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Federal Frequently Asked Questions (FAQs) *Updated July 2026*

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The following FAQs have been updated for the 2024 Revisions to the Uniform Guidance (UG).

Risk Assessments

1. I have a low-risk type A program, and I need to meet my “percentage of coverage” rule (20% for low-risk auditee, 40% for not-low-risk auditee). Must I substitute a high-risk type B program for the low-risk type A program? Must I risk analyze the type B programs?
Answer: The high-risk type B program must be audited as a major program. 2 Code of Federal Regulations (CFR) § 200.518(e) requires auditors to audit the following as major programs:
 - All type B programs identified as high-risk,
 - All type A programs identified as not-low-risk, and
 - Any additional programs necessary to comply with the percentage of coverage rule.

Regardless of the “percentage of coverage” threshold, auditors must risk analyze type B programs until they identify 25% of the number of low-risk type A programs, then stop. If auditors continue to risk analyze and identify more high-risk type B programs, they will be required to audit them all as major programs. There could be situations where there aren't enough high-risk type B programs to reach the number of high-risk type B programs required to be analyzed (25% of low-risk type A programs). Auditors do not need to risk analyze type B programs below the minimum dollar amount calculated for the type B risk analysis threshold. 2 CFR § 200.518(d)(2) explains that the auditor is not expected to perform risk assessments on relatively small Federal programs and only requires auditors to perform risk assessments on type B programs that exceed 25% of the type A threshold.

2. If an entity has two low-risk type A programs, one not-low-risk type A program, and seven high-risk type B programs below the calculated type B risk analysis threshold (25% of the type A threshold), what must be audited as major?

Answer: See also the answer to the FAQ immediately above. Auditors should not risk analyze all type B programs. Auditors must risk analyze type B programs with expenditures above the calculated type B risk analysis threshold until they identify 25% of the number of low-risk type A programs, then stop. If auditors continue to risk analyze and identify more high-risk type B programs, they will be required to audit them all as major programs.

In this example, the auditor should not have determined that there are high-risk type B programs, because auditors need not risk analyze type B programs with expenditures below the calculated type B risk analysis threshold. However, since the type B programs were analyzed and determined to be high-risk, the auditor must audit the not-low-risk type A program and all seven high-risk type B programs. If the expenditures for those programs do not meet the percentage of coverage (20% or 40%) rule, the auditor could choose any additional type A or type B programs to achieve the required percentage of coverage.

Had the auditor not risk assessed the type B programs below the calculated type B risk analysis threshold, and assuming the not-low-risk type A program did not achieve the percentage of coverage (20% or 40%) rule, the auditor could choose any additional type A or type B programs to obtain the 20% or 40% coverage required.

3. Has the Office of Management and Budget (OMB) designated any higher risk programs?

Answer: Programs designated as higher risk are listed in Part 8, Appendix IV of the OMB Compliance Supplement. Auditors should review Part 8, Appendix IV of the applicable OMB Compliance Supplement for a list of programs designated as higher risk. This list is also included in the Higher Risk Programs tab of the Record of Single Audit Risk and Major Program Determination (RSAR). Auditors should note that a higher risk designation does not automatically make the program high-risk.

An auditor is not precluded from determining that a higher-risk designated program qualifies as a low-risk type A program if both of the following criteria are met:

- (1) The program otherwise meets the criteria for a low-risk type A program and
- (2) The percentage of COVID-19 or Infrastructure Investment and Jobs Act (IIJA) funding in the program or cluster is not material to the program or cluster as a whole.

For example, the Coronavirus State and Local Fiscal Recovery Fund (Assistance Listing Number 21.027) is listed as a higher risk program in Part 8 of the 2024 OMB Compliance Supplement and is fully funded by COVID-19 funding. If the program is being risk assessed as a type A program, it must be determined to be a high-risk type A program in the major program determination.

For type B programs designated as higher risk, auditors must consider the higher risk designation with other type B assessment factors when determining whether type B programs are low-risk or high-risk.

Additionally, if the federal government sends notification to the auditee that the program should be considered not-low-risk (not just higher risk), auditors must evaluate the program as high-risk.

