing a separate report describing the auditor's association with and responsibility for the form, (4) more timely data collection, and (5) reduced need for independent verification of data included in the governmentwide database by Federal agencies. One Federal agency supported having the auditor prepare the form but did not support requiring the auditor to sign the form. Reasons cited included that the proposal is ''contrary to and inconsistent with the Government's long-established practice of requiring the institution [auditee], not the auditor, to sign existing certifications' and that the proposal raises new concerns about the auditor's litigation liability, which will take time to research and resolve.

Most CPA commenters indicated that independent auditor association with the form would enhance its usefulness. However, most CPA commenters and some Federal auditors and Federal agencies were concerned that certain report users may view the information contained in the form as a substitute for reading the full auditor's reports, which present a more complete picture of the auditor's testing and findings. These commenters also stated their belief that a form can be developed that would meet the needs of OMB and Federal agencies and also address the concerns of the CPA community. Commenters strongly encouraged OMB to work with the American Institute of Certified Public Accountants (AICPA), the Inspectors General, Federal agencies, and other interested parties to develop a useful data collection form, and many commenters offered to assist OMB in this effort.

Several CPA commenters suggested that, to provide appropriate protection to auditors, the auditor signature section of the form should possess certain elements including: (1) a statement that certain information included in the form is based on the auditor's reports and is not a substitute for such reports, (2) a statement concerning the availability of the auditor's reports, (3) a statement that the content of the form is limited to information prescribed by OMB, and (4) a clear indication of which information is being provided by the auditor versus that which is the responsibility of the auditee. CPA commenters' support for this proposal was based on the understanding that: (1) the form would be sent only to the Federal clearinghouse and not to Federal agencies and pass-through entities, and (2) acceptable language would be added to the form to appropriately characterize the nature of the information included in the form and the auditor's and auditee's responsibility for information included in the form. One CPA commenter did not support the proposal stating that it ''is beyond the scope of reporting required by professional and governmental auditing standards.''

Most State auditors and one professional organization commented that they were strongly opposed to requiring the auditor to prepare and sign the data collection form. Reasons cited included: (1) the requirement for the auditee to prepare and sign the form emphasizes the auditee's responsibility for administering Federal funds in compliance with the law, ensuring the accuracy and completeness of information provided to the Federal Government, and resolving deficiencies uncovered by audits; (2) the type of information required by the form is readily available and should be clearly understood by the auditee; (3) if the auditor is required to sign the form, the auditor's legal liability exposure may increase, which will result in increased audit fees; (4) it is not justified to reduce burden on auditees by increasing the burden on auditors; (5) if the auditor is required to prepare the form, the auditor's independence may be questioned and the distinction between management and auditor responsibilities may be blurred; and, (6) it is uncertain whether the auditor or auditee can prepare the form more efficiently.

One State auditor commented that ''We see it [the requirement for the auditee to prepare and sign the form] as the first step in a process that will ultimately result in auditees' providing management assertions on internal controls and compliance regarding their use of Federal funds * * * We view the requirement for the auditee to prepare the data collection form as a kind of ''homework assignment'' by which auditee personnel will read the auditor's reports and start to understand the significance of the issues covered in those reports * * * Therefore, we are quite concerned with OMB's suggestion * * * [to require] the auditor to prepare and sign the data collection form.''

Several State auditors suggested alternatives to the proposal for the auditor to prepare and sign the form including: (1) requiring the auditee to prepare the form and have the auditor review the form (but not as a separate engagement) for accuracy in relation to the auditee's financial statements taken as a whole, for limited distribution to the Federal Government; (2) requiring the auditee to prepare the form and have the auditor issue a separate letter of assurance on the form regarding its reasonableness; (3) removing the requirement to prepare the form and requiring the auditee to send a transmittal letter along with the audit report to the Federal Government, stating that the audit was completed in accordance with the single audit requirements; (4) presenting certain summary information on the form with no signature by either the auditee or auditor, and having the auditee sign a separate form asserting that an audit in accordance with Circular A–133 was performed; (5) adding a provision to the financial reporting section of the compliance supplement directing the auditor to verify the completeness and accuracy of the form; and, (6) requiring the auditee to prepare the form and having the auditor sign it, provided that the auditor's signature is accompanied by standard language specifically describing and limiting the assurance the auditor is providing by signing the form.

Several State auditors supported the proposal for the auditor to sign the form, provided that the form includes ''liability limiting statements'' similar to the wording suggested by the CPA commenters, and indicated that it would be more efficient for auditors to prepare the form.

