

Supporting Statement
SF-SAC Collection Form for Reporting on Audits under OMB Circular A-133

A. Justification

1. Each year, over \$500 billion of Federal assistance awards is expended by more than 100,000 States, local governments, and non-profit organizations throughout the country. To improve business-like practices and provide greater accountability over Federal awards, the Single Audit Act Amendments of 1996
(http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=104_cong_public_laws&docid=f:publ156.104.pdf)

which were signed into law on July 5, 1996 (Public Law 104-156) imposed certain audit reporting and recordkeeping requirements on States, local governments, and non-profit organizations (auditees) that expend \$500,000 or more in Federal awards per year, as well as on their auditors.

As required by the 1996 Amendments, OMB issued the final revision of Circular A-133 on June 24, 1997
(<http://www.whitehouse.gov/omb/circulars/a133/a133.html>) as guidance to Federal agencies. Sections 7502 (g) and (h) of the 1996 Amendments prescribe reporting requirements for auditors and auditees, respectively. The Circular was further amended on June 27, 2003 and June 26, 2007.

2. The information collection provides data about auditees, the Federal awards they administer, and the results of their audits. This information is used by entities responsible for overseeing the funding and administration of Federal awards (e.g., the Congress, Federal agencies, and pass-through entities) and entities responsible for administering Federal awards (e.g., State governing officials, county and city councils, board of directors of non-profit organizations, and senior management of various auditees). The information is used in making better decisions about which Federal awards and recipients to fund in the future, identifying and resolving areas of noncompliance, and improving the administration and delivery of Federal awards.

The Federal Audit Clearinghouse (FAC) maintained by the U. S. Bureau of the Census uses the information on the SF-SAC to ensure proper distribution of audit reports to Federal agencies. The FAC also uses the information on the SF-SAC to create a governmentwide database which contains information on audit results. The database is publically accessible on the Internet at <http://harvester.census.gov/sac>. This availability includes an Internet Data Dissemination System which allows

users to both retrieve specific reports as well as download a copy of the entire database. The database is used by Federal agencies, pass-through entities, non-Federal entities, auditors, the General Accounting Office, OMB, and the general public for management and information about Federal awards and the results of audits.

In addition, this information is essential in developing effective government-wide audit policies over Federal assistance awards. OMB is required by the 1996 Amendments (Public Law 104-156) to perform a biennial review of the threshold that triggers an audit requirement, prescribe a risk-based approach to auditing major programs, and provide guidance on other matters necessary to implement the Act. OMB cannot perform its duties required by the 1996 Amendments or develop effective future audit policies without the information to be provided under this information collection (SF-SAC).

3. The information collection request involves two types of entities: (1) reports from auditors to auditees, and (2) reports from auditees to the Federal government. Starting fiscal year 2008, reports required by the Circular are submitted to the Federal government electronically through the FAC Data Entry System.
4. There is no known similar information already available with respect to the results of audits of Federal awards on a governmentwide basis. Some Federal agencies maintain data on the amount of Federal programs they budgeted and awarded, and others maintain data on the audit results of programs they fund, but no Federal agency currently tracks the actual amount of Federal awards expended and the related audit results by auditee for all Federal awards subject to the 1996 Amendments. The governmentwide database described in paragraph 3 above eliminates the need for individual agencies to independently track this type of information for the Federal awards they fund.
5. Not applicable since the information collection only applies to States, local governments, and non-profit organizations that expend \$500,000 or more in Federal awards per year.
6. The annual (or biannual for some grantees) collection on information is required to meet a statutory requirement under the 1996 Amendments (Public Law 104-156); thus, the collection cannot be less frequent.
7. Sections ____.320(d) and (e) of the Circular require the auditee to submit one copy of the reporting package and data collection form to the FAC. Section ____.320(f) of the Circular instructs auditees to provide an additional reporting package to any Federal agency and pass-through entity, if requested.

The Circular requires auditees to submit the reporting package the earlier of: (1) 30 days after receipt of the auditor's report, or (2) nine months after the end of the period audited.

No other special circumstances apply to the information collection, e.g., the collection is not more frequent than quarterly, and does not require record retention more than three years.

8. The public was provided 60 days to comment on the revision to the currently approved collections (one for auditees and the other for auditors) in the December 5, 2007, *Federal Register* [72 FR 68610], http://www.whitehouse.gov/omb/fedreg/2008/120507_info_collect.pdf.

OMB received 44 comments from 7 commenters relating to the proposed information collection. The comments received and OMB's responses are summarized in the 30-day notice published June 16, 2008, *Federal Register* [73 FR 34056], http://www.whitehouse.gov/omb/fedreg/2008/120507_info_collect.pdf. All comments were considered in preparing OMB's responses.

