

**UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND
REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION
WASHINGTON, DC 20202**

INFORMATION MEMORANDUM
RSA-IM-01-05
DATE: October 26, 2000

ADDRESSEES: STATE VOCATIONAL REHABILITATION AGENCIES (GENERAL)
STATE VOCATIONAL REHABILITATION AGENCIES (BLIND)
CLIENT ASSISTANCE PROGRAMS
PROTECTION AND ADVOCACY OF INDIVIDUAL RIGHTS
PROGRAMS
REGIONAL REHABILITATION CONTINUING EDUCATION
PROGRAMS
RSA SENIOR MANAGEMENT TEAM

SUBJECT: OMB CIRCULAR NO. A-133, AUDITS OF STATES, LOCAL
GOVERNMENTS, NON-PROFIT ORGANIZATIONS, AND
INSTITUTIONS OF HIGHER EDUCATION: AUDIT COVERAGE OF
RSA PROGRAMS.

CONTENT: The purpose of this issuance is to inform RSA grantees of significant
changes to the Single Audit Act and emphasize recipient responsibility in
implementing the revised Office of Management and Budget (OMB)
Circular A-133.

Purpose of Revised OMB Circular A-133

Circular A-133 is issued pursuant to the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156. It sets forth standards for obtaining consistency and uniformity among Federal agencies for audits of States, local governments, and non-profit organizations expending Federal awards. Probably the most significant difference between the revised Circular A-133 and the previous A-133 is the inclusion of State and local governments in the revised A-133.

Rescission and Supersession

This Circular rescinds Circular A-128, “Audits of State and Local Governments,” issued April 12, 1985, and supersedes the prior Circular A-133, “Audits of Institutions of Higher Education and Other Non-profit Institutions,” issued April 22, 1996.

RSA Recipient and Sub-Recipients

OMB Circular A-133 establishes a single audit requirement of States, Local Governments, Institutions of Higher Education and other non-profit institutions, which are recipients, or sub-recipients of Federal awards. Consistent with the Rehabilitation Act of 1973, as amended, and in accordance with audit coverage required by OMB Circular A-133, the definitions of RSA recipient and RSA sub-recipient are as follows:

1. RSA Recipient: Under Circular A-133, a recipient is a non-Federal entity that expends Federal awards received directly from a Federal awarding agency to carry out a Federal program. Rehabilitation Act recipients under Circular A-133 would include a State VR agency, an Independent Living Center, a State agency or non-profit institution that receives Client Assistance and Protection and Advocacy for Individual Rights funds, as well as an Institution of Higher Education.
2. RSA Sub-recipient: Under Circular A-133, a sub-recipient is a non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program. A sub-recipient may also be a recipient of other Federal awards directly from a Federal awarding agency. Guidance on distinguishing between a sub-recipient and a vendor is provided in §.210 in the Circular. Rehabilitation Act sub-recipients under Circular A-133 would include non-profit institutions that receive Title VII – Independent Living Services and Centers for Independent Living grants from a State vocational rehabilitation agency to provide independent living services under the State Plan approved under Section 704 of the Act or Section 723.

Significant Changes in Revised OMB CIRCULAR A-133 from OMB Circular A-128

- The threshold that triggers an audit requirement under the Circular increases from \$25,000 to \$300,000. Non-Federal entities that expend \$300,000 or more in a year in Federal awards shall have a single or program-specific audit. The \$300,000 threshold is for expenditures and not for Federal funds received. Non-Federal entities that expend less than \$300,000 a year in Federal awards are exempt from Federal audit

requirements for the year. However, records must be available for review or audit by appropriate officials even if expenditures are less than \$300,000.

- The basis for the determination of major programs has changed. The auditor will use a risk-based approach to determine which Federal programs are major programs. The risk-based approach will include consideration of current and prior audit experience, oversight by Federal agencies and pass-through entities, and the inherent risk of the Federal program.
- The method of determining the cognizant agency for the audit has been modified. Recipients expending more than \$25 million a year in Federal awards will have a cognizant agency for audit. The designated cognizant agency for audit shall be the Federal awarding agency that provides the predominant amount of direct funding to a recipient unless OMB makes a specific cognizant agency for audit assignment and provides notice in the Federal Register.
- There are restrictions placed on auditors preparing indirect cost proposals. An auditor who prepares the indirect cost proposal or cost allocation plan may not also be selected to perform the required audit when the indirect costs recovered by the auditee during the prior year exceed one million dollars.
- The audit report must be submitted to the cognizant agency in a shorter period. The audit will be completed and submitted within nine months after the end of the audit period, unless agreement for a longer period has been reached in advance by the cognizant agency for audit. However, for fiscal years beginning on or before June 30, 1998, auditees will have 13 months after the end of the audit period to complete the audit and submit the reporting package.
- The auditee is required to use a data collection form. The auditee will complete a data collection form, which states whether the audit was completed in accordance with A-133 and provides information about the auditee, its Federal programs, and the results of the audit. This form will be available from the Federal clearinghouse designated by OMB. The auditee's chief executive officer or chief financial officer will sign a statement that the information on the form is accurate and complete.

The specific requirements and responsibilities for all RSA recipients and sub-recipients are contained in OMB Circular A-133. A copy of this document can be accessed at the OMB website at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>.

INQUIRIES: RSA Regional Commissioners

Fredric K. Schroeder, Ph.D.
Commissioner

cc: Council of State Administrators of Vocational Rehabilitation
National Association of Protection and Advocacy Systems
National Council for Independent Living
National Rehabilitation Facilities Coalition