Two college and university commenters opposed the proposal stating that many colleges and universities could readily prepare the form similar to other documents they are required to prepare (e.g., the schedule of Federal awards and corrective action plans) and that the additional cost for the auditor to prepare the form is not justified compared to the benefit received. However, one of these college and university commenters also indicated that having the auditor prepare the form would add to its accuracy and greatly assist many auditees and suggested a more flexible solution to permit either the auditor or auditee to prepare the form (at the option of the auditee) and require the auditor to sign the form as a reviewer. One college and university commenter indicated that neither the auditors nor auditees want to prepare the form

because of the additional cost but that, if OMB decides to require the form, then the auditor would be the logical choice to prepare the form.

One local government commented that the single audit is a collaborative effort between auditors and auditees and that the process used to prepare and sign the form should be similar to procedures used to satisfy other single audit requirements. Specifically, the commenter suggested that the auditee prepare the form with the assistance of the auditor and that both sign the form.

Response: Auditor association with the data collection form is essential to streamlining the audit report distribution process and ensuring the accuracy of the governmentwide database. However, OMB agrees with the view of many commenters that the auditee is primarily responsible for ensuring the accuracy and completeness of Federal award information submitted to the Federal Government, and that this responsibility should not be diminished. Therefore, the requirement for the auditee to sign a statement included in the form that acknowledges the auditee's responsibility for the entire form and certifies its completeness and accuracy remains in § ____.320(b) of Circular A–133. In addition, the proposal requiring the auditor to prepare and sign the sections of the form that relate to the auditor's results and the Federal awards was adopted in the final revision of Circular A–133 (§ ____.320(b)(3)). The Circular also states that the auditee is responsible for submitting the data collection form and reporting package to the appropriate parties (§ ____.320(d) and (e)).

OMB commits to working with the audit community (e.g., Inspectors General, AICPA, State auditors), Federal agencies, and other interested parties to finalize language on the form to appropriately characterize the auditor's and auditee's responsibility for information on the form. As a starting point, OMB used the recommendations provided by one CPA commenter for the auditor's standard language including: (1) a statement that certain information included in the form is based on the auditor's reports and is not a substitute for such reports, (2) a statement concerning the availability of the auditor's reports, (3) a statement that the content of the form is limited to information prescribed by OMB, and (4) a clear indication of which information is being provided by the auditor versus that which is the responsibility of the auditee. OMB concurs with several CPA commenters that stated that the auditor's exposure to litigation regarding association with the form could be reduced by incorporating acceptable standard language in the form.

Increased Costs for Auditors To Prepare and Sign Form

Comment

Several respondents commented that requiring the auditor to prepare and sign the data collection form will result in increased audit costs. One CPA stated that the proposal ''is perceived as increasing auditor responsibility without increasing the value of the audit for which the auditee would be willing to compensate the auditor.'' One State auditor commented that ''it is misleading to consider requiring the auditor to do this [prepare the form] while speculating that it will not significantly increase audit costs. The auditor is entitled to charge for the time associated with preparing the form and for assuming the increased liability of associating his name with the information on the form.'' One State manager stated that, if the requirement to prepare the data collection form remains, the auditor should be responsible for the data collection provided OMB determines ''a true-cost benefit of this requirement before implementing it.''

Several college and university commenters stated that the preparation of a data collection form will result in increased and unreimbursable audit costs at a time when many organizations have reached or exceeded the administrative cap under the Facilities and Administrative reimbursement rate.

One Federal auditor commented that ''we believe that ''experienced'' auditors should be able to provide at a reasonable cost the information requested on the data collection form.'' One Federal agency commenter stated that ''The additional cost of completing this form is expected to be insignificant, particularly when its intended use is considered.''

Response: OMB acknowledges that there are costs associated with the new requirement to prepare the data collection form. Using an average rate per hour of $25 per hour for auditees and $70 per hour for auditors, OMB estimates that the cost for auditor's to prepare and sign specified sections of the form is $7.3 million and the cost for auditees to prepare specified sections of the form and sign it is $1.2 million, for a total cost of $8.5 million.

