

block grant amounts received under the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35, 95 Stat. 357) and amounts received under a consolidated assistance program established or provided for in the Act. An audit shall be conducted for the 2-year period beginning on October 1, 1981, and for each 2-year period thereafter. As far as practicable, the audit shall be conducted consistent with standards the Comptroller General prescribes for the audit of governmental entities, programs, activities, and functions.

(b) An audit under subsection (a) of this section is in place of other financial and compliance audits of those amounts that the chief executive officer of the State is required to conduct under another provision of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35, 95 Stat. 357) unless the other provision, by explicit reference to this section, provides otherwise.

(Pub. L. 97-258, Sept. 13, 1982, 96 Stat. 1041.)

#### HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
7305 .....	31:1243(note).	Aug. 13, 1981, Pub. L. 97-35, §1745, 95 Stat. 764.

In subsection (a), the word “prescribes” is substituted for “established”, and the word “entities” is substituted for “organizations”, for consistency in the revised title and with other titles of the United States Code.

In subsection (b), the words “of funds” and “conducted” are omitted as surplus.

#### REFERENCES IN TEXT

The Omnibus Budget Reconciliation Act of 1981, referred to in text, is Pub. L. 97-35, Aug. 13, 1981, 95 Stat. 357, as amended. For complete classification of this Act to the Code, see Tables.

### CHAPTER 75—REQUIREMENTS FOR SINGLE AUDITS

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#### AMENDMENTS

1996—Pub. L. 104-156, §2, July 5, 1996, 110 Stat. 1396, amended chapter analysis generally, substituting in item 7504 “Federal agency responsibilities and relations with non-Federal entities” for “Cognizant agency responsibilities” and in item 7507 “Effective date” for “Effective date; report”.

#### § 7501. Definitions

(a) As used in this chapter, the term—

(1) “Comptroller General” means the Comptroller General of the United States;

(2) “Director” means the Director of the Office of Management and Budget;

(3) “Federal agency” has the same meaning as the term “agency” in section 551(1) of title 5;

(4) “Federal awards” means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities;

(5) “Federal financial assistance” means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, or other assistance, but does not include amounts received as reimbursement for services rendered to individuals in accordance with guidance issued by the Director;

(6) “Federal program” means all Federal awards to a non-Federal entity assigned a single number in the Catalog of Federal Domestic Assistance or encompassed in a group of numbers or other category as defined by the Director;

(7) “generally accepted government auditing standards” means the government auditing standards issued by the Comptroller General;

(8) “independent auditor” means—

(A) an external State or local government auditor who meets the independence standards included in generally accepted government auditing standards; or

(B) a public accountant who meets such independence standards;

(9) “Indian tribe” means any Indian tribe, band, nation, or other organized group or community, including any Alaskan Native village or regional or village corporation (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;

(10) “internal controls” means a process, effected by an entity’s management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

(A) Effectiveness and efficiency of operations.<sup>1</sup>

(B) Reliability of financial reporting.<sup>1</sup>

(C) Compliance with applicable laws and regulations;

(11) “local government” means any unit of local government within a State, including a county, borough, municipality, city, town, township, parish, local public authority, special district, school district, intrastate district, council of governments, any other instrumentality of local government and, in accordance with guidelines issued by the Director, a group of local governments;

(12) “major program” means a Federal program identified in accordance with risk-based criteria prescribed by the Director under this chapter, subject to the limitations described under subsection (b);

(13) “non-Federal entity” means a State, local government, or nonprofit organization;

(14) “nonprofit organization” means any corporation, trust, association, cooperative, or other organization that—

<sup>1</sup> So in original.

(A) is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest;

(B) is not organized primarily for profit; and

(C) uses net proceeds to maintain, improve, or expand the operations of the organization;

(15) “pass-through entity” means a non-Federal entity that provides Federal awards to a subrecipient to carry out a Federal program;

(16) “program-specific audit” means an audit of one Federal program;

(17) “recipient” means a non-Federal entity that receives awards directly from a Federal agency to carry out a Federal program;

(18) “single audit” means an audit, as described under section 7502(d), of a non-Federal entity that includes the entity’s financial statements and Federal awards;

(19) “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, any multi-State, regional, or interstate entity which has governmental functions, and any Indian tribe; and

(20) “subrecipient” means a non-Federal entity that receives Federal awards through another non-Federal entity to carry out a Federal program, but does not include an individual who receives financial assistance through such awards.

