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## Finance Administrative Requirements Single Audit

[www.fhwa.dot.gov/federal-aidessentials](http://www.fhwa.dot.gov/federal-aidessentials)

*The process and requirements of a single audit, which gives assurances that Federal grant funds are properly spent*



If your agency expends more than \$750,000 in Federal funds in any given fiscal year, you will need to conduct an annual single audit. If your agency has never taken part in a single audit, you will want to become familiar with the process and its requirements.



A single audit is an audit that's arranged by a recipient of Federal funds. The audit itself is undertaken by an independent auditor and results in a audit report. A single audit provides reasonable assurance that grant funds are being spent properly and the recipient is in compliance with Federal requirements.

Let's look at the scope of a single audit and your agency's responsibilities for assembling an audit package.

When your agency contracts for the services of an experienced and qualified auditor, typically a certified public accountant, a single audit is initiated. Your auditor will use risk-assessment principles to select the programs for audit and then follow the guidelines established in the Single Audit Compliance Supplement. This Federal government publication tells your auditor what to look at when auditing Federal Highway Administration programs.

Your auditor uses these guidelines to confirm that your agency's financial reports are fairly presented and that any prior audit findings have been resolved.



Your auditor will also review the adequacy of your agency's internal controls that safeguard assets and ensure compliance with Federal laws and regulations. For example, your auditor could look for risks due to a lack of segregation of duties and verify that an employee initiating a purchase requisition does not also have the authority to approve it.

When participating in a Federal-aid highway project for the first time, your agency may face new and unfamiliar requirements. For example, Federal-aid recipients may be required to use prevailing-wage rates when contracting for construction services, as required by the Davis-Bacon Act. Or recipients may need to demonstrate they have treated owners fairly and consistently when making real property acquisitions, as required by the Uniform Act. A qualified auditor is able to verify your agency's compliance with these and other Federal laws and regulations.

The single audit concludes with the Auditor's Report, which addresses the reliability of the financial data, adequacy of internal controls, and compliance with Federal regulations.

Within 30 days after receiving the audit report or 9 months after the end of your fiscal year, whichever comes first, your agency must provide a single audit package to the Federal Audit Clearinghouse. Typically, a copy is also sent to the State department of transportation, or State DOT.



In addition to the Auditor's Report, the audit package includes:

- Financial statements
- Schedule of Federal Expenditures
- Results of prior audits
- Corrective actions your agency plans to take as a result of the Auditor's Report

The State DOT will complete its review of your package within six months. If it concurs with the auditor's findings, the DOT will outline its expectations, including repayment of any disallowed costs, adjustment of financial statements, or other necessary corrective actions.



The single audit benefits all stakeholders of your Federal-aid transportation project. For instance:

- If your State DOT gave Federal funds to your agency, it will have confidence that the project will be audited at some point.
- The Federal agency that awarded the project receives assurance that its funds were spent as intended and in accordance with laws and regulations.
- And your agency receives the benefit of knowing its internal controls are successful in preventing waste, fraud and abuse.

For more information on the single audit and other audits that your agency may be subject to, consult 2 CFR 200 and contact your State DOT.

### Web Resources

- Link to the Audit regulations 2CFR200 Subpart F- (Section 500)  
<http://www.ecfr.gov/cgi-bin/text-idx?SID=db585c390ca99952e57f621139c9461c&mc=true&node=sp2.1.200.f&rgn=div6>
- Federal Audit Clearinghouse Web site provides audit information to Federal agencies and the public  
<http://harvester.census.gov/sac/>
- Description of free FHWA Web-based training course on single audits required by 2CFR200 Subpart F- Audits (NHI course #154049)  
[http://www.nhi.fhwa.dot.gov/training/course\\_search.aspx?tab=1&key=151049&course\\_no=151049&typ=3&res=1](http://www.nhi.fhwa.dot.gov/training/course_search.aspx?tab=1&key=151049&course_no=151049&typ=3&res=1)
- Regulations applicable to 2CFR200 Subpart E- Cost Principles (Section 400)  
<http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=a007ce2441103f7500cd18e14119dc33&mc=true&n=pt2.1.200&r=PART&ty=HTML#sp2.1.200.e>
- Regulations pertaining to uniform administrative requirements for grants and cooperative agreements to State and local governments 2CFR200 Subparts A-D (Sections 100 - 400)  
<http://www.ecfr.gov/cgi-bin/text-idx?SID=92f6d84323140c5a78ce38233c232210&mc=true&node=pt2.1.200&rgn=div5>
- OMB compliance supplement identifies important guidance for audits required by the Single Audit Act and included outlined in 2CFR200 Subpart F and OMB Circular 133  
[https://www.whitehouse.gov/omb/circulars\\_default](https://www.whitehouse.gov/omb/circulars_default)

The content of this document is not a substitute for information obtained from State departments of transportation, appropriate FHWA Division Offices, and applicable laws. Scenarios have been simplified for emphasis and do not necessarily reflect the actual range of requirements applicable to the scenario or this topic. This document was created under contract number DTFH61-11-D-00024 by the Federal Highway Administration, U.S. Department of Transportation, and is offered to the public to heighten and focus awareness of Federal-aid requirements within the local public agencies community and reinforces the importance of these necessary policies, procedures, and practices.

This companion resource is the script content for the video production of the same name.