OMB believes the decision to require the form is justified for several reasons. First, costs will be fully or partially offset by the savings realized from implementing other provisions of the 1996 Amendments and the revised Circular A–133. Examples of opportunities for savings include: the reduced scope of audits of low-risk auditees; the elimination of auditing and reporting requirements previously associated with non-major programs; and, the elimination of the requirement to report all matters of noncompliance, regardless of significance. Second, the data collection form, including the auditor's association with it, is essential to streamlining the historical report distribution and review processes and reducing associated burden. Finally, OMB believes that the data collection form, including the auditor's association with it, is essential to the development of a reliable governmentwide database that is critical to effective Federal award administration.

With respect to comments received from several colleges and universities stating that this new requirement may result in unreimbursed audit costs because their administrative caps have been reached, OMB suggests that auditees consider discussing with their auditor whether any increases due to preparing the data collection form will be offset by: audit cost savings associated with reduced scope of audit work for a low-risk auditee, the auditor having to audit fewer programs under the risk-based approach, a reduction of audit work and related reporting for Federal programs not considered major, and the removal of the requirement to report all instances of noncompliance.

It will take several years for OMB to determine the actual ''cost-benefit'' of this new requirement. However, OMB believes that it is important to implement this reporting requirement as part of the final revision of Circular A–133, rather than postpone implementation until a later date. The estimates presented in Table 1 are based on the best information available to date. OMB will reevaluate the burden estimates within the next three years (the sunset date for resubmission for approval under the Paperwork Reduction Act of 1980, as amended) using actual results.

Retention of Audit Workpapers

Comment

One Federal auditor requested that Federal awarding agencies be added to the list of entities that may notify the auditor to retain the working papers beyond three years.

Response: No change was made to the Circular as a result of these comments. OMB believes that requests by Federal awarding agencies for auditors to retain working papers beyond the minimum

period should be coordinated through either the cognizant or oversight agency for audit.

Schedule of Expenditures of Federal Awards

Comment

One State auditor commented that the State's accounting system could not capture Federal award expenditure information and requested that the Circular permit alternatives methods of reporting Federal award information, such as reporting receipts.

Response: No change was made to the Circular based on this comment. Auditees shall report the amount of expenditures of Federal awards. This information is important to Federal agencies and pass-through entities and the amount of Federal award expenditures is critical to every monetary determination required by the Circular (e.g., the threshold that triggers a Circular A–133 audit requirement, and the dollar threshold used to distinguish Type A and Type B programs using the risk-based approach to determining major programs). Also, the requirement to report Federal award expenditures is consistent with the financial management systems requirements of § ____.20 in the Grants Management Common Rule, published March 11, 1988 (53 FR 8034) and amended April 19, 1995 (60 FR 19638), whereby States' systems should permit accounting for expenditures to a level sufficient to demonstrate compliance with applicable laws and regulations.

Comment

Several commenters interpreted the proposal as requiring that the schedule of expenditures of Federal awards include information about the amount of Federal funds awarded (rather than Federal awards expended), and that such information be presented by award year. One commenter asked whether the information requested by Federal agencies and pass-through entities to be included on the schedule was limited to the minimum requirements or whether such requests could include additional information.

Response: A change was made to § ____.310(b) to clarify that the schedule requires presentation of the amounts of Federal awards expended, rather than the amounts awarded. Also, § ____.310(b) was modified to indicate that an auditee may choose to provide information requested by Federal agencies and pass-through entities to make the schedule easier to use. However, the auditee is not required by the Circular to provide information beyond the minimum requirements described in § ____.310(b).

Comment

§ ____.310(b)(1) of the proposed revision requires that the schedule of expenditures of Federal awards list individual Federal programs by Federal agency and major subdivision within a Federal agency. Many respondents strongly opposed the requirement to provide the major subdivision within a Federal agency. Reasons cited include that this information is readily available to the Federal Government through the CFDA numbers and that it is particularly onerous for large entities, such as States, to provide this information for each individual Federal program.

Response: The requirement to list each individual Federal program by major subdivision within a Federal agency was removed from § ____.310(b)(1) of the Circular, except for the R&D program cluster. This revision reduces reporting burden for many auditees that administer a large number of Federal awards. For the R&D program cluster, auditees are provided the option of reporting Federal awards expended either by individual Federal award or by Federal agency and major subdivision within the Federal agency. This option reduces burden on auditees that administer a large number of R&D awards, such as certain colleges and universities, by permitting summary reporting at the Federal agency and major subdivision level. Federal awarding agencies and pass-through entities providing R&D awards should assist auditees in identifying major subdivisions within the Federal agency responsible for such awards.

