

PART 1 – BACKGROUND, PURPOSE, AND APPLICABILITY

BACKGROUND

The Single Audit Act of 1984 established requirements for audits of states, local governments, and Indian tribal governments that administer federal financial assistance programs. The Single Audit Act Amendments of 1996 extended the statutory audit requirement to non-profit organizations and substantially revised various provisions of the 1984 Act. (31 USC Chapter 75).

On December 26, 2013, OMB issued 2 CFR Part 200, Subpart F, which among other things, increased the audit threshold to \$750,000 for auditee fiscal years beginning on or after December 26, 2014. On April 22, 2024, OMB issued revisions to 2 CFR Part 200, Subpart F, which among other things, increased the audit threshold to \$1,000,000 for auditee fiscal years beginning on or after October 1, 2024.

The Compliance Supplement (Supplement) is based on the requirements of 31 USC Chapter 75 and 2 CFR Part 200, Subpart F.

The Supplement is a document that identifies existing compliance requirements that the federal government expects to be considered as part of an audit required by the 1996 Amendments to the Single Audit Act. Without the Supplement, auditors would need to research many laws and regulations for each program under audit to determine which compliance requirements are important to the federal government and could have both a direct and material effect on a program. Providing the Supplement is a more efficient and cost-effective approach to performing this research. The Supplement provides information for auditors to understand Federal program’s objectives, procedures, and requirements subject to the audit.

2 CFR Part 200, Subpart F, provides that federal agencies are responsible for annually informing OMB of any updates needed to the Supplement and working with OMB to ensure that the Supplement focuses the auditor’s testing on the compliance requirements most likely to cause improper payments, fraud, waste, or abuse, or generate audit findings for which the Federal awarding agency will impose sanctions. The agency responsibility includes submitting to OMB in a timely manner the necessary updates to program objectives, procedures, and compliance requirements that are to be subject to the audit (including statutory and regulatory citations).

Throughout the Supplement, when addressing auditor responsibilities, the term “must” means something that the auditor is required to do and the term “should” means a recommended action or approach. See Part 3 of the Supplement for use of terminology in that part, which addresses compliance requirements for auditees as well as auditor responsibilities.

PURPOSE AND APPLICABILITY (Part 1)

Purpose

This 2024 Supplement is effective for audits of fiscal years beginning after June 30, 2023 and supersedes the 2023 Compliance Supplement (dated May 2023). It adds, deletes, and modifies prior Supplement sections.

This 2024 Supplement continues the practice adopted in 2019 of limiting the number of compliance requirements subject to the audit to six, with the exception of the Research and Development cluster and the Child Care Disaster Fund Cluster, which may identify seven requirements. (Note that agencies may choose fewer than six compliance requirements.) Requirements (A) Activities Allowed and Unallowed and (B) Allowable Costs and Cost Principles are treated as one requirement. Programs not included in this Supplement, are not subject to the six-requirement maximum. The Part 2 matrix and the related program sections in Parts 4 and 5 reflect the six selected compliance requirements. For single audits, the Supplement replaces agency audit guides and other audit requirement documents for individual federal programs.

2 CFR Part 200, Subpart F, describes the non-federal entity's responsibilities for managing federal assistance programs (2 CFR section 200.508) and the auditor's responsibilities (2 CFR section 200.514 through 200.520). Auditors are required to follow 2 CFR Part 200, Subpart F, and this Supplement.

Applicability

General

Auditors must consider the Supplement, the referenced laws, regulations, OMB Circulars, and 2 CFR Part 200 in determining the compliance requirements subject to the audit that could have both a direct and material effect on the programs. The use of the Supplement is mandatory; accordingly, adherence to the Supplement satisfies the requirements of 2 CFR Part 200, Subpart F.

For program-specific audits performed in accordance with a federal agency's program-specific audit guide, the auditor must follow such program-specific audit guide.

Finally, for major programs not included in the Supplement, the auditor must follow the guidance in Part 7 and use the types of compliance requirements in Part 3 to identify the applicable compliance requirements that could have both a direct and material effect on the program.