(b) In prescribing risk-based program selection criteria for major programs, the Director shall not require more programs to be identified as major for a particular non-Federal entity, except as prescribed under subsection (c) or as provided under subsection (d), than would be identified if the major programs were defined as any program for which total expenditures of Federal awards by the non-Federal entity during the applicable year exceed—

(1) the larger of \$30,000,000 or 0.15 percent of the non-Federal entity’s total Federal expenditures, in the case of a non-Federal entity for which such total expenditures for all programs exceed \$10,000,000,000;

(2) the larger of \$3,000,000, or 0.30 percent of the non-Federal entity’s total Federal expenditures, in the case of a non-Federal entity for which such total expenditures for all programs exceed \$100,000,000 but are less than or equal to \$10,000,000,000; or

(3) the larger of \$300,000, or 3 percent of such total Federal expenditures for all programs, in the case of a non-Federal entity for which such total expenditures for all programs equal or exceed \$300,000 but are less than or equal to \$100,000,000.

(c) When the total expenditures of a non-Federal entity’s major programs are less than 50 percent of the non-Federal entity’s total expenditures of all Federal awards (or such lower percentage as specified by the Director), the auditor shall select and test additional programs as major programs as necessary to achieve audit coverage of at least 50 percent of Federal ex-

penditures by the non-Federal entity (or such lower percentage as specified by the Director), in accordance with guidance issued by the Director.

(d) Loan or loan guarantee programs, as specified by the Director, shall not be subject to the application of subsection (b).

(Added Pub. L. 98-502, §2(a), Oct. 19, 1984, 98 Stat. 2327; amended Pub. L. 104-156, §2, July 5, 1996, 110 Stat. 1396.)

#### REFERENCES IN TEXT

The Alaskan Native Claims Settlement Act, referred to in subsec. (a)(9), probably means the Alaska Native Claims Settlement Act, Pub. L. 92-203, Dec. 18, 1971, 85 Stat. 688, as amended, which is classified generally to chapter 33 (§1601 et seq.) of Title 43, Public Lands. For complete classification of this Act to the Code, see Short Title note set out under section 1601 of Title 43 and Tables.

#### AMENDMENTS

1996—Pub. L. 104-156 reenacted section catchline without change and amended text generally, substituting present provisions for similar provisions defining terms used in this chapter.

#### SHORT TITLE OF 1996 AMENDMENT

Pub. L. 104-156, §1(a), July 5, 1996, 110 Stat. 1396, provided that: “This Act [amending this chapter and enacting provisions set out as notes below] may be cited as the ‘Single Audit Act Amendments of 1996.’”

#### SHORT TITLE OF 1984 AMENDMENT

Pub. L. 98-502, §1(a), Oct. 19, 1984, 98 Stat. 2327, provided that: “This Act [enacting this chapter and provisions set out as notes under this section] may be cited as the ‘Single Audit Act of 1984.’”

#### TERMINATION OF TRUST TERRITORY OF THE PACIFIC ISLANDS

For termination of Trust Territory of the Pacific Islands, see note set out preceding section 1681 of Title 48, Territories and Insular Possessions.

#### TRANSITIONAL APPLICATION

Pub. L. 104-156, §3, July 5, 1996, 110 Stat. 1404, provided that: “Subject to section 7507 of title 31, United States Code (as amended by section 2 of this Act) the provisions of chapter 75 of such title (before amendment by section 2 of this Act) shall continue to apply to any State or local government with respect to any of its fiscal years beginning before July 1, 1996.”

#### CONGRESSIONAL STATEMENT OF PURPOSE

Pub. L. 104-156, §1(b), July 5, 1996, 110 Stat. 1396, provided that: “The purposes of this Act [see Short Title of 1996 Amendment note above] are to—

“(1) promote sound financial management, including effective internal controls, with respect to Federal awards administered by non-Federal entities;

“(2) establish uniform requirements for audits of Federal awards administered by non-Federal entities;

“(3) promote the efficient and effective use of audit resources;

“(4) reduce burdens on State and local governments, Indian tribes, and nonprofit organizations; and

“(5) ensure that Federal departments and agencies, to the maximum extent practicable, rely upon and use audit work done pursuant to chapter 75 of title 31, United States Code (as amended by this Act).”