Program Clusters

1. Who can “cluster” programs?

Answer: Each federal agency has primary responsibility for designating clusters within their agency. The OMB Compliance Supplement includes a section (Part 5) describing approved clusters. State pass-through entities can also designate clusters if they notify their recipients of the federal awards included in the cluster and provide them with the applicable compliance requirements. No other entity is permitted to create program clusters, including the Auditor of State. The Center for Audit Excellence (CFAE) posts the listing of Federal program clusters from Part 5 of the OMB Compliance Supplement on the Intranet.

2. If a group of programs is “clustered,” is it considered one program for risk assessments, documenting and testing control procedures, and testing compliance?

Answer: Yes. However, auditors may find that the programs in the cluster have differing systems and procedures. The auditor must exercise judgment in determining what is significant enough to document and test for a cluster. If there is any doubt, Auditor of State (AOS) employees should submit a ticket to the Federal specialty in Happy Fox.

3. Must auditors select transactions from each program in a cluster to test?

Answer: Per the American Institute of Certified Public Accountants (AICPA)’s *Single Audit Guide*:

“When sampling involves a cluster of programs, the auditor should consider whether, in the auditor’s judgment, sufficient appropriate audit evidence has been gathered for the types of compliance requirements subject to audit that are direct and material relating to the clustered programs as a whole. Random or haphazard selection of sample items from the cluster generally would be expected to provide a representative sample.”

If auditors determine that a particular program within a cluster is immaterial and therefore exclude that program from the population subject to sampling, the auditors should consider

the untested portion of the population when evaluating errors (AOS auditors refer to Auditor of State Audit Manual (AOSAM) 35900, Appendix A).

For example, assume the Special Education Cluster is determined to be a major program and federal materiality is 5%. Assistance Listing (AL) Number 84.027 Special Education – Grants to States (IDEA, Part B) expenditures make up 97% of the total expenditures for the Special Education Cluster and AL Number 84.173 Special Education – Preschool Grants (IDEA Preschool) expenditures make up 3% of the total expenditures for the Special Education Cluster. The auditor may choose to exclude AL Number 84.173 expenditures from the population subject to sampling because the programmatic expenditures are immaterial to the Special Education Cluster expenditures as a whole. In this example, the untested 3% of the population should be considered when evaluating any noncompliance identified. This means that auditors only have room for a 2% error in identified noncompliance before crossing the 5% materiality threshold.

Federal Award Compliance and Control Records (FACCRs)

1. Can auditors use dual testing for control and compliance when the population contains transactions from different sources or different types of funding (both regular and COVID funding, both direct and pass-through funding, etcetera)?

Answer: In general, auditors can use dual testing, but if the auditor determines that a separate control sample is required, dual testing will not be sufficient. AOS auditors should follow the AOSAM 30500.87 and 35900.70-.71 guidance for dual testing.

2. How do I know if a FACCR is available for my program?

Answer: AOS auditors should refer to the “FACCR Database” in the FACCRs folder of the Intranet for a list of available FACCRs. The Database contains the following tabs:

- FACCRs on Intranet – These are FACCRs prepared annually by CFAE. They are available in the FACCRs folder of the Intranet.
- FACCRs Available from CFAE – These are FACCRs that have been written by staff auditors and are available upon request via the Federal Specialty in Happy Fox.
- Other FACCRs In Process – These are FACCRs that are currently being written by staff auditors and will be available upon request via the Federal Specialty in Happy Fox when they are completed and reviewed by CFAE.

Independent Public Accountants (IPAs) should refer to the IPA Portal.

Schedule of Expenditures of Federal Awards (SEFA)

1. Under the Uniform Guidance (UG), the SEFA is required to include the amount passed-through to subrecipients for each federal program in a separate column. Are those same dollars also included in the total federal expenditures column?

Answer: Yes, the amount provided to subrecipients should be included in both columns. 2 CFR § 200.510(b)(4) requires the SEFA to include the total amount provided to subrecipients from each Federal program and 2 CFR § 200.510(b)(3) requires the SEFA to include the total Federal awards expended for each individual Federal program.