Update of Requirements

2 CFR section 200.513(c)(4) provides that federal agencies are responsible for annually informing OMB of any needed updates to the Supplement. However, auditors must recognize that laws and regulations change periodically and that delays will occur between such changes and revisions to the Supplement. Moreover, auditors must recognize that there may be provisions of grant agreements and contracts, that are not specified in law or regulation and, therefore, are not included in the Supplement. For example, the grant agreement may specify a certain matching percentage or set a priority for how funds should be spent (e.g., a requirement not to fund certain size projects) or a federal agency may impose additional requirements on a recipient (see 2 CFR section 200.208 regarding use of specific award conditions). Consequently, the auditor should perform reasonable procedures to ensure that compliance requirements identified

as subject to the audit are current and determine whether there are any additional provisions of federal awards relevant to the compliance requirements subject to the audit that should be covered by an audit under 2 CFR Part 200, Subpart F. Reasonable procedures would include an inquiry of non-federal entity management and a review of the federal awards for programs selected for testing (i.e., major programs).

For example, if a program entry in the Part 2 matrix indicates that Procurement and Suspension and Debarment compliance requirement is subject to the audit, then the auditor should follow the guidance in the previous paragraph and perform the reasonable procedures described therein. However, if a program entry in the Part 2 matrix indicates that Procurement and Suspension and Debarment compliance requirement is not subject to the audit, then the procedures described in the previous paragraph would not be required by the auditor.

Similarly, as it relates to provisions of grant agreements and contracts, if a program entry in the Part 2 matrix indicates that the Activities Allowed and Unallowed compliance requirement is subject to the audit and that the grant agreement for that program sets a priority for how funds can be spent (e.g., a requirement to not fund certain size projects), then the auditor would be expected to consider the grant agreement provisions. However, if a program entry in the Part 2 matrix indicates that the Matching, Level of Effort, Earmarking compliance requirement is not subject to the audit and that the grant agreement for that program specifies a certain matching percentage requirement for the same program, then the auditor is not expected to consider the grant agreement provisions related to matching in the audit.

For this 2024 Supplement, auditors must also recognize that OMB recently updated its Guidance for Federal Financial Assistance contained in 2 CFR, including 2 CFR part 200. See 89 FR 30046 (Apr. 22, 2024). Although the government-wide effective date for the 2024 revisions is not until October 1, 2024, Federal agencies may elect to implement the revisions as early as June 21, 2024 to new awards and through amendments to existing awards. Because Federal agencies are not required to implement the revisions prior to October 1, 2024, there is likely to be some variation on when Federal agencies begin to make the 2024 revisions apply to Federal awards. For example, a non-Federal entity with a fiscal year beginning on January 1, 2024 may receive an award on June 21, 2024 made subject to the 2024 revisions by the Federal agency. Consequently, the auditor should perform reasonable procedures to ensure that compliance requirements identified as subject to the audit are current and determine whether there are any additional or modified provisions of Federal awards based on the 2024 revisions. Auditors must not, however, apply compliance requirements from the 2024 revisions in circumstances in which the Federal agency has not yet applied the 2024 revisions to the Federal award subject to audit.

Safe Harbor Status

Because the suggested audit procedures were written to apply to many different programs administered by many different entities, they are general in nature. Auditor judgment is necessary to determine whether the suggested audit procedures are sufficient to achieve the stated audit objectives or whether alternative audit procedures are needed. Therefore, the auditor cannot consider the Supplement to be a “safe harbor” for identifying the audit procedures to apply in a particular engagement.

The requirement matrices in the Supplement indicate with a “Y” which types of compliance requirements are subject to the audit. The auditor can consider the Supplement a “safe harbor” for identification of those compliance requirements for the programs included if, as discussed above, the auditor: (1) performs reasonable procedures to ensure that the requirements subject to the audit in the Supplement are current and to determine whether there are any additional provisions of federal awards relevant to the compliance requirements subject to the audit that should be covered by an audit under the 1996 Amendments; and (2) augments the requirements contained in the Supplement, as appropriate.

