



NASSAU COUNTY BOARD OF COUNTY COMMISSIONERS  
**DEPARTMENT OF EMERGENCY SERVICES**

NASSAU COUNTY OFFICE ANNEX  
11 North 14th Street, Box 12  
Fernandina Beach, Florida 32034-0494



ARMON C. SUMMERALL  
Director

January 25, 1991

DIVISIONS

- Civil Defense
- Communications
- Emergency Medical Services
- Fire
- Fuel Allocation
- Water Safety

Mr. J. B. Higginbotham, Chairman  
Board of County Commissioners  
Post Office Box 1010  
Fernandina Beach, Florida 32034

RE: EMERGENCY MANAGEMENT CONTRACT

Dear Mr. Higginbotham:

(904) 261-6612  
(904) 879-3300  
Suncom 821-5227  
Emergency Dial 911  
(904) 261-5962

Enclosed you will find a three copies of the contract with the State of Florida Department of Community Affairs, Division of Emergency Management, for the FY 91 (EMA) Agreement.

After the Board has looked this Agreement over, and agreed to its contents, please sign all three copies and return to this office as soon as possible in order that we may finish processing and send it to Tallahassee.

Your assistance in this matter is greatly appreciated.

If you have any questions please do not hesitate to contact this office.

Sincerely,

Armon Summerall, Director

AS/lpc



STATE OF FLORIDA  
DEPARTMENT OF COMMUNITY AFFAIRS

2740 CENTERVIEW DRIVE • TALLAHASSEE, FLORIDA 32399-2100

LAWTON CHILES

~~XXXXXXXXXX~~

Governor

THOMAS G. PELHAM

Secretary

January 18, 1991

Ms. Penny Rau, Director  
Nassau County Department of  
Emergency Management  
11 North 14 Street, Box 12  
Fernandina Beach, Florida 32034

Dear Ms. Rau:

Enclosed are three copies of the Fiscal Year 1991 (FY-91) Emergency Management Assistance (EMA) Agreement to be executed between the Department of Community Affairs and Nassau County. Your county's FY-91 allocation is \$22,549.32.

In order to expedite the execution of your EMA Agreement, please return all three copies of the agreement, with original signatures of the county's authorized official. In most cases this will be the chairperson of the county commission. If the agreement is signed by someone other than the authorized official, a letter giving that person signature authority must be included. An executed copy of the agreement will be returned to you for your files.

Please note the following changes or additions to this year's agreement:

1. (I.B.) Modifications will be mutually agreed to and initiated through written correspondence from the Department and incorporated into the agreement.
2. (II.B.) Lobbying is prohibited by recipients of federal contracts, grants, loans, or cooperative agreements from using appropriated funds for lobbying, that is paying any person to influence or attempting to influence an officer or employee

Ms. Penny Rau  
January 18, 1991  
Page Two

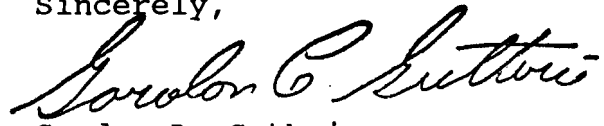
of any agency in connection with the awarding of federal contracts, grants, loans, or cooperative agreement.

3. (II.D.1.) Funds will be reimbursed on a quarterly basis with the maximum quarterly release not exceeding one fourth (1/4) of the total agreement amount.
4. (II.D.2.) Administrative Expenditure Reports are due within thirty (30) days after the end of each quarter.

Enclosed is a copy of the Administrative Expenditure Report to be used in claiming reimbursement under your EMA agreement. The expenditure report has been revised, therefore it supersedes previous reimbursement reports. The report form should be reproduced as needed to claim expenditures after each quarter.

Should you have any questions or need further clarification regarding this year's EMA agreement, please call Ted Keith at (904) 488-8472.

Sincerely,



Gordon L. Guthrie  
Director

GLG:scj

Enclosures

cc: Denise Johnston

AGREEMENT  
BETWEEN THE STATE OF FLORIDA  
DEPARTMENT OF COMMUNITY AFFAIRS  
AND

Nassau County  
(NAME OF SUBGRANTEE)

This Agreement, entered into between the Department of Community Affairs (Grantee) and Nassau County (Subgrantee), shall govern certain emergency management-related activities to be financed by the Grantee.

THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties agree as follows:

I. TERMS OF AGREEMENT

A. This Agreement shall commence on October 1, 1990, and shall continue in full force and effect to, and including, September 30, 1991.

B. The Grantee agrees to allocate the Subgrantee the maximum sum of \$22,549.32/50% which the Subgrantee will match with \$22,549.32/50% for a total subgrant of \$45,098.64/100% for the successful completion of the items of performance agreed to herein.

C. It is agreed that liability of the Grantee under this Agreement shall not exceed the total funds received by the Grantee for this purpose.

D. The Grantee or Subgrantee may terminate this Agreement for breach of contract or in the event of non-availability of funds with such notice as is reasonable under the circumstances. The State of Florida's performance and obligation to pay under this Agreement is contingent upon an annual appropriation by the Legislature. Either party may terminate this Agreement without cause by giving thirty (30) days written notice to the other party.

E. Either party may request modification of the provisions of this agreement. Changes which are mutually agreed upon shall be made by written correspondence from the Department and shall be incorporated as part of this agreement.

F. The Subgrantee, in performing the requirements of this Agreement, shall comply with applicable laws, rules, regulations, ordinances and codes of the federal, state and local governments.

## II. REQUIREMENTS AND ASSURANCES

A. General Provisions. The Subgrantee hereby assures and certifies that it will comply with regulations, policies, guidelines and requirements, including 44 CFR (Code of Federal Regulations), Part 302, the Federal Emergency Management Agency Civil Preparedness Guide (CPG) 1-3 and 1-5, Office of Management and Budget (OMB) Circular A-87 and A-128 as they relate to application, acceptance and use of federal funds.

B. Lobbying. The subgrantee agrees to comply with Section 319 of Public Law 101-121 as provided for in the "Governmentwide Guidance for New Restrictions on Lobbying; Interim Final Guidance" published in the December 20, 1989, Federal Register.

C. Scope of Work. The Subgrantee will comply with the "Scope of Work" describing the activities/projects to be accomplished under this Emergency Management Assistance (EMA) Agreement. Such Scope of Work is attached to and incorporated herein as Exhibit A.

### D. Compensation and Financial Reporting Requirements.

1. The Subgrantee shall use the funds available from this Agreement to pay for Emergency Management Assistance administrative expenditures in accordance with CPG 1-3, June, 1987, Chapter 2, Parts 9 and 10. The Subgrantee shall be reimbursed for costs incurred in the satisfactory performance of work hereunder in an amount not to exceed the total allocation as shown in Paragraph I.B. of this Agreement. Funds will be released on a quarterly basis with the maximum quarterly release not to exceed one fourth (1/4) of the total agreement amount.

2. Administrative Expenditure and Progress Reports must be submitted on a quarterly basis. Progress reports are due within fifteen (15) days after the end of each quarter. Administrative Expenditure Reports are due within thirty (30) days after the end of each quarter. A final Administrative Expenditure Report, serving as the close-out report, is due within forty-five (45) days after the termination of this Agreement. The Subgrantee shall not receive reimbursement for quarterly expenditures until the quarterly progress report is received by the Grantee.

E. Fiscal and Program Accountability. The Subgrantee must establish fiscal control of subgrant funds and required matching expenditures. The Subgrantee acknowledges that it has full responsibility for fiscal and programmatic accountability for this subgrant. In the event the Subgrantee is unable to produce records capable of being audited without reconstruction by Auditors, all funds paid under this Agreement by the Grantee to the Subgrantee shall be disallowed and subject to repayment. The accounting system established and maintained by the Subgrantee must have internal controls adequate to safeguard the assets of the Subgrantee, check the accuracy and reliability of accounting data, promote operating efficiency and encourage compliance with described management policies of this Agreement.

F. Recording and Documentation of Receipts and Expenditures. Accounting procedures must provide for an accurate and timely recording of receipt of funds by type of expenditures made from such funds and of unexpended balances. Accounting procedures must be adequate to ensure that expenditures charged to this subgrant are for allowable purposes and that documentation is readily available to verify that such charges are accurate.

G. Unexpended Funds. Unexpended funds which are reflected on the final Administrative Expenditure Report referred to in Paragraph II.C. above will automatically revert to the Grantee and the Grantee reserves the right to unilaterally reobligate such funds.

H. Obligation of Grant Funds. Subgrant funds shall not be obligated prior to the effective date, or subsequent to the termination date, of the subgrant period. Obligations outstanding as of the termination date shall be liquidated within forty-five (45) days. Such obligations must be related to goods or services provided and utilized within the subgrant period.

