

**OGAM ACTION TRANSMITTAL
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Office of Grants and Acquisition Management (OGAM)
Office of the Assistant Secretary for Management and Budget
Room 517D - Hubert H. Humphrey Building
200 Independence Ave. S.W.
Washington, D.C. 20201**

ACTION TRANSMITTAL - EXTERNAL

Transmittal No. : OGAM AT 2000-2

Date: November 15, 1999

TO: HHS Grantees and HHS Awarding Agencies

SUBJECT: Late Audit Reports

OMB REFERENCE,

REGULATION: OMB Circular A-133; 45CFR74; and 45CFR92

APPLICABILITY: HHS Grantees receiving the majority of their Federal funding from HHS
and HHS Awarding Agencies

EFFECTIVE DATE: Upon Issuance

PURPOSE AND BACKGROUND: OMB Circular A-133 (Audits of States, Local Governments and Non-Profit Organizations) requires recipients of Federal financial assistance who expend \$300,000 or more in a year in Federal awards to have a single audit conducted. The audit must be submitted to the Federal Audit Clearinghouse at the Bureau of the Census within 9 months of the close of their fiscal year beginning on/or after July 1, 1998. Previously, organizations that received \$25,000 or more were required to submit audits within 13 months of the close of their fiscal year, to each Federal Department or Agency that provided Federal assistance. The Circular provides for sanctions in cases of continued inability or unwillingness to have an audit conducted in accordance with the Circular. HHS regulations 45CFR74.14 and 45CFR92.12 address special award/grant conditions which may be imposed if a recipient has not conformed to the terms and conditions of previous awards. The purpose of this OGAM Action Transmittal is to establish a consistent approach for application of sanctions to delinquent recipients by all of the HHS Awarding Agencies.

ACTION: HHS regulations provide for the application of reasonable safeguards to ensure that Federal funds are appropriately spent in the absence of an audit providing information on a grantees financial stability, adequacy of its management and internal control systems and adequacy of its compliance with program requirements. Sanctions that may be applied to grantees considered delinquent for non-submission of an audit report include at a minimum:

I. OMB Circular A-133:

- A. Withholding a percentage of Federal awards until the audit is completed satisfactorily
- B. Withholding or disallowing overhead costs
- C. Suspending Federal awards until the audit is conducted, or
- D. Terminating the Federal award.

II. HHS Regulations:

- A. Converting the grantee to the reimbursement method of payment
- B. Withholding further grant payments on current grants
- C. Withholding additional support for the grant, and
- D. Withholding the award of other discretionary grants to the grantee.

Recipients found to be delinquent in submission of their audit report, after notification by HHS Awarding Agencies, will have a sanction applied by the HHS Awarding Agency providing the majority of financial assistance. This primary HHS Awarding Agency shall notify the recipient in writing of the sanction(s) to be applied, their duration and effect, and the actions the recipient must take to have the sanction(s) removed. Sanctions of increasing severity may be applied by the primary HHS Awarding Agency as a specific delinquency continues to exist. All other HHS Awarding Agencies will comply with the requirements of the sanction(s) applied by the primary HHS Awarding Agency, except to the extent of conflict with law or regulation.

AUTHORIZING OFFICIAL:

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