For compliance audit purposes, an “N” in a requirement matrix indicates that a type of requirement is not subject to the audit and is not expected to be tested. Although a requirement may not be subject to the audit for compliance audit purposes, auditors have a responsibility under GAAS and GAGAS related to noncompliance with (1) provisions of laws, regulations, contracts, and grant agreements that may have a direct and material effect on the financial statements and (2) the requirements related to the auditor’s consideration of fraud and abuse.

OVERVIEW OF THE SUPPLEMENT

Matrix of Compliance Requirements (Part 2)

The Matrix of Compliance Requirements (Matrix) identifies the federal programs and 12 types of compliance requirements addressed in the Supplement and associates the programs with the applicable compliance requirements. A maximum of six requirements, with A and B counting as one requirement, may be identified as subject to audit. (As noted in the Purpose section above, the Research and Development Cluster and the Child Care Disaster Fund Cluster, are not subject to this limit and instead have seven requirements.) The Matrix also identifies the applicable federal agency and the Assistance Listing (*Catalog of Federal Domestic Assistance* (CFDA)) number for each program in the Supplement. (The entry for each program/cluster also is included in the program/cluster in Part 4 or Part 5 of the Supplement.)

Compliance Requirements (Part 3)

Part 3 describes the 12 types of compliance requirements and, except for Special Tests and Provisions, the related audit objectives that the auditor must consider, as applicable, in every audit conducted under 2 CFR Part 200, Subpart F, with the exception of program-specific audits performed in accordance with a federal agency’s program-specific audit guide. The auditor is responsible for achieving the stated audit objectives for the applicable compliance requirements.

Suggested audit procedures are provided to assist the auditor in planning and performing tests of non-federal entity compliance with the requirements of federal programs. The suggested audit procedures are, as the name implies, only suggested. Auditor judgment is necessary to determine whether the suggested audit procedures are sufficient to achieve the stated audit objectives and whether alternative audit procedures are needed. Determining the nature, timing, and extent of the audit procedures necessary to meet the audit objectives is the auditor’s responsibility.

The compliance requirements for Special Tests and Provisions are unique to each federal program; therefore, compliance requirements, audit objectives, and suggested audit procedures for those Special Tests and Provisions—other than the audit objectives and suggested audit procedures for internal control—are not included in Part 3.

Consistent with the requirements of 2 CFR Part 200, Subpart F, Part 3 includes audit objectives and suggested audit procedures to test internal control. However, the auditor must determine the specific procedures to test internal control on a case-by-case basis, considering factors such as the non-federal entity's internal control, the compliance requirements, the audit objectives for compliance, the auditor's assessment of control risk, and the audit requirement to test internal control as prescribed in 2 CFR Part 200, Subpart F.

Agency Program Requirements (Part 4)

For each federal program included in the Supplement, Part 4 discusses program objectives, program procedures, and compliance requirements that are specific to the program. With the exception of section III.N, "Special Tests and Provisions," the auditor must refer to Part 3 for the audit objectives and suggested audit procedures that pertain to the program-specific compliance requirements associated with the programs. Because Special Tests and Provisions are unique to each program, the specific audit objectives and suggested audit procedures for each program are included in Part 4.

The description of program procedures is general in nature. Some programs may operate somewhat differently than described due to: (1) the complexity of governing federal and state laws and regulations; (2) the administrative flexibility afforded non-federal entities; and (3) the nature, size, and volume of transactions involved. Accordingly, the auditor must obtain an understanding of the applicable compliance requirements and program procedures in operation at the non-federal entity to properly plan and perform the audit.

For some programs, a separate section (section IV, "Other Information") is included to communicate additional information concerning the program. For example, when a program allows funds to be transferred to another program, the "Other Information" section provides guidance on how those funds are to be treated on the Schedule of Expenditures of Federal Awards and in major program determinations.

Clusters of Programs (Part 5)

A cluster of programs is a grouping of closely related programs that have similar compliance requirements. Although the programs within a cluster are administered as separate programs, a cluster of programs is treated as a single program for the purpose of meeting the audit requirements in 2 CFR Part 200, Subpart F (see definition at 2 CFR section 200.1).