I. Audit. The audit requirements as set forth in OMB Circular A-128, Audits of State and Local Governments (attached hereto and incorporated herein as Exhibit B) are to be adhered to by the Subgrantee. These requirements shall be utilized in negotiating contracts with independent auditors.

J. Retention of Records. The Subgrantee shall maintain all records, documents and files pertaining to this Agreement for a period of three (3) years from the date of conclusion of the Agreement unless informed by the Grantee that said records may be disposed of earlier. Access to those records must be provided at reasonable times to the Grantee, its employees and agents, and to the federal grant agency, its employees and agents.

K. Legal Authorization. The Subgrantee certifies with respect to this subgrant that it possesses legal authority to apply for the grant and that the applicant's governing body has adopted a resolution which authorized the execution and acceptance of this Agreement with all understandings and assurances contained herein; and names the authorized official signing below to act in connection with this Agreement.

L. Requirements of Section 287.058, Florida Statutes.

1. Bills for fees or other compensation for services or expenses must be submitted in detail sufficient for a proper pre-audit and post-audit thereof.

2. Bills for any travel expenses must be submitted in accordance with Section 112.061, Florida Statutes.

3. Units of deliverables, including reports, findings, and drafts as specified in Paragraph II.C. of this Agreement, must be received and accepted by the contract manager prior to payment.

4. Subgrantee must comply with the criteria and final date by which criteria must be met for completion of this contract as specified in Paragraph I.A. of this Agreement.

5. The Grantee may unilaterally cancel this agreement for refusal by the subgrantee to allow public access to all documents, papers, letters or other material subject to the provisions of Chapter 119, Florida Statutes, and made or received by the subgrantee in conjunction with this Agreement. It is expressly understood that substantial evidence of the subgrantee's refusal to comply with this provision shall constitute a breach of contract.

The Subgrantee acknowledges that the responsibility for complying with the approved subgrant award rests with the recipient Subgrantee and acknowledges that failure to do so constitutes grounds for the recession or suspension of this subgrant and may influence future subgrant awards.

IN WITNESS HEREOF, the Grantee and the Subgrantee have executed this Agreement;

FOR THE SUBGRANTEE:

FOR THE GRANTEE:

STATE OF FLORIDA

DEPARTMENT OF COMMUNITY AFFAIRS

BY:   
Authorized County Official

BY: \_\_\_\_\_  
Authorized Department Official

Jim B. Higginbotham, Chairman  
Name/Title

Gordon L. Guthrie  
Division Director  
Name/Title

2-11-91  
Date

\_\_\_\_\_  
Date

Federal Employer ID # \_\_\_\_\_

Catalog of Federal Domestic Assistance Number and Program  
CFDA # 83.503 Emergency Management Assistance (EMA)

FY '91  
EXHIBIT A  
SCOPE OF WORK

NASSAU

\_\_\_ First Quarter  
\_\_\_ Second Quarter

\_\_\_ Third Quarter  
\_\_\_ Fourth Quarter

CATEGORY/ITEM	QUARTER TO BE COMPLETED	STATUS
I. COUNTIES RECEIVING \$15,000 OR LESS:		
Item 1 - EMA COMPLIANCE REQUIREMENTS		
a. Submit Quarterly Progress Report no later than 15 days after end of each quarter	ALL	
b. Submit Quarterly Financial Report no later than 30 days after end of each quarter	ALL	
c. Submit prior year Single Audit (OMB Circular A-128) by 04/30/91	3rd	
Item 2 - PLAN DEVELOPMENT AND UPDATE		
a. Develop or update Standard Operating Procedures	3rd	
Item 3 - COUNTY CAPABILITY ASSESSMENTS		
a. Revise and submit the Communications Inventory and Development Plan	2nd	
b. Revise and submit an updated Radiological Protection Data Base (RPDB-001) form	2nd	
c. Submit Radiological Equipment Inventory	2nd	
d. County performs Biannual Inspection and Operational Tests of Radiological instrument sets	2nd/4th	
e. Submit a National Facility/Survey Reception and Care Survey (NFS/RAC) Plan.	2nd	
f. Submit a report on the number of NFS/RAC surveys reviewed.	4th	