Comment

Several commenters opposed the proposal included in § ____.310(b)(5) which requested, to the extent practical, pass-through entities to identify on the schedule of expenditures of Federal awards the total amount provided to subrecipients from each Type A program and each Type B program audited as major. This provision was perceived as burdensome. One CPA commenter was concerned that, if such information were provided for all Type A programs, including those Type A programs that were not audited as major, then the auditor would be required to report on a schedule that includes unaudited information.

Response: A change was made to the Circular as a result of these comments. The proposal requested auditees to provide information about amounts provided to subrecipients from each Type A program and each Type B program audited as major. The final revision to Circular A–133 requests this information for each Federal program. This change was made to simplify the requirement but does not necessarily increase burden on auditees because the information is not mandatory. This information should be included on the schedule, to the extent practical. In response to a CPA's concern, the schedule of expenditures of Federal awards includes information about each of the Federal awards administered by the auditee, not just those audited as major. OMB does not believe that presenting information about amounts provided to subrecipients is different from other information included in the schedule relating to programs that were not audited as major.

Summary Schedule of Prior Audit Findings

Comment

Several State auditors and State agencies questioned the need for a separate schedule reporting the status of prior audit findings. One State auditor noted that requiring the auditor to report any material misrepresentations made by the auditee in the schedule will increase pressure on auditors and strain their relationship with the auditee. A State agency commented that the information in the new summary schedule of prior audit findings is also included in other required reports and recommended that the cognizant agency for audit be responsible for reviewing and approving follow-up actions outlined in the corrective action plan. One Federal auditor noted the importance of continuing to report deficiencies until the finding is adequately resolved and suggested that the schedule also include a description of the means used to substantiate the audit finding resolution.

Response: No change was made to § ____.315 of the Circular as a result of these comments. It is important for the auditee to report on the status of prior audit findings in a consistent and systematic manner. It is also important that the auditor assess the fairness of management's representations included in the schedule, as required by § ____.500(e) of the Circular.

Summary of the Auditor's Results

Comment

One Federal auditor recommended revising the Circular to require the auditor to provide a narrative summary at the beginning of the single audit reporting package. One State auditor opposed the requirement to prepare a

summary of auditor's results and commented that the Federal Government could obtain this information by reviewing the documents included in the reporting package.

Response: No change was made to § ____.505(d)(1) of the Circular as a result of these comments. The 1996 Amendments include a provision (31 U.S.C. 7502(g)(2)) whereby ''the auditor shall include a summary of the auditor's results regarding the non-Federal entity's financial statements, internal controls, and compliance with laws and regulations.'' OMB believes that the summary of auditor's results prescribed by § ____.505(d)(1) of the final revision satisfies the requirements of the 1996 Amendments, and will facilitate consistency and uniformity of the summary information provided to Federal awarding agencies and pass-through entities and captured in the governmentwide database.

Auditor's Schedule of Findings and Questioned Costs

Comment

Several State auditors indicated that the requirements described in § ____.505(d) (2) and (3) of the proposed revision may result in duplicative and more cumbersome audit reporting and, as a result, increased audit costs.

Response: No changes were made to the Circular as a result of these comments. The purpose of § ____.505(d) of the Circular is to present the results of audit in one location or schedule. In the past, this information was presented in a variety of locations throughout the auditor's reports. This provision of the Circular prescribes where this information must be reported and provides guidance on reporting audit findings that relate to the same issue and that relate to matters affecting both the financial statements and the Federal awards administered by the auditee. OMB believes the reporting requirements included in the Circular will improve the usefulness and uniformity of audit reports.

Report Due Date

Comment

Many respondents—mostly State managers and college and university commenters—stated that shortening the report due date from 13 months to nine months after the end of the audit period was unrealistic and that it will adversely affect audit scheduling and workloads, increase audit costs and burden on auditees, and may result in increased noncompliance by subrecipients. Many commenters suggested that the 13-month report due date be retained in the Circular and that, if the due date must be shortened, then a 12-month due date would be more acceptable. One local government suggested granting an automatic extension of the report due date to auditees that expend over $25 million in Federal awards. A Federal agency stated that a six-month report due date should be imposed and that the two-year transition period is unnecessary.

Response: No change was made to the Circular as a result of these comments. The report due date is prescribed by the 1996 Amendments (31 U.S.C. 7502(h)). The 1996 Amendments require the report to be submitted within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period for audits of fiscal years beginning after June 30, 1998. A transition period of at least two years is provided in the 1996 Amendments whereby the report shall be submitted within the current 13-month due date (or 30 days after the receipt of the auditor's report, if earlier). OMB believes that the transition period of two years is sufficient for most auditees to meet the new report due date. However, cognizant or oversight agencies for audit may provide extensions to auditees.