The types of clusters included in Part 5 are: Research and Development (R&D), Student Financial Assistance (SFA), and other clusters. "Other clusters" are as identified in the Supplement or designated in a state award document. Part 5 provides compliance requirements,

audit objectives, and suggested audit procedures for the R&D and SFA clusters, and lists other clusters included in Part 4.

In planning and performing the audit, the auditor can determine whether programs administered by the non-federal entity are part of a cluster by referring to both the provisions of Part 5 of the Supplement and the state award documents.

Internal Control (Part 6)

To receive federal awards, non-federal entities must agree to comply with laws, regulations, and the provisions of grant agreements and contracts, and to maintain internal control to provide reasonable assurance of compliance within these requirements. 2 CFR Part 200, Subpart F requires auditors to obtain an understanding of the non-federal entity's internal control over federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned. Part 6 addresses the objectives, principles, and components of internal control based on the "Standards for Internal Control in the Federal Government," ("Green Book"), issued by the Government Accountability Office, and the "Internal Control Integrated Framework" (revised 2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. It also includes appendices that include illustrations of entity-wide internal controls over federal awards (Appendix 1) and illustrations of internal controls specific to each type of compliance requirement (Appendix 2).

Guidance for Auditing Programs Not Included in this Compliance Supplement (Part 7)

Part 7 provides guidance to auditors in both identifying the compliance requirements and designing tests of compliance with such requirements for programs not included in the Supplement.

Federal Programs Excluded from Portions of 2 CFR Part 200 (Part 8, Appendix I)

Appendix I lists block grants and other programs excluded from the requirements of the "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments," which still may be in effect for some awards/funding and specified portions of 2 CFR Part 200.

Federal Agency Codification of Governmentwide Requirements and Guidance for Grants and Cooperative Agreements (Part 8, Appendix II)

Appendix II includes regulatory citations for federal agencies' codification of the OMB guidance on (1) "Uniform Administrative Requirements, Cost Principles, and Audit Requirements" (in 2 CFR Part 200) and (2) non-procurement suspension and debarment in 2 CFR Part 180.

Federal Agency Single Audit, Key Management Liaison, and Program Contacts (Part 8, Appendix III)

Appendix III identifies federal agency-level contacts—single audit and, separately, management liaisons—from whom auditors can request information about the agency’s programs generally or the audit requirements of 2 CFR Part 200, Subpart F. It also includes, for each program/cluster listed in parts 4 and 5 of the Supplement, the name of an individual who can be contacted about the program/cluster.

Higher-Risk Designation (Part 8, Appendix IV)

Appendix IV provides a listing of “higher-risk” designated programs by the Federal agencies per 2 CFR 200.519(c)(2).

List of Changes for the 2024 Compliance Supplement (Part 8, Appendix V)

Appendix V provides a list of changes from the 2024 Compliance Supplement.

Program-Specific Audit Guides (Part 8, Appendix VI)

Appendix VI includes a list of program-specific guides maintained by the federal agencies and indicates where to obtain them.

Other Audit Advisories (Part 8, Appendix VII)

Appendix VII provides information on: (1) Novel Coronavirus (COVID-19); (2) the effect of changes to compliance requirements and other clusters; (3) the due date for submission of audit reports and low-risk auditee criteria; (4) the treatment of National Science Foundation and National Institutes of Health Awards; (5) the exceptions to the Guidance in 2 CFR Part 200; (6) audit sampling; (7) the Federal Audit Clearinghouse transition from Census to GSA and Single Audit extensions; and (8) the 2 CFR 200 Guidance update for Federal Financial Assistance.

Examinations of EBT Service Organizations (Part 8, Appendix VIII)

Appendix VIII provides guidance on audits of state electronic benefits transfer (EBT) service providers (service organizations) regarding the issuance, redemption, and settlement of benefits under the Supplemental Nutrition Assistance Program (Assistance Listing 10.551) in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Attestation Engagements (AT-C) section 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting*.

Compliance Supplement Core Team (Part 8, Appendix IX)

Appendix IX provides a listing of the Compliance Supplement Core Team members who were responsible for the production of the Supplement.