CATEGORY/ITEM	QUARTER TO BE COMPLETED	STATUS
Item 4 - TRAINING		
a. The Emergency Management Director or staff to attend at least one of the following courses:	3rd	
1. Emergency Planning		
2. Exercise Design		
3. Continuity of Government		
b. Emergency Management Director and staff to attend the Civil Defense Systems, Programs and Policies Course	2nd	
c. All part-time personnel complete HS-2	4th	
Item 5 - EXERCISES		
a. Submit an updated Four-Year Exercise plan (1990-1993), including 1 full-scale and 3 functional exercises, with appropriate rotation	2nd	
b. Conduct a Functional Natural Hazard Exercise	3rd	
Item 6 - REGISTRATION OF PEOPLE WITH SPECIAL NEEDS		
Maintain current registration of people with special needs in accordance with Chapter 252, F.S.	ALL	
II. COUNTIES RECEIVING FROM \$15,000 TO \$40,000, IN ADDITION TO ITEMS 1-7, MUST COMPLETE THE FOLLOWING:		
Item 7 - PUBLIC EDUCATION PROGRAM		
a. Develop and maintain Emergency Public Information (EPI) Materials	ALL	
b. Conduct Public Information Awareness Programs	ALL	
c. Distribute Seasonal Public Information Materials	ALL	



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

RECEIVED

APR 25 1985

DCA COMMUNITY  
SERVICES SECTION

EXHIBIT B

April 12, 1985

CIRCULAR No. A-128

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Audits of State and Local Governments.

1. Purpose. This Circular is issued pursuant to the Single Audit Act of 1984, P.L. 98-502. It establishes audit requirements for State and local governments that receive Federal aid, and defines Federal responsibilities for implementing and monitoring those requirements.

2. Supersession. The Circular supersedes Attachment P, "Audit Requirements," of Circular A-102, "Uniform requirements for grants to State and local governments."

3. Background. The Single Audit Act builds upon earlier efforts to improve audits of Federal aid programs. The Act requires State or local governments that receive \$100,000 or more a year in Federal funds to have an audit made for that year. Section 7505 of the Act requires the Director of the Office of Management and Budget to prescribe policies, procedures and guidelines to implement the Act. It specifies that the Director shall designate "cognizant" Federal agencies, determine criteria for making appropriate charges to Federal programs for the cost of audits, and provide procedures to assure that small firms or firms owned and controlled by disadvantaged individuals have the opportunity to participate in contracts for single audits.

4. Policy. The Single Audit Act requires the following:

a. State or local governments that receive \$100,000 or more a year in Federal financial assistance shall have an audit made in accordance with this Circular.

b. State or local governments that receive between \$25,000 and \$100,000 a year shall have an audit made in accordance with this Circular, or in accordance with Federal laws and regulations governing the programs they participate in.

c. State or local governments that receive less than \$25,000 a year shall be exempt from compliance with the Act and other Federal audit requirements. These State and local governments shall be governed by audit requirements prescribed by State or local law or regulation.

d. Nothing in this paragraph exempts State or local governments from maintaining records of Federal financial assistance or from providing access to such records to Federal agencies, as provided for in Federal law or in Circular A-102, "Uniform requirements for grants to State or local governments."

5. Definitions. For the purposes of this Circular the following definitions from the Single Audit Act apply:

a. "Cognizant agency" means the Federal agency assigned by the Office of Management and Budget to carry out the responsibilities described in paragraph 11 of this Circular.

b. "Federal financial assistance" means assistance provided by a Federal agency in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations, but does not include direct Federal cash assistance to individuals. It includes awards received directly from Federal agencies, or indirectly through other units of State and local governments.

c. "Federal agency" has the same meaning as the term 'agency' in section 551(1) of Title 5, United States Code.

d. "Generally accepted accounting principles" has the meaning specified in the generally accepted government auditing standards.

e. "Generally accepted government auditing standards" means the Standards For Audit of Government Organizations, Programs, Activities, and Functions, developed by the Comptroller General, dated February 27, 1981.

f. "Independent auditor" means:

(1) a State or local government auditor who meets the independence standards specified in generally accepted government auditing standards; or

(2) a public accountant who meets such independence standards.

g. "Internal controls" means the plan of organization and methods and procedures adopted by management to ensure that:

(1) resource use is consistent with laws, regulations, and policies;

(2) resources are safeguarded against waste, loss, and misuse; and

(3) reliable data are obtained, maintained, and fairly disclosed in reports.