9. Not applicable since there is no payment to respondents.
10. Not applicable since there is no assurance of confidentiality. In fact, the 1996 Amendments require the auditee to make the reporting package available for public inspection, in accordance with the dates prescribed in paragraph 7 above.
11. Not applicable since there are no sensitive questions.
12. Estimate of Auditee Hour Burden: OMB estimates the hour burden and annualized costs on auditees to be 620,400 hours and \$15.5 million. The estimate is based on 36,000 auditees (59 hours for 200 large respondents and 17 hours for 35,800). Average costs per hour is \$25.

The 1996 Amendments and Circular A-133 permit biennial audits in very limited circumstances. The majority of auditees are required to respond annually. Auditees are responsible for preparing the following documents: (1) financial statements and schedule of expenditures of Federal awards (§ ____.315(a)), (2) summary schedule of prior audit findings (§ ____.315(b)), and (3) a corrective action plan (§ ____.315(c)). Auditees are also responsible for submitting the reporting package (which consists of the three documents listed above plus the auditor's reports (§ ____.320(c)) and the data collection form which is prepared and signed by both the auditor and the auditee (§ ____.320(b)) to the FAC.

Auditees are also required to submit the reporting package to each pass-through entity for which the audit reports include findings relating to the Federal awards provided by the pass-through entity.

The number of reports an auditee is required to submit to the Federal government and pass-through entities depends on the number and type of Federal awards administered by the auditee, which entity provided the Federal awards to the auditee, and the actual audit results. OMB estimates that the reporting burden is significantly greater on auditees that typically administer a large number of Federal awards, such as the 50 States, 50 largest cities and counties, 50 largest non-profit organizations, and 50 largest colleges and universities. Therefore the reporting burden estimates included in Attachment 1 present estimates for both auditees that administer a large number of Federal awards (200 entities) and all other auditees (36,000).

The Circular's recordkeeping requirements on auditees (§___.320(g)) are limited to the auditee's retaining one copy of the reporting package and data collection form for three years from the date of submission to the FAC. Therefore, OMB estimates that the recordkeeping burden on auditees will be minimal.

13. Estimate of Total Annual Cost Burden for Information Collection Activities Affecting Auditors: OMB estimates of hour burden and annualized costs on auditors to be 620,400 and \$ \$43.4 Million based on 36,000 auditors and \$70 per hour.

While the 1996 Amendments and Circular A-133 permit biennial audits in very limited circumstances, OMB expects the majority of auditees to be required to respond annually. Therefore, the auditors for the majority of the 36,000 auditees will be subject to the information collection requirements annually. Auditors are responsible for preparing the following documents: (1) the auditor's reports (§___.505), and (2) the data collection form (§___.320(b)). The amount of time necessary for the auditor to prepare the auditor's reports and the data collection form depends primarily on the number and type of Federal awards administered by the auditee, and the actual audit results. OMB expects that the reporting burden will be significantly greater on auditors of entities that administer a large number of Federal awards, such as the 50 States, 50 largest cities and counties, 50 largest non-profit organizations, and 50 largest colleges and universities.

In addition to these reporting requirements, the Circular also imposes recordkeeping requirements on auditors. First, the audit must be conducted in accordance with generally accepted government auditing

standards issued by the Comptroller General, which require the auditor's work to be documented in the form of working papers. Second, the Circular (§___.515(a)) requires the auditor to retain working papers and the auditor's reports for a minimum of three years after the date of issuance of the auditor's reports to the auditee, unless the auditor is notified in writing by the cognizant agency for audit, oversight agency for audit, or pass-through entity to extend the retention period. The recordkeeping burdens included in the Circular are customary and usual business practice for auditors. In fact, documenting the work performed and retaining the work papers to support the reports issued are integral to the entire audit process. OMB believes that it is not meaningful or necessary to separately identify the amount of time auditors spend conducting audit procedures versus documenting their work in the audit work papers.

14. The 1996 Amendments expanded the role of the FAC designated by OMB to include receiving the reporting packages (including processing the data collection forms and maintaining the governmentwide database), identifying noncompliant recipients of Federal awards, and performing analyses to assist OMB. Budgeted costs for FY 2008 are \$4.5 Million.

The cost to Federal agencies has decreased because they no longer need to maintain a separate system on audit reports. The governmentwide database created and maintained by the FAC is readily accessible to all Federal agencies on the Internet.

15. There are no program changes.
16. Not applicable since there are no publication plans.
17. Not applicable since the OMB number will be included on the data collection form.
18. Not applicable since there are no exceptions to the certification.

B. Collections of Information Employing Statistical Methods

No statistical methods are employed in this information collection.