Comment

One State auditor commented that total audit hours will increase as a result of preparing a data collection form, and ''Since our audit resources are limited, any increase in audit hours is likely to make it more difficult for us to meet the 9-month reporting deadline required by § ____.320(a) of the Circular.''

Response: As presented in Table 1, OMB estimates the average number of auditor hours necessary to prepare and sign the appropriate sections of the data collection form to be 24 hours for auditees that administer a large number of Federal awards and four hours for other auditees. Moreover, the requirements of the 1996 Amendments and the final revision to Circular A–133 are designed to reduce audit burden by decreasing the number of entities subject to audit and improving the effectiveness of the audit requirements. Accordingly, OMB believes that the two-year transition period is sufficient for most auditors to incorporate the data collection form preparation requirements into their audit plans so that the work can be completed within the nine-month due date.

Effective Date for the Data Collection Form Requirement

Comment

One Federal auditor stated that it was not clear from reading the proposed revision when the proposed requirement to prepare and submit the data collection form would be effective.

Response: The requirement to prepare and submit a data collection form will be effective for audits of fiscal years beginning after June 30, 1996.

The proposed data collection form and its instructions follow.

John A. Koskinen,

Deputy Director for Management.

TABLE 1.—REPORTING BURDEN ESTIMATE

	Existing burden	New burden			Change in burden increase (decrease)
		Auditees with a large number of programs	Other auditees	Total auditees	
Number of Auditees	35,000	200	24,800	25,000	(10,000)
Number of Auditors	35,000	200	24,800	25,000	(10,000)
Auditee hours to prepare reporting package	16	48	16	[1] 16.3	.3
Auditee hours to prepare & sign data collection form	.....	6	2	[1] 2.0	2.0
Auditor hours to prepare auditor's reports	10	40	12	[1] 12.2	2.2
Auditor hours to prepare & sign data collection form	.....	24	4	[1] 4.2	4.2
Average hour burden per respondent	26	118	34	[1] 34.7	8.7
Total burden hours	910,000	23,600	843,200	866,800	(43,200)

[1] Weighted average.

BILLING CODE 3110–01–P

OMB No. 0348-0000

FORM **SF-SAC**
(6-5-97)

U.S. DEPARTMENT OF COMMERCE - BUREAU OF THE CENSUS
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET

Data Collection Form for Reporting on

AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS

Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

PART I GENERAL INFORMATION *(To be completed by auditee)*

1. Fiscal year ending date for this submission
Month / Day / Year

2. Type of Circular A-133 audit
1 ☐ Single audit 2 ☐ Program-specific audit

3. Audit period covered
1 ☐ Annual 3 ☐ Other – Months
2 ☐ Biennial

FEDERAL GOVERNMENT USE ONLY

4. Date received by Federal clearinghouse

5. Employer Identification Number (EIN)
a. Auditee EIN ☐☐☐☐☐☐☐☐☐ **b.** Are multiple EINs covered in this report? 1 ☐ Yes 2 ☐ No

6. AUDITEE INFORMATION

a. Auditee name

b. Auditee address *(Number and street)*
City
State ZIP Code

c. Auditee contact
Name
Title

d. Auditee contact telephone
( ) –

e. Auditee contact FAX *(Optional)*
( ) –

f. Auditee contact E-mail *(Optional)*

g. AUDITEE CERTIFICATION STATEMENT – This is to certify that, to the best of my knowledge and belief, the auditee has: (1) Engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the stated period; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II,** and **III** of this data collection form is accurate and complete. I declare under penalty of law that the foregoing is true and correct.

Signature of certifying official Date
Month / Day / Year

Name/Title of certifying official

7. AUDITOR INFORMATION

a. Auditor name

b. Auditor address *(Number and street)*
City
State ZIP Code

c. Auditor contact
Name
Title

d. Auditor contact telephone
( ) –

e. Auditor contact FAX *(Optional)*
( ) –

f. Auditor contact E-mail *(Optional)*

g. AUDITOR STATEMENT – The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. Certain information included in Parts II and III of the form (except for Part III, Item 7) is based on the auditor's report(s) and is not a substitute for such reports. A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II** and **III** of this form was entered in this form by the auditor under penalty of law based on information included in the reporting package.