h. "Indian tribe" means any Indian tribe, band, nation, or other organized group or community, including any Alaskan Native village or regional or village corporations (as defined in, or established under, the Alaskan Native Claims Settlement Act) that is recognized by the United States as eligible for the special programs and services provided by the United States to Indians because of their status as Indians.

i. "Local government" means any unit of local government within a state, including a county, a borough, municipality, city, town, township, parish, local public authority, special district, school district, intrastate district, council of governments, and any other instrumentality of local government.

j. "Major Federal Assistance Program," as defined by P.L. 98-502, is described in the Attachment to this Circular.

k. "Public accountants" means those individuals who meet the qualification standards included in generally accepted government auditing standards for personnel performing government audits.

l. "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands, any instrumentality thereof, and any multi-state, regional, or interstate entity that has governmental functions and any Indian tribe.

m. "Subrecipient" means any person or government department, agency, or establishment that receives federal financial assistance to carry out a program through a state or local government, but does not include an individual that is a beneficiary of such a program. A subrecipient may also be a direct recipient of federal financial assistance.

#### 6. Scope of audit. The Single Audit Act provides that:

a. The audit shall be made by an independent auditor in accordance with generally accepted government auditing standards covering financial and compliance audits.

b. The audit shall cover the entire operations of a state or local government or, at the option of that government, it may cover departments, agencies or establishments that received, expended, or otherwise administered federal financial assistance during the year. However, if a state or local government receives \$25,000 or more in General Revenue Sharing Funds in a fiscal year, it shall have an audit of its entire operations. A series of audits of individual departments, agencies, and establishments for the same fiscal year may be considered a single audit.

c. Public hospitals and public colleges and universities may be excluded from State and local audits and the requirements of this Circular. However, if such entities are excluded, audits of these entities shall be made in accordance with statutory requirements and the provisions of Circular A-110, "Uniform requirements for grants to universities, hospitals, and other nonprofit organizations."

d. The auditor shall determine whether:

(1) the financial statements of the government, department, agency or establishment present fairly its financial position and the results of its financial operations in accordance with generally accepted accounting principles;

(2) the organization has internal accounting and other control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations; and

(3) the organization has complied with laws and regulations that may have material effect on its financial statements and on each major Federal assistance program.

7. Frequency of audit. Audits shall be made annually unless the State or local government has, by January 1, 1987, a constitutional or statutory requirement for less frequent audits. For those governments, the cognizant agency shall permit biennial audits, covering both years, if the government so requests. It shall also honor requests for biennial audits by governments that have an administrative policy calling for audits less frequent than annual, but only for fiscal years beginning before January 1, 1987.

8. Internal control and compliance reviews. The Single Audit Act requires that the independent auditor determine and report on whether the organization has internal control systems to provide reasonable assurance that it is managing Federal assistance programs in compliance with applicable laws and regulations.

a. Internal control review. In order to provide this assurance the auditor must make a study and evaluation of internal control systems used in administering Federal assistance programs. The study and evaluation must be made whether or not the auditor intends to place reliance on such systems. As part of this review, the auditor shall:

(1) Test whether these internal control systems are functioning in accordance with prescribed procedures.

(2) Examine the recipient's system for monitoring subrecipients and obtaining and acting on subrecipient audit reports.

b. Compliance review. The law also requires the auditor to determine whether the organization has complied with laws and regulations that may have a material effect on each major Federal assistance program.

(1) In order to determine which major programs are to be tested for compliance, State and local governments shall identify in their accounts all Federal funds received and expended and the programs under which they were received. This shall include funds received directly from Federal agencies and through other State and local governments.

(2) The review must include the selection and testing of a representative number of charges from each major Federal assistance program. The selection and testing of transactions shall be based on the auditor's professional judgment considering such factors as the amount of expenditures for the program and the individual awards; the newness of the program or changes in its conditions; prior experience with the program, particularly as revealed in audits and other evaluations (e.g., inspections, program reviews); the extent to which the program is carried out through subrecipients; the extent to which the program contracts for goods or services; the level to which the program is already subject to program reviews or other forms of independent oversight; the adequacy of the controls for ensuring compliance; the expectation of adherence or lack of adherence to the applicable laws and regulations; and the potential impact of adverse findings.

(a) In making the test of transactions, the auditor shall determine whether:

-- the amounts reported as expenditures were for allowable services, and

-- the records show that those who received services or benefits were eligible to receive them.