2. If an entity does not have any subrecipients, are they still required to present the subrecipient column on the SEFA?

Answer: No, if an entity does not have any subrecipients, they do not have to present the column on the SEFA. However, if the entity were to include the column with zeros presented, auditors would not require this column to be removed since it is the entity's schedule.

3. Can the Construction Management Reporting System (CMRS) Payment report be used to determine federal payments for Ohio Department of Transportation (ODOT) programs?

Answer: No. There is a Capital Program Payments Report available from ODOT's Construction Management Reporting System (CMRS), which can be used to confirm State of Ohio Warrant Dates. This report does provide detail regarding the type of funds disbursed by ODOT: Federal, State, Other, and Bond is identified in the payment coding. Therefore, this report can be used to verify the disbursement of specific federal funds amounts. However, there is no coding available to identify which entity, the local government or ODOT, is responsible for SEFA reporting of the federal funds payment lines. This issue is one of the primary reasons for the Notice which appears on page one of the reports. A different source document from the entity must be used to confirm the federal funds portion of the payment, which is the entity's reporting responsibility. Refer to the SEFA Completeness Guide on the [Single Audit Practice Aids & Audit Report Shells](#) page of the AOS website for further information.

4. What are some of the reporting issues that have been noted during recent reviews?

Answer:

- SEFA
 - o Separate column to present funds passed through to subrecipients not included on the SEFA.
- Notes to the SEFA
 - o Failure to include required disclosure indicating whether or not the entity elected to use the de minimis indirect cost rate. This disclosure must be included even if the de minimis indirect cost rate is not used by the entity.
 - o Failure to identify loan balances outstanding at the end of the audit period in the notes for loan and loan guarantees.

5. If the client does not believe they will be a single audit, should they still confirm their federal expenditures with ODOT?

Answer: Yes. Even if a client is not subject to a single audit, the ODOT confirmation is vital to ensure on-behalf payments are properly posted in the financial statements. AOS auditors must, and independent public accountant (IPA) auditors are strongly encouraged to, request that the client send a confirmation request to ODOT to confirm the client's reported expenditures. Refer to the SEFA Completeness Guide on the [Single Audit Practice Aids & Audit Report Shells](#) page of the AOS website for further information, including links to detailed instructions clients must follow to confirm ODOT expenditures.

6. 2 CFR § 200.510(b)(1) states that for clusters of programs, the SEFA must, “provide the cluster name, list individual Federal programs within the cluster, and provide the Federal agency name and the applicable Assistance Listing number(s).” If a non-Federal entity has incurred expenditures under only one program within a cluster of programs, must the auditee still identify the expenditure as being a part of cluster of programs and provide the cluster name on the schedule of expenditures of Federal awards?

Answer: Yes. 2 CFR § 200.510(b)(1) requires the name of the cluster of programs to be provided on the SEFA, regardless of whether the expenditures were incurred under only one program or multiple programs within the cluster.

7. For the Child Nutrition Cluster, if federal receipts exceed total food service expenditures, what expenditures should be reported on the SEFA? How should any excess receipts be handled; do they need to be carried to the next fiscal year and reported on subsequent SEFA(s)?

Answer: Due in large part to the impact of the COVID-19 pandemic, some schools may have had federal receipts in excess of total food service expenditures for fiscal years 2020, 2021, and/or 2022. Reported SEFA expenditures are limited to actual expenditures plus commodities. Clients and auditors should track the receipts carried into the subsequent fiscal year and report on the subsequent SEFA accordingly until all carryover funding has been reported.

Reporting

1. The auditee does not have formal written policies in place as required by the Uniform Guidance. Do auditors automatically have to issue an internal control deficiency (a significant deficiency or material weakness) and material noncompliance in the audit report?

Answer: The absence of a policy does not indicate a sweeping lack of controls over program compliance or necessarily result in material noncompliance regarding a particular compliance requirement. Compliance requirements involve many elements. Therefore, while auditors typically use a written policy as the basis for the compliance control, auditors should focus on assessing actual practices at the entity to ensure compliance.