Signature of auditor Date
Month / Day / Year

According to the Paperwork Reduction Act, as amended, no persons are required to respond to a collection of information unless it displays a valid OMB Control Number. The valid OMB control number for this information collection is OMB No. 0348-____. The time required to complete this data collection form is estimated to average 30 hours for large auditees (i.e., auditees most likely to administer a large number of Federal awards) and 6 hours for all other auditees. These amounts reflect estimates of reporting burden on both auditees and auditors relating to the data collection form, including the time to review instructions, obtain the needed data, and complete and review the information collection.

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PART I **GENERAL INFORMATION – Continued**

8. Indicate whether the auditee has either a Federal cognizant or oversight agency for audit. *(Mark (X) one box)*

1 ☐ Cognizant agency 2 ☐ Oversight agency

9. Name of Federal cognizant or oversight agency for audit *(Mark (X) one box)*

01 ☐ African Development Foundation
02 ☐ Agency for International Development
10 ☐ Agriculture
11 ☐ Commerce
94 ☐ Corporation for National and Community Service
12 ☐ Defense
84 ☐ Education
81 ☐ Energy
66 ☐ Environmental Protection Agency
83 ☐ Federal Emergency Management Agency
34 ☐ Federal Mediation and Conciliation Service
39 ☐ General Services Administration
93 ☐ Health and Human Services
14 ☐ Housing and Urban Development
03 ☐ Institute for Museum Services
04 ☐ Inter-American Foundation
15 ☐ Interior
16 ☐ Justice
17 ☐ Labor
43 ☐ National Aeronautics and Space Administration
89 ☐ National Archives and Records Administraton
05 ☐ National Endowment for the Arts
06 ☐ National Endowment for the Humanities
47 ☐ National Science Foundation
07 ☐ Office of National Drug Control Policy
08 ☐ Peace Corps
59 ☐ Small Business Administration
96 ☐ Social Security Administration
19 ☐ State
20 ☐ Transportation
21 ☐ Treasury
82 ☐ United States Information Agency
64 ☐ Veterans Affairs

PART II **FINANCIAL STATEMENTS** ***(To be completed by auditor)***

1. Type of audit report *(Mark (X) one box)*

1 ☐ Unqualified opinion 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion

2. Is a reportable condition disclosed?

1 ☐ Yes 2 ☐ No – *SKIP to Item 4*

3. Is any reportable condition reported as a material weakness?

1 ☐ Yes 2 ☐ No

4. Is a material noncompliance disclosed?

1 ☐ Yes 2 ☐ No

PART III **FEDERAL PROGRAMS** ***(To be completed by auditor)***

1. Type of audit report on major program compliance *(Mark (X) one box)*

1 ☐ Unqualified opinion 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion

2. What is the dollar threshold to distinguish Type A and Type B programs §___ .520(b)?

$

3. Did the auditee qualify as a low-risk auditee (§___ .530)?

1 ☐ Yes 2 ☐ No

4. Are there any audit findings required to be reported under §___ .510(a)?

1 ☐ Yes 2 ☐ No

5. Which Federal Agencies are required to receive the reporting package? *(Mark (X) all that apply)*

01 ☐ African Development Foundation
02 ☐ Agency for International Development
10 ☐ Agriculture
11 ☐ Commerce
94 ☐ Corporation for National and Community Service
12 ☐ Defense
84 ☐ Education
81 ☐ Energy
66 ☐ Environmental Protection Agency
83 ☐ Federal Emergency Management Agency
34 ☐ Federal Mediation and Conciliation Service
39 ☐ General Services Administration
93 ☐ Health and Human Services
14 ☐ Housing and Urban Development
03 ☐ Institute for Museum Services
04 ☐ Inter-American Foundation
15 ☐ Interior
16 ☐ Justice
17 ☐ Labor
43 ☐ National Aeronautics and Space Administration
89 ☐ National Archives and Records Administraton
05 ☐ National Endowment for the Arts
06 ☐ National Endowment for the Humanities
47 ☐ National Science Foundation
07 ☐ Office of National Drug Control Policy
08 ☐ Peace Corps
59 ☐ Small Business Administration
96 ☐ Social Security Administration
19 ☐ State
20 ☐ Transportation
21 ☐ Treasury
82 ☐ United States Information Agency
64 ☐ Veterans Affairs
00 ☐ None