(b) In addition to transaction testing, the auditor shall determine whether:

-- matching requirements, levels of effort and earmarking limitations were met,

-- Federal financial reports and claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared, and

-- amounts claimed or used for matching were determined in accordance with OMB Circular A-87, "Cost principles for State and local governments," and Attachment F of Circular A-102, "Uniform requirements for grants to State and local governments."

(c) The principal compliance requirements of the largest Federal aid programs may be ascertained by referring to the Compliance Supplement for Single Audits of State and Local Governments, issued by OMB and available from the Government Printing Office. For those programs not covered in the Compliance Supplement, the auditor may ascertain compliance requirements by researching the statutes, regulations, and agreements governing individual programs.

(3) Transactions related to other Federal assistance programs that are selected in connection with examinations of financial statements and evaluations of internal controls shall be tested for compliance with Federal laws and regulations that apply to such transactions.

9. Subrecipients. State or local governments that receive Federal financial assistance and provide \$25,000 or more of it in a fiscal year to a subrecipient shall:

a. determine whether State or local subrecipients have met the audit requirements of this Circular and whether subrecipients covered by Circular A-110, "Uniform requirements for grants to universities, hospitals, and other nonprofit organizations," have met that requirement;

b. determine whether the subrecipient spent Federal assistance funds provided in accordance with applicable laws and regulations. This may be accomplished by reviewing an audit of the subrecipient made in accordance with this Circular, Circular A-110, or through other means (e.g., program reviews) if the subrecipient has not yet had such an audit;

c. ensure that appropriate corrective action is taken within six months after receipt of the audit report in instances of noncompliance with Federal laws and regulations;

d. consider whether subrecipient audits necessitate adjustment of the recipient's own records; and

e. require each subrecipient to permit independent auditors to have access to the records and financial statements as necessary to comply with this Circular.

10. Relation to other audit requirements. The Single Audit Act provides that an audit made in accordance with this Circular shall be in lieu of any financial or financial compliance audit required under individual Federal assistance programs. To the extent that a single audit provides Federal agencies with information and assurances they need to carry out their overall responsibilities, they shall rely upon and use such information. However, a Federal agency shall make any additional audits which are necessary to carry out its responsibilities under Federal law and regulation. Any additional Federal audit effort shall be planned and carried out in such a way as to avoid duplication.

a. The provisions of this Circular do not limit the authority of Federal agencies to make, or contract for audits and evaluations of Federal financial assistance programs, nor do they limit the authority of any Federal agency Inspector General or other Federal audit official.

b. The provisions of this Circular do not authorize any State or local government or subrecipient thereof to constrain Federal agencies, in any manner, from carrying out additional audits.

c. A Federal agency that makes or contracts for audits in addition to the audits made by recipients pursuant to this Circular shall, consistent with other applicable laws and regulations, arrange for funding the cost of such additional audits. Such additional audits include economy and efficiency audits, program results audits, and program evaluations.

11. Cognizant agency responsibilities. The Single Audit Act provides for cognizant Federal agencies to oversee the implementation of this Circular.

a. The Office of Management and Budget will assign cognizant agencies for States and their subdivisions and larger local governments and their subdivisions. Other Federal agencies may participate with an assigned cognizant agency, in order to fulfill the cognizance responsibilities. Smaller governments not assigned a cognizant agency will be under the general oversight of the Federal agency that provides them the most funds whether directly or indirectly.

b. A cognizant agency shall have the following responsibilities:

(1) Ensure that audits are made and reports are received in a timely manner and in accordance with the requirements of this Circular.

(2) Provide technical advice and liaison to State and local governments and independent auditors.

(3) Obtain or make quality control reviews of selected audits made by non-Federal audit organizations, and provide the results, when appropriate, to other interested organizations.

(4) Promptly inform other affected Federal agencies and appropriate Federal law enforcement officials of any reported illegal acts or irregularities. They should also inform State or local law enforcement and prosecuting authorities, if not advised by the recipient, of any violation of law within their jurisdiction.

(5) Advise the recipient of audits that have been found not to have met the requirements set forth in this Circular. In such instances, the recipient will be expected to work with the auditor to take corrective action. If corrective action is not taken, the cognizant agency shall notify the recipient and Federal awarding agencies of the facts and make recommendations for followup action. Major inadequacies or repetitive substandard performance of independent auditors shall be referred to appropriate professional bodies for disciplinary action.