If there is another basis for an effectively operating control over the compliance requirement, and there are few or no exceptions found in compliance testing over the program requirements, then the lack of a policy generally will not result in a report-level internal control deficiency (a significant deficiency or material weakness) and material noncompliance. In most cases, it will be reported as a control deficiency and noncompliance in a Management Letter; however, auditors will need to evaluate each year to determine if the comment should be elevated if written policies have not been adopted.

Formal written policies required by the Uniform Guidance (UG) are summarized in the table below.

FACCR Section	Written Policy Requirements
Cash Management	To implement the requirements outlined in 2 CFR § 200.305. (2 CFR § 200.302(b)(6)).
Allowable Costs and Cost Principles	- For determining the allowability of costs in accordance with Subpart E <i>Cost Principles</i> and the terms and conditions of the Federal award (2 CFR § 200.302(b)(7)). - For allowability of compensation costs (2 CFR § 200.430). - Leave policies (2 CFR § 200.431). - For reimbursement of relocation costs (2 CFR § 200.464(a)(2)). - For travel reimbursements (2 CFR § 200.475).
Procurement and Suspension and Debarment	- For employee conflicts of interest (2 CFR § 200.318(c)(1)). - For organizational conflicts of interest (2 CFR § 200.318(c)(2)). - For conducting technical evaluations of proposals received and making selections (2 CFR § 200.320(b)(2)). - For minimum evaluation criteria for bids and proposals (2 CFR § 200.319(d)).

2. How do I begin a compliance citation if agencies have codified 2 CFR Part 200?

Answer: Refer to the *Agency Adoption of the UG and Example Citations* section at the beginning of each FACCR which provides a detailed narrative about agency codification of 2 CFR Part 200, a list of exceptions or additions to the UG included in the agency codification, and an explanation of how to appropriately cite noncompliance, including a few citation examples.

3. Can an auditee fulfill its responsibility (described in 2 CFR § 200.511 *Audit findings follow-up*) to prepare a summary schedule of prior audit findings and a corrective action plan for current year audit findings by having its auditor prepare these documents?

Answer: No. An auditor must be independent of the auditee. 2 CFR § 200.511 states that the auditee must prepare the summary schedule of prior audit findings and the corrective action plan. Therefore, the auditor should not prepare these documents for the auditee.

Also, according to 2 CFR § 200.511(c), the auditee must prepare the corrective action plan in a document that is separate from the auditor's findings. Therefore, an auditee may not simply reference the "views of responsible officials" section of the findings to fulfill its responsibility for the preparation of a corrective action plan.

The corrective action plan must provide the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date. If the

auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation of the reasons.

4. What are some of the reporting issues that have been noted during recent reviews?

Answer:

- Summary of Auditor's Results
 - o When a cluster was tested as a major program, auditors included program names and Assistance Listing numbers for individual programs in the list of major programs within the Summary of Auditor's Results section of the Schedule of Findings. If a cluster is tested, only the name of the cluster is required to be included in the list of major programs; the individual program names and Assistance Listing numbers are not required to be listed.
- Comments
 - o Failure to identify if a comment is repeated from the immediately prior audit and, if so, include the finding number.
 - o Failure to report a questioned cost when unallowable costs are identified which exceed the questioned cost threshold.
- Schedule of Findings
 - o For regulatory basis entities, failure to indicate, "Adverse under Generally Accepted Accounting Principles (GAAP), unmodified under the regulatory basis" in the Type of Financial Statement Opinion section of the Schedule of Findings.
- Summary of Prior Audit Findings
 - o Failure to include Generally Accepted Government Auditing Standards (GAGAS) findings and a description of reasons for the findings' reoccurrence.
- Corrective Action Plan (CAP)
 - o Failure to include GAGAS findings.

5. The entity received and expended a \$24,999 federal grant on unallowable costs. Because this amount is less than \$25,000, do auditors report questioned costs?

Answer: No, but the expenditures may be reported as a "Finding for Recovery" and there may be control deficiencies and noncompliance reported for the unallowable costs. If none of these apply and the noncompliance is immaterial, then the matter generally would be reported in the management letter. There would not be a projected questioned cost exceeding \$25,000 in this example, because the entire award was only \$24,999.