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PART III **FEDERAL PROGRAMS – Continued**

6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR			7. AUDIT FINDINGS AND QUESTIONED COSTS				
CFDA number [1] (a)	Name of Federal program (b)	Amount expended (c)	Major program (a)	Type of compliance requirement[2] (b)	Amount of questioned costs (c)	Internal control findings[3] (d)	Audit finding reference number(s) (e)
		$	1 ☐ Yes 2 ☐ No		$	1 ☐ A 3 ☐ C 2 ☐ B	
		$	1 ☐ Yes 2 ☐ No		$	1 ☐ A 3 ☐ C 2 ☐ B	
		$	1 ☐ Yes 2 ☐ No		$	1 ☐ A 3 ☐ C 2 ☐ B	
		$	1 ☐ Yes 2 ☐ No		$	1 ☐ A 3 ☐ C 2 ☐ B	
		$	1 ☐ Yes 2 ☐ No		$	1 ☐ A 3 ☐ C 2 ☐ B	
		$	1 ☐ Yes 2 ☐ No		$	1 ☐ A 3 ☐ C 2 ☐ B	
		$	1 ☐ Yes 2 ☐ No		$	1 ☐ A 3 ☐ C 2 ☐ B	
		$	1 ☐ Yes 2 ☐ No		$	1 ☐ A 3 ☐ C 2 ☐ B	
		$	1 ☐ Yes 2 ☐ No		$	1 ☐ A 3 ☐ C 2 ☐ B	
	TOTAL →	$	*IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE AND ATTACH ADDITIONAL PAGES TO THE FORM.*				

[1] Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available.

[2] Type of compliance requirement *(Enter the letter(s) of all that apply)*

A. Activities allowed or unallowed
B. Allowable costs/cost principles
C. Cash management
D. Davis - Bacon Act
E. Eligibility
F. Equipment and real property management
G. Matching, level of effort, earmarking
H. Period of availability of funds
I. Procurement
J. Program income
K. Real property acquisition and relocation assistance
L. Reporting
M. Subrecipient monitoring
N. Special tests and provisions
O. None

[3] Type of internal control findings *(Mark (X) all that apply)*

A. Material weaknesses B. Reportable conditions C. None

Instructions for Completion of SF-SAC, Reporting on Audits of States, Local Governments, and Non-Profit Organizations

Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," requires non-Federal entities that expend $300,000 or more in a year in Federal awards to have an audit conducted in accordance with the Circular. Circular A-133 (§__. 320(b)) requires auditees to submit a data collection form, along with other specified reports, to the Federal clearinghouse designated by OMB (currently the U.S. Bureau of the Census) at the completion of each audit.

Submission to Federal Clearinghouse

The data collection form must be completely filled out and signed by both the auditee and auditor. **Submission of anything other than a complete data collection form and reporting package as required by Circular A-133 will be returned to the auditee.**

Description of the Data Collection Form Items

PART I - GENERAL INFORMATION: The auditee should complete this section and sign the certification statement provided in Item 6 (g).

Item 1: Fiscal Year Ending Date:
Enter the last day of the entity's fiscal period covered by the audit.

Item 2: Type of Circular A-133 Audit:
Check the appropriate box. §__.200 of Circular A-133 requires non-Federal entities that expend $300,000 or more in a year in Federal awards to have a single audit conducted in accordance with §__.500, except when they elect to have a program-specific audit conducted in accordance with §__.235.

Item 3: Audit Period Covered:
Check the appropriate box. Annual audits cover 12 months and Biennial audits cover 24 months. If the audit period covered is neither Annual or Biennial, mark "Other" and provide the number of months covered in the space provided.

Item 4: Date Received by Federal Clearinghouse:
Federal Government use only.

Item 5: Employer Identification Number (EIN)

(a) Auditee EIN:
Enter the auditee Employer Identification Number (EIN), which is the Taxpayer Identification Number assigned by the Internal Revenue Service (IRS). Also, using the spaces provided, enter the EIN on the top of each page.

(b) Multiple EINs Covered in this Report:
Check the appropriate box to indicate whether the auditee (or components of an auditee covered by the audit) was assigned more than one EIN by the IRS. (Example: A State-wide audit covers many departments, each of which may have its own separate EIN.) If yes, indicate principal EIN under 5 (a).

Item 6: Auditee Information

(g) A senior representative of the auditee (e.g., State controller, director of finance, chief executive officer, chief financial officer) shall sign a statement that the information on the form is accurate and complete as required by §__.320(b) of Circular A-133. Provide the name and title of the signatory and date of signature.

