Reply to
Attn. of: SP-05-29  July 13, 2005

CACFP-757
SFSP-517

Subject: Audits of States, Local Governments, and Non-Profit Organizations

To: STATE AGENCY DIRECTORS - Colorado ED, Colorado DPHE, Iowa,
(Special Nutrition Programs) Kansas, Missouri ED, Missouri DH,
Montana OPI, Montana DPHHS, Nebraska,
North Dakota, South Dakota, Utah and
Wyoming

The United States Department of Agriculture (USDA) is completing the process for amending 7
CFR Part 3052, Audits of States, Local Governments, and Non-Profit Organizations to bring the
Department’s implementing regulation into compliance with the Office of Management and
Budget (OMB) Circular A-133. These amendments will do a number of things: 1) increase the
threshold for audit from $300,000 to $500,000; 2) increase the threshold for a cognizant agency
from $25 million to $50 million; and 3) make related technical changes to facilitate the
determination of a cognizant agency when Federal agencies are making reassignment of the
oversight agency.

Raising the threshold to $500,000 will relieve almost 6,000 entities from the audit requirements
but only exempt less than one half of one percent of Federal awards expended by entities
currently conducting Circular A-133 audits. Increasing the threshold for assigning a cognizant
agency will reduce the number of non-Federal entities with a cognizant agency for audits from
approximately 1,000 to 500 and will allow Federal agencies to provide more focused attention
where there is the greatest risk in terms of Federal awards expended but still provide each non-
Federal entity an assigned oversight agency for audit from which to request technical advice.
Currently, the cognizant agency for audit determination is based on the year immediately
preceding each five-year audit cognizant period. The revision moves the base year to the second
year preceding the five-year audit cognizant period and will permit sufficient time for making
the cognizant agency for audit determinations before the audit cognizance period begins.

These changes will be effective August 15, 2005, unless written adverse comments within the
scope of this rulemaking or written notice of intent to submit them are received by August 30,
2005. If USDA receives adverse comments, the Federal Register will report on the rule’s
nullification.
The proposed rule is attached for your review and comment. For detailed instructions on submitting comments and additional information on the rulemaking process, see the "Public Participation" heading of the Supplementary Information section of the June 16, 2005, document. The Supplementary Information refers the reader to the published final OMB notice in the June 27, 2003, Federal Register (68 FR 38401) and is in like fashion attached to assist you.

If you have any questions, please call our office at (303) 844-0354.

DARLENE SANCHEZ  
Regional Director  
Special Nutrition Programs  

Electronic Attachments