Reply to
Attn. of: SP-05-29

CACFP-757
SFSP-517

July 13, 2005

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

To: STATE AGENCY DIRECTORS -
(Special Nutrition Programs)
Colorado ED, Colorado DPHE, Iowa,
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, 2003, 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