6. When is a corrective action plan (CAP) required?

Answer: A CAP is required by 2 CFR § 200.511(c) to be submitted by the auditee to the Federal Audit Clearinghouse and to any pass-through entity (PTE) for which there were findings or questioned costs in the current audit report. The CAP is due to those entities within 30 days of receipt of the reports from AOS or the IPA. If the audit report reflects no findings or questioned costs, then a CAP is not required. Note that the CAP must address all findings (including GAGAS and Single Audit Findings).

7. When is a Summary Schedule of Prior Audit Findings and Questioned Costs required?

Answer: The auditee must prepare a Summary Schedule of Prior Findings and Questioned Costs (Schedule) before the current single audit is completed. The auditor must review this Schedule to determine if it materially misrepresents the status of any prior audit finding (2 CFR § 200.514(e)). If the Schedule is not completed, is incomplete, or materially misrepresents the status of a prior audit finding, then the auditor is required to report those matters as a current finding in the Schedule of Findings and Questioned Costs. The auditee must include all prior year single audit and GAGAS findings in the Summary Schedule of Prior Audit Findings and Questioned Costs.

8. For auditees required to submit their audit report within six months of year-end to retain accreditation status with the Accrediting Commission of Career Schools and Colleges (ACCSC), is the single audit required to be completed within six months of year-end or just the financial statement audit?

Answer: The ACCSC only requires the audited financial statements to be submitted within six months of year-end, the single audit is not required to be completed at that time.

The ACCSC accredits postsecondary, non-degree-granting institutions and degree-granting institutions, including those granting associate, baccalaureate, and master's degrees that are predominantly organized to educate students in career-oriented areas of study to include institutions that offer distance education. Auditors should confirm with auditees (including career tech centers and joint-vocational school districts) whether they are accredited by the ACCSC and therefore subject to the six-month deadline.

Note that the Council on Occupational Education (COE) offers accreditation which may be obtained by post-secondary occupational institutions that offer certificate, diploma, or applied associate degree programs. COE agencies audited by the Auditor of State are public agencies and therefore not required to submit audited financials; however, they are required to satisfy certain objectives for fiscal stability which may be satisfied with financial statements. COE-accredited agencies are also not required to submit a single audit letter for accreditation purposes.

Data Collection Form (DCF)

1. The Data Collection Form requires pass-through grant information. What do I enter if there is no pass-through identifying number?

Answer: Per the Federal Audit Clearinghouse (FAC) [Standard Form \(SF\)-SAC Section 1: Federal Awards Instructions](#):

"If the award didn't come directly from a Federal awarding agency, enter the identifying number assigned by the pass-through entity. If there isn't an identifying number assigned by the pass-through entity, leave this field blank."

The FAC has indicated their preference is for the pass-through information on the DCF to mirror what is presented on the SEFA.

2. What option should auditors select for the first question in the Financial Statements section of the Audit Information screen when the auditee does not prepare their financial statements in accordance with GAAP?

Answer: For audits prepared under the AOS regulatory basis or Other Comprehensive Basis of Accounting (OCBOA) (including modified cash) basis, the auditor should select "Financial statements were not prepared in accordance with GAAP but were prepared in accordance with a special purpose framework."

For additional guidance, refer to the FAC [Submission Guide](#).

3. Do all audit findings including both GAGAS and Single Audit findings need to be reported on the DCF?

Answer: No, only Single Audit findings are reported on the DCF.

Audit Costs

1. Can a client charge audit costs, including costs associated with Agreed-Upon Procedures for monitoring subrecipients, to the federal program?

Answer: The Auditor of State releases an annual Bulletin entitled "Hourly Billing Rates and Allocation of Audit Costs" which addresses what funds may be charged for various audit costs, including those associated with audits required by, and performed in accordance with, the Single Audit Act. Please refer to the most recent Bulletin, which can be found on the [Ohio Auditor of State Website](#).

Allowable Costs and Cost Principles

1. Is there a requirement for a grantee to get approval from the cognizant agency for indirect costs when it wants to institute new methodologies for documenting personnel costs as defined in 2 CFR § 200.430(g)(1)?

