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## The 2019 OMB Compliance Supplement

December 16, 2019

## Summary

**THERE WERE  
SIGNIFICANT  
CHANGES**

## Summary

**YOU SHOULD  
READ IT!**

# Terminology and Abbreviations

CFDA	Catalog of Federal Domestic Assistance	NDAA	National Defense Authorization Act
CS	Compliance Supplement	NSAC	National Single Audit Coordinator
D&M	Direct and Material	OMB	Office of Management and Budget
FAC	Federal Audit Clearinghouse	PTE	Pass Through Entity
FAQ	Frequently Asked Questions	SAT	Simplified Acquisition Threshold
FAR	Federal Acquisition Regulation	SEFA	Schedule of Expenditures of Federal Awards
GAAS	Generally Accepted Auditing Standards	TQA	Technical Question and Answer
GAGAS	General Accepted Government Auditing Standards	UG	Uniform Guidance

# What Happened?

- OMB issued June 2019 compliance supplement in July 2019
- Had significant changes from 2018 supplement
- ERROR! ERROR!
- OMB issued the “corrected” August 2019 compliance supplement in September 2019

# August 2019 CS

- What changed from June to August?
  - Errata section after Table of Contents

Document reference	Issue	Correction
Table of Contents	Minor edits required, however with the release of the updated Supplement and addition of this change page, the TOC was updated also.	TOC updated; changes indicated as follows: <ul style="list-style-type: none"><li>▪ Added changes page.</li><li>▪ Updated titles.</li><li>▪ Errata section added to the table of contents section.</li></ul>

- Changed pages have “Revised” in the footer

## August 2019 CS (cont)

- Grace period
  - Reports issued prior to or on October 31, 2019 can use June 2019 supplement
  - All reports issued after October 31, 2019 must use August 2019 supplement
- Document, Document, Document!

## August 2019 CS (cont)

- GAQC 2019 Supplement Tool
  - Guide for corrections and changes made from June to August supplement
  - Also has comments to help understand changes made from a high level



## August 2019 CS (cont)

- Still errors!
  - Find one, contact NSAC to report and for advice
  - Include this communication in audit wps to document why you did what you did

## August 2019 CS (conclusion)

- Link to the August 2019 supplement
  - [https://www.whitehouse.gov/wp-content/uploads/2019/09/2-CFR\\_Part-200\\_Appendix-XI\\_Compliance-Supplement\\_August-2019\\_FINAL\\_v2\\_09.19.19.pdf](https://www.whitehouse.gov/wp-content/uploads/2019/09/2-CFR_Part-200_Appendix-XI_Compliance-Supplement_August-2019_FINAL_v2_09.19.19.pdf)
- GAQC link
  - <https://www.aicpa.org/interestareas/governmentauditquality/resources/singleaudit/2019-omb-compliance-supplement.html>

# Changes – 2018 vs 2019 CS

## Changes – 2018 vs 2019 CS

- Appendix V in 2019 Compliance Supplement
  - Documents what changed from 2018
  - Does list applicable changes by specific CFDA number, but at a high level

# Changes – 2018 vs 2019 CS

- Pick 6
- Meaning of “Y” and “N”
- Parts 2, 3, and 4
- Part 6

## Pick 6

- OMB required each agency to limit areas subject to audit to max of 6 areas
  - Some have less than 6!
- Exceptions:
  - R&D can have 7
  - Areas A and B are counted as one
  - CFDA number not in Part 2

## Pick 6 (cont)

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

## Pick 6 (conclusion)

- It is great!
- Agencies can rotate which 6 they select as audit areas



# Meaning of the “Y”s and “N”s

2018

- Y {
- Area applies to program
- N {
- Area does not apply to program

2019

- Y {
- Area subject to audit
- N {
- Area not subject to audit

# Meaning of the “Y”s and “N”s

- Still have D&M assessment
- What if it was D&M and “Y” in the prior year but is now “N”?
  - You do not need to test for compliance purposes but...

## Parts 2, 3, and 4

- Significant changes for Parts 2 and 4! See Pick 6 and Meaning of “Y” and “N” slides
- AND READ THEM FOR YOU CFDA NUMBERS!
- Main changes to Part 3 were for Procurement

## Part 6 – Internal Control

- Summary of UG internal control requirements
- Updated to be more in line with how auditors consider internal control
- Illustrations in Appendices for internal controls

# Procurement

# Procurement

- Effective now!
  - 1/1/18 for 12/31 year ends
  - 7/1/18 for 6/30 year ends
- ...but there is confusion about the limits

## Procurement (cont)

- Micro-purchase
  - Anything under \$3,000 originally
- Small purchase
  - Anything under Simplified Acquisition Threshold (SAT) which is currently codified as \$150,000
- Sealed bids
- Competitive proposals
- Sole source

## Procurement Confusion (cont)

- NDAA in 2017 revised micro-purchase threshold to \$10,000 for covered entities
  - Covered entities – institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes
  - But not codified in the Federal Acquisition Regulations (FAR)



## Procurement Confusion (cont)

- NDAA in 2018:
  - Micro-purchase to \$10,000 for all entities
  - Simplified Acquisition Threshold to \$250,000 for all entities
  - But not codified in the FAR

## Procurement Confusion (cont)

- Memorandum M-18-18
  - Issued to address confusion over effective date of threshold increase
  - But there was still confusion
- Appendix VII (in August 2019 supplement)

## Appendix VII

- No audit findings for covered entities that have implemented the increased micro-purchase threshold after December 23, 2016 as long as the entity documented the decision in its internal procurement policies
- Relates to 2017 NDAA

## Appendix VII (cont)

- No audit findings for entities that have implemented the increased micro-purchase and/or simplified acquisition thresholds after June 20, 2018 as long as the entity documented the decision in its internal procurement policies
- Relates to 2018 NDAA
- So make sure you document!

# Procurement Confusion (conclusion)

- Proposed Final Rule to end confusion
- But for now –
  - Use section 3.2.1 “Procurement and Suspension and Debarment” and Appendix VII
  - And document!

# Questions?

# Resources

- AICPA Webinar – Single Audit Lightning Round
- August 2019, June 2019, April 2018, and April 2017 compliance supplements

# Questions? Contact Me!



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