TECHNICAL INFORMATION

Page Numbering Scheme

The following page numbering scheme is used in the Supplement:

- a. Each page included in parts 1, 2, 3 (Introduction), 6, and 7 is identified by the part number followed by page number. A hyphen (-) separates the part number from the page number. Part 1 is numbered as follows: 1-1, 1-2, 1-3, etc.
- b. Part 3 is divided into twelve compliance areas 3-A-1, 3-B-1, 3-C-1, etc.
- c. Each page included in parts 4 and 5 (other than the Introductions to those parts) is identified by the part number, the section number identifier, and the page number. The section number identifier for Part 4 represents the Assistance Listing number of the applicable program. For example, the Department of Labor's Unemployment Insurance program, Assistance Listing 17.225, is numbered 4-17.225-1, 4-17.225-2, 4-17.225-3, etc.

Code of Federal Regulations (CFR)

The CFR is a codification of the rules issued by federal agencies and is divided into 50 titles, which comprise the broad areas subject to federal regulation. Each title is further divided into parts and sections, with most references to the CFR being made at this level.

Portions of the CFR are revised daily and these changes are published in the *Federal Register*. However, a revised version of the CFR is published only once each calendar year, on a quarterly basis as follows: titles 1–16 on January 1, titles 17–27 on April 1, titles 28–41 on July 1, and titles 42–50 on October 1.

In the event that changes to a particular section of a title have changed since the last published update of that section, a notation is made in the List of CFR Sections Affected (LSA), which is published monthly. The LSA cites the *Federal Register* page number that contains the changes to the CFR section.

To obtain the most current regulations, the user should consult the latest version of the CFR and the LSA issued in the current month. The Federal Digital System website (<http://www.gpo.gov/fdsys/>) has links to the *Federal Register* and the CFR. An electronic CFR (e-CFR) is available at <http://www.ecfr.gov>. The e-CFR is a compilation of CFR material and *Federal Register* amendments. It is a current, daily updated version of the CFR; however, it is not an official legal edition of the CFR.

HOW TO OBTAIN ADDITIONAL GUIDANCE

Guidance to assist auditors in performing audits in accordance with 2 CFR Part 200, Subpart F, can be obtained from the following sources.

Office of Management and Budget

Under the grants management heading on the Office of Federal Financial Management's home page (<https://www.whitehouse.gov/omb/office-federal-financial-management/>):

- OMB publications, including 2 CFR Part 200 and the recent Supplement for audits under 2 CFR Part 200, Subpart F.
- SF-SAC, *Data Collection Form for Reporting on Audits of States, Local Governments, Indian Tribes, Institutions of Higher Education and Non-Profit Organizations*.

General Services Administration (GSA)

- Assistance Listing (formerly the *Catalog of Federal Domestic Assistance* (CFDA))

A searchable copy of the Assistance Listing and a pdf version are available at <https://sam.gov>. If the Assistance Listing indicates under a program entry (Compliance Requirements-Policy Requirements) that Subpart F, Audit Requirements are excluded, the auditee should contact the federal agency single audit office/official indicated in Appendix III of the Supplement for any questions or clarification.

Government Accountability Office (GAO)

- Government Auditing Standards, July 2018 Revision (GAO-18-568G) (<http://www.gao.gov/yellowbook>)

Inspectors General

The Council of the Inspectors General on Integrity and Efficiency website (<http://www.ignet.gov>) contains an Inspector General Directory and the Inspector General Act.

Federal Audit Clearinghouse

The Federal Audit Clearinghouse (FAC): (1) maintains a government-wide database of single audit results and related federal award information; (2) serves as the federal repository for single audit reports; and (3) distributes single audit reports to federal agencies.

The FAC site is located at the website <https://fac.gov>. For Data Collection Form (SF-SAC) and single audit submission questions, contact the FAC by e-mail at <https://fac.gov> and submit a request to the [FAC Help Desk](#).

The provider of the FAC changed from U.S. Census Bureau (Census) to the U.S. General Services Administration (GSA) on October 1, 2023. At that time, all submissions were made through the new FAC hosted by GSA, including all single audits for entities with 2023 FYE dates.