(6) Coordinate, to the extent practicable, audits made by or for Federal agencies that are in addition to the audits made pursuant to this Circular; so that the additional audits build upon such audits.

(7) Oversee the resolution of audit findings that affect the programs of more than one agency.

12. Illegal acts or irregularities. If the auditor becomes aware of illegal acts or other irregularities, prompt notice shall be given to recipient management officials above the level of involvement. (See also paragraph 13(a)(3) below for the auditor's reporting responsibilities.) The recipient, in turn, shall promptly notify the cognizant agency of the illegal acts or irregularities and of proposed and actual actions, if any. Illegal acts and irregularities include such matters as conflicts of interest, falsification of records or reports, and misappropriations of funds or other assets.

13. Audit Reports. Audit reports must be prepared at the completion of the audit. Reports serve many needs of State and local governments as well as meeting the requirements of the Single Audit Act.

a. The audit report shall state that the audit was made in accordance with the provisions of this Circular. The report shall be made up of at least:

(1) The auditor's report on financial statements and on a schedule of Federal assistance; the financial statements; and a schedule of Federal assistance, showing the total expenditures for

each Federal assistance program as identified in the Catalog of Federal Domestic Assistance. Federal programs or grants that have not been assigned a catalog number shall be identified under the caption "other Federal assistance."

(2) The auditor's report on the study and evaluation of internal control systems must identify the organization's significant internal accounting controls, and those controls designed to provide reasonable assurance that Federal programs are being managed in compliance with laws and regulations. It must also identify the controls that were evaluated, the controls that were not evaluated, and the material weaknesses identified as a result of the evaluation.

(3) The auditor's report on compliance containing:

-- a statement of positive assurance with respect to those items tested for compliance, including compliance with law and regulations pertaining to financial reports and claims for advances and reimbursements;

-- negative assurance on those items not tested;

-- a summary of all instances of noncompliance; and

-- an identification of total amounts questioned, if any, for each Federal assistance award, as a result of noncompliance.

b. The three parts of the audit report may be bound into a single report, or presented at the same time as separate documents.

c. All fraud abuse, or illegal acts or indications of such acts, including all questioned costs found as the result of these acts that auditors become aware of, should normally be covered in a separate written report submitted in accordance with paragraph 13f.

d. In addition to the audit report, the recipient shall provide comments on the findings and recommendations in the report, including a plan for corrective action taken or planned and comments on the status of corrective action taken on prior findings. If corrective action is not necessary, a statement describing the reason it is not should accompany the audit report.

e. The reports shall be made available by the State or local government for public inspection within 30 days after the completion of the audit.

f. In accordance with generally accepted government audit standards, reports shall be submitted by the auditor to the organization audited and to those requiring or arranging for the audit. In addition, the recipient shall submit copies of the reports to each Federal department or agency that provided Federal assistance funds to the recipient. Subrecipients shall submit copies to recipients that provided them Federal assistance funds. The reports shall be sent within 30 days after the completion of the audit, but no later than one year after the end of the audit period unless a longer period is agreed to with the cognizant agency.

g. Recipients of more than \$100,000 in Federal funds shall submit one copy of the audit report within 30 days after issuance to a central clearinghouse to be designated by the Office of Management and Budget. The clearinghouse will keep completed audits on file and follow up with State and local governments that have not submitted required audit reports,

h. Recipients shall keep audit reports on file for three years from their issuance.

14. Audit Resolution. As provided in paragraph 11, the cognizant agency shall be responsible for monitoring the resolution of audit findings that affect the programs of more than one Federal agency. Resolution of findings that relate to the programs of a single Federal agency will be the responsibility of the recipient and that agency. Alternate arrangements may be made on a case-by-case basis by agreement among the agencies concerned.

Resolution shall be made within six months after receipt of the report by the Federal departments and agencies. Corrective action should proceed as rapidly as possible.

15. Audit workpapers and reports. Workpapers and reports shall be retained for a minimum of three years from the date of the audit report, unless the auditor is notified in writing by the cognizant agency to extend the retention period. Audit workpapers shall be made available upon request to the cognizant agency or its designee or the General Accounting Office, at the completion of the audit.