Answer: No, as long as the new methodology meets the standards identified in 2 CFR § 200.430(g)(1), the entity is not required to obtain approval from its cognizant agency.

Procurement

1. The UG requires entities to have written procurement procedures. Can the policy just say they are going to follow all UG procurement procedures? Does this policy have to be Board approved?

Answer: Based on requirements identified in 2 CFR § 200.318-200.327, entities must have a written method or written procedures for procurement. These procedures must be written specifically for the entity and not just a blanket statement regarding following all UG procurement requirements. In addition, the statutes require the written procedures and do not indicate how they are to be established. How to create and adopt the written methods will be an internal discussion.

2. What are the Procurement Thresholds and requirements?

Answer: The procurement procedures and requirements apply to all purchases made with federal funds, including purchases through a co-op or another entity. The methods of procurement are as follows:

1. Micro-purchase

- Aggregated dollar amount not to exceed \$15,000 unless certain requirements are met as described in 2 CFR § 200.320(a)(1)(iv) and (v) allowing an increase up to and in excess of \$50,000.
- Entity must consider whether the price is reasonable based on research, experience, purchase history, or other information.
- Entity must distribute purchases equitably among qualified suppliers.

2. Simplified Acquisitions

- Aggregate dollar amount exceeds micro purchase amount but does not exceed the simplified acquisition threshold determined by the entity (not to exceed the \$350,000 threshold established in the Federal Acquisition Regulation (FAR)).
- Entity must obtain and document price or rate quotations from an adequate number of qualified sources (one is not considered adequate). The recipient or subrecipient may exercise judgment in determining what number is adequate. AOS typically uses three as an “adequate number.”

3. Sealed bids

- Procurement in excess of the simplified acquisition threshold that lends itself to a firm fixed-price contract and selection of the successful bidder can be made principally on the basis of price (for example, construction-type contracts).
- Publicly solicited from an adequate number of sources and awarded to the lowest responsive and responsible bidder.

4. Competitive proposals

- Purchases greater than simplified acquisition threshold when conditions are not appropriate for the use of sealed bids.
- Proposals must be solicited from an adequate number of qualified sources and the entity must have a written method for evaluating the proposals.

5. Noncompetitive procurement

- Entities may use this method if:
 - o The total purchase price does not exceed the micro-purchase threshold;
 - o The item is only available from a single source;
 - o The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;
 - o The federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from, the entity; or
 - o After solicitation of a number of sources, competition is determined inadequate.
- If using this method, entities should ensure that documentation is retained for audit to support the determination that a noncompetitive procurement was appropriate.

3. Does the suspension and debarment requirement in 2 CFR Part 180 apply only to Federal suspended and debarred parties?

Answer: Yes. An entity listed on a state or other suspended or debarred list may present certain risks, but the requirement in 2 CFR Part 180 applies only to entities appearing on the Federal list.

4. Do auditors need to determine if the parties an auditee contracted with are on the suspended or debarred listing?

Answer: There is no requirement for the auditor to determine that, at the time the contract was entered into, the contractor was on that listing. The requirement is to determine if the auditee has sufficient controls and procedures in place to verify they do not do business with persons and businesses which are excluded or disqualified.

5. To what types of transactions do suspension and debarment requirements apply?

Answer: Suspension and debarment requirements apply to covered transactions as defined in 2 CFR Part 180 Subpart B. 2 CFR § 180.200 defines a covered transaction as a nonprocurement or procurement transaction that is subject to the prohibitions of 2 CFR Part 180. Refer to 2 CFR § 180.210, 180.215, and 180.220, respectively, for guidance on which nonprocurement transactions are covered transactions, which nonprocurement transactions are not covered transactions, and which procurement contracts are covered transactions.

Auditors and auditees should also review the Federal agency adoption of the suspension and debarment requirements as well as the specific terms and conditions in the grant agreement to verify which transactions are considered covered transactions for a particular grant.