Item 7: Auditor Information

(a) Enter the name of the auditor that conducted the audit in accordance with Circular A-133. The auditor name may represent a sole practitioner, certified public accounting firm, State auditor, etc. Where multiple auditors or audit organizations are used to conduct the audit work, the auditors should use judgment in determining which auditor's name should be provided in Item 7. The auditor listed in Part I, Item 7 (a) shall be the same auditor that signs the auditor statement in Part I, Item 7 (g) of this form.

Item 8: Cognizant or Oversight Agency for Audit:
Check the appropriate box. Each auditee has either a Federal cognizant agency for audit or an oversight agency for audit, determined in accordance with §__.400(a) or (b) of Circular A-133.

Item 9: Name of Federal Cognizant or Oversight Agency for Audit:
Check the appropriate box to indicate the name of the Federal cognizant or oversight agency for audit determined in accordance with §__.400(a) or (b) of Circular A-133.

PART II - FINANCIAL STATEMENTS: The auditor shall complete this section of the form.

PART III - FEDERAL PROGRAMS: The auditor shall complete this section of the form.

Item 2: Dollar Threshold to Distinguish Type A and Type B Programs:
Enter the dollar threshold used to distinguish between Type A and Type B programs as defined in §__.520(b) of Circular A-133.

Item 3: Low-Risk Auditee:
Indicate whether or not the auditee qualifies as a low-risk auditee under §__.530 of Circular A-133.

Item 4: Audit Findings:
Indicate whether or not the audit disclosed any audit findings which the auditor is required to report under §__.510(a) of Circular A-133.

Item 5: Federal Agencies Required to Receive the Reporting Package:
Check the appropriate box to indicate each Federal awarding agency required to receive a copy of the reporting package pursuant to §__.320(d) of Circular A-133. If no Federal awarding agency is required to receive a copy of the reporting package, mark "None."

Item 6: Federal Awards Expended:
The information to complete columns (a), (b), and (c) shall be obtained from the Schedule of Expenditures of Federal Awards prepared by the auditee. If additional space is required, photocopy page 3 and attach the additional page(s) to the form.

Column (a) - CFDA Number:
Enter the number assigned to a Federal program in the Catalog of Federal Domestic Assistance (CFDA) or other identifying number when the CFDA information is not available. If the CFDA information is not available, enter the identifying number provided by the Federal awarding agency or pass-through entity. Individual programs within a cluster of programs should be listed in the same level of detail as they are listed in the schedule of expenditures of Federal awards.

Column (b) - Name of Federal Program:
Enter the name of the Federal program. If no CFDA number is provided in column (a), enter the name of the Federal awarding agency or pass-through entity that provided the Federal award.

Column (c) - Amount of Federal Expenditures:
Enter the amount of expenditures included in the Schedule of Expenditures of Federal Awards for each Federal program. It is important to note that amounts shall be provided for the value of Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end, regardless of whether such amounts were presented in the Schedule of Expenditures of Federal Awards or in a note to the Schedule.

If additional pages are required, photocopy page 3 of the form and attach additional page(s) to the form. Also, instead of subtotals at the bottom of each page, only include a grand total on the final page in the "TOTAL" block.

Item 7: Audit Findings and Questioned Costs:
The information to complete columns (a), (b), (c), (d) and (e) shall be obtained from the Schedule of Findings and Questioned Costs prepared by the auditor. If additional space is required, photocopy page 3 and attach the additional page(s) to the form.

Column (a) - Major Program:
Indicate whether or not the Federal program is a major program, as defined in §__.520 of Circular A-133, by marking (X) in one box.

Column (b) - Type of Compliance Requirement:
Using the list provided on the form, enter the letter that corresponds to the type(s) of compliance requirements applicable to the Federal program. Mark all that apply or None.

Column (c) - Questioned Costs:
Enter the amount of questioned costs by Federal program. If no questioned costs were reported, enter N/A for 'Not Applicable.'

Column (d) - Internal Control Findings:
Check the appropriate box, using the list provided on the form, that corresponds to the internal control findings that apply to the Federal program. Mark all that apply or None.

Column (e) - Audit Finding Reference Number(s):
Enter the audit finding reference number(s) for audit findings included in the Schedule of Findings and Questioned Costs. If no audit finding reference numbers exist, enter N/A for 'Not Applicable.'

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