16. Audit Costs. The cost of audits made in accordance with the provisions of this Circular are allowable charges to Federal assistance programs.

a. The charges may be considered a direct cost or an allocated indirect cost, determined in accordance with the provision of Circular A-87, "Cost principles for State and local governments."

b. Generally, the percentage of costs charged to Federal assistance programs for a single audit shall not exceed the percentage that Federal funds expended represent of total funds expended by the recipient during the fiscal year. The percentage may be exceeded, however, if appropriate documentation demonstrates higher actual cost.

17. Sanctions. The Single Audit Act provides that no cost may be charged to Federal assistance programs for audits required by the Act that are not made in accordance with this Circular. In cases of continued inability or unwillingness to have a proper audit, Federal agencies must consider other appropriate sanctions including:

-- withholding a percentage of assistance payments until the audit is completed satisfactorily,

-- withholding or disallowing overhead costs, and

-- suspending the Federal assistance agreement until the audit is made.

18. Auditor Selection. In arranging for audit services State and local governments shall follow the procurement standards prescribed by Attachment O of Circular A-102, "Uniform requirements for grants to State and local governments." The standards provide that while recipients are encouraged to enter into intergovernmental agreements for audit and other services, analysis should be made to determine whether it would be more economical to purchase the services from private firms. In instances where use of such intergovernmental agreements are required by State statutes (e.g., audit services) these statutes will take precedence.

19. Small and Minority Audit Firms. Small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in contracts awarded to fulfill the requirements of this Circular. Recipients of Federal assistance shall take the following steps to further this goal:

a. Assure that small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals are used to the fullest extent practicable.

b. Make information on forthcoming opportunities available and arrange timeframes for the audit so as to encourage and facilitate participation by small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals.

c. Consider in the contract process whether firms competing for larger audits intend to subcontract with small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals.

d. Encourage contracting with small audit firms or audit firms owned and controlled by socially and economically disadvantaged individuals which have traditionally audited government programs and, in such cases where this is not possible, assure that these firms are given consideration for audit subcontracting opportunities.

e. Encourage contracting with consortiums of small audit firms as described in paragraph (a) above when a contract is too large for an individual small audit firm or audit firm owned and controlled by socially and economically disadvantaged individuals.

f. Use the services and assistance, as appropriate, of such organizations as the Small Business Administration in the solicitation and utilization of small audit firms or audit firms owned and controlled by socially and economically disadvantaged individuals.

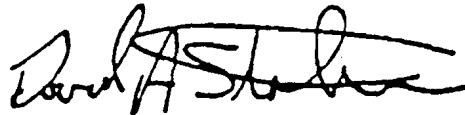
20. Reporting. Each Federal agency will report to the Director of OMB on or before March 1, 1987, and annually thereafter on the effectiveness of State and local governments in carrying out the provisions of this Circular. The report must identify each State or local government or Indian tribe that, in the opinion of the agency, is failing to comply with the Circular.

21. Regulations. Each Federal agency shall include the provisions of this Circular in its regulations implementing the Single Audit Act.

22. Effective date. This Circular is effective upon publication and shall apply to fiscal years of State and local governments that begin after December 31, 1984. Earlier implementation is encouraged. However, until it is implemented, the audit provisions of Attachment P to Circular A-102 shall continue to be observed.

23. Inquiries. All questions or inquiries should be addressed to Financial Management Division, Office of Management and Budget, telephone number 202/395-3993.

24. Sunset review date. This Circular shall have an independent policy review to ascertain its effectiveness three years from the date of issuance.

A handwritten signature in black ink, appearing to read "David A. Stockman", with a stylized, sweeping flourish at the end.

David A. Stockman  
Director

Definition of Major Program as Provided  
in P.L. 98-502

"Major Federal Assistance Program," for State and local governments having Federal assistance expenditures between \$100,000 and \$100,000,000, means any program for which Federal expenditures during the applicable year exceed the larger of \$300,000, or 3 percent of such total expenditures.

Where total expenditures of Federal assistance exceed \$100,000,000, the following criteria apply:

Total Expenditures of Federal Financial Assistance for All Programs		Major Federal Assistance Program Means any Program That Exceeds
<u>more than</u>	<u>but less than</u>	
\$100 million	1 billion	\$ 3 million
1 billion	2 billion	4 million
2 billion	3 billion	7 million
3 billion	4 billion	10 million
4 billion	5 billion	13 million
5 billion	6 billion	16 million
6 billion	7 billion	19 million
over 7 billion		20 million