6. Do suspension and debarment requirements apply to Federal program purchases of textbooks at a school district?

Answer: The purchase is not an exception listed in 2 CFR Part 180 Subpart B so suspension and debarment requirements generally apply. However, auditors and auditees should review the Federal agency adoption of the suspension and debarment requirements as well as the specific terms and conditions in the grant agreement to verify whether the purchase of textbooks is considered a covered transaction for the grant used to purchase the textbooks.

7. Procurement is marked as a non-monetary section in the FACCRs, how does that impact testing?

Answer: Because procurement is a non-monetary section, it must be tested separately from those sections which are marked as monetary (for instance, sections A and B). AOS auditors must select 'non-monetary' at the top of the sample documentation form when completing it for procurement testing. If AOS auditors believe the determination of nonmonetary for procurement should be updated based on entity-specific facts and circumstances, they must consult with CFAE via the Federal specialty in Happy Fox.

Determining Direct and Material Compliance Requirements for Major Programs

1. If auditors determine that non-payroll expenditures are immaterial to a major Federal program and choose to exclude non-payroll expenditures from testing for monetary compliance requirements A:

Activities Allowed or Unallowed, B: Allowable Costs and Cost Principles and H: Period of Performance, should auditors also mark related non-monetary compliance requirements such as I: Procurement and Suspension and Debarment as not applicable? For example, assume the Special Education Cluster is determined to be a major program and Federal materiality is 5%. Payroll expenditures make up 97% of the total expenditures for the Special Education Cluster and non-payroll expenditures make up 3% of the total expenditures for the Special Education Cluster.

Answer: Auditors are generally able to mark a compliance requirement as not applicable (even if it's a Pick 6 requirement per the OMB Compliance Supplement) if it's determined to not be direct and material to the entity. In other words, a compliance requirement marked as applicable in the OMB Compliance Supplement may not apply at a particular entity because that entity does not have activity subject to that type of compliance requirement or the activity could not have a direct and material effect on the major program. Auditors must document the basis for the determination in the working papers when a requirement is determined to not be applicable at a particular entity. When making that determination, all parts of the compliance requirement must be considered. Additionally, if auditors determine that a portion of a population is immaterial and exclude it from the population subject to testing, auditors must consider the untested portion of the population when evaluating any noncompliance identified. This effectively reduces the allowance for identified noncompliance before crossing the materiality threshold for a given direct and material compliance requirement.

For the example provided above, auditors would need to document why Compliance Requirement I: Procurement and Suspension and Debarment is not applicable given the audit-specific facts and circumstances. Within compliance requirement I., auditors test both procurement requirements (applies when goods and services are procured) and suspension and debarment requirements (applies to certain procurements and all subawards). The documentation on why the compliance requirement is not applicable to the entity must address both parts of the compliance requirement.

Remember, in the example above, the untested 3% of the population should be considered when evaluating any noncompliance identified. This means that auditors only have room for a 2% error in identified noncompliance before crossing the 5% materiality threshold for a given direct and material compliance requirement.

Ohio Department of Education and Workforce (DEW) Grants

1. Where can auditors get a copy of an Ohio Department of Education and Workforce (DEW) External Monitoring review that has been completed for a client?

Answer: DEW utilizes the Compliance Tracking System to complete their monitoring reviews, which includes the final monitoring reports that are released. School districts are notified when the review is completed and the report is available for them to view through the Compliance System that resides behind Secure Application for Enterprise (SAFE).

Sampling

1. If a particular control or compliance attribute isn't applicable to an item pulled in a sample, what are the implications to testing?

Answer: Sample sizes for Federal testing can be found within Chapter 11 of the AICPA *Single Audit* Guide (and AOSAM 35900 for AOS auditors) and a response of 'not applicable' means that the attributes weren't tested the requisite number of times. As such, and in accordance with Chapter 3 of the AICPA *Sampling* Guide, if an attribute is marked as not applicable, the auditor must pull another item to test that attribute to ensure that each attribute is tested the required number of times.

There may be instances in which a particular compliance requirement as a whole is not applicable for a given entity. In those situations, auditors should clearly document how they determined the requirement was not applicable.

AOS auditors can refer to the Sampling Frequently Asked Questions (FAQs) on the Intranet.