Pub. L. 98-502, §1(b), Oct. 19, 1984, 98 Stat. 2327, provided that: “It is the purpose of this Act [enacting this chapter and provisions set out as notes under this section]—

“(1) to improve the financial management of State and local governments with respect to Federal financial assistance programs;

“(2) to establish uniform requirements for audits of Federal financial assistance provided to State and local governments;

“(3) to promote the efficient and effective use of audit resources; and

“(4) to ensure that Federal departments and agencies, to the maximum extent practicable, rely upon and use audit work done pursuant to chapter 75 of title 31, United States Code (as added by this Act).”

TENNESSEE VALLEY AUTHORITY AUDITS UNAFFECTED BY SINGLE AUDIT REQUIREMENTS

Pub. L. 98-502, §2(b), Oct. 19, 1984, 98 Stat. 2334, provided that: “The provisions of this Act [enacting this chapter and provisions set out as notes under this section] shall not diminish or otherwise affect the authority of the Tennessee Valley Authority to conduct its own audits of any matter involving funds disbursed by the Tennessee Valley Authority.”

**§ 7502. Audit requirements; exemptions**

(a)(1)(A) Each non-Federal entity that expends a total amount of Federal awards equal to or in excess of \$300,000 or such other amount specified by the Director under subsection (a)(3) in any fiscal year of such non-Federal entity shall have either a single audit or a program-specific audit made for such fiscal year in accordance with the requirements of this chapter.

(B) Each such non-Federal entity that expends Federal awards under more than one Federal program shall undergo a single audit in accordance with the requirements of subsections (b) through (i) of this section and guidance issued by the Director under section 7505.

(C) Each such non-Federal entity that expends awards under only one Federal program and is not subject to laws, regulations, or Federal award agreements that require a financial statement audit of the non-Federal entity, may elect to have a program-specific audit conducted in accordance with applicable provisions of this section and guidance issued by the Director under section 7505.

(2)(A) Each non-Federal entity that expends a total amount of Federal awards of less than \$300,000 or such other amount specified by the Director under subsection (a)(3) in any fiscal year of such entity, shall be exempt from such fiscal year from compliance with—

(i) the audit requirements of this chapter; and

(ii) any applicable requirements concerning financial audits contained in Federal statutes and regulations governing programs under which such Federal awards are provided to that non-Federal entity.

(B) The provisions of subparagraph (A)(ii) of this paragraph shall not exempt a non-Federal entity from compliance with any provision of a Federal statute or regulation that requires such non-Federal entity to maintain records concerning Federal awards provided to such non-Federal entity or that permits a Federal agency, pass-through entity, or the Comptroller General access to such records.

(3) Every 2 years, the Director shall review the amount for requiring audits prescribed under paragraph (1)(A) and may adjust such dollar

amount consistent with the purposes of this chapter, provided the Director does not make such adjustments below \$300,000.

(b)(1) Except as provided in paragraphs (2) and (3), audits conducted pursuant to this chapter shall be conducted annually.

(2) A State or local government that is required by constitution or statute, in effect on January 1, 1987, to undergo its audits less frequently than annually, is permitted to undergo its audits pursuant to this chapter biennially. Audits conducted biennially under the provisions of this paragraph shall cover both years within the biennial period.

(3) Any nonprofit organization that had biennial audits for all biennial periods ending between July 1, 1992, and January 1, 1995, is permitted to undergo its audits pursuant to this chapter biennially. Audits conducted biennially under the provisions of this paragraph shall cover both years within the biennial period.

(c) Each audit conducted pursuant to subsection (a) shall be conducted by an independent auditor in accordance with generally accepted government auditing standards, except that, for the purposes of this chapter, performance audits shall not be required except as authorized by the Director.

(d) Each single audit conducted pursuant to subsection (a) for any fiscal year shall—

(1) cover the operations of the entire non-Federal entity; or

(2) at the option of such non-Federal entity such audit shall include a series of audits that cover departments, agencies, and other organizational units which expended or otherwise administered Federal awards during such fiscal year provided that each such audit shall encompass the financial statements and schedule of expenditures of Federal awards for each such department, agency, and organizational unit, which shall be considered to be a non-Federal entity.

(e) The auditor shall—

(1) determine whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles;

(2) determine whether the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole;

(3) with respect to internal controls pertaining to the compliance requirements for each major program—

(A) obtain an understanding of such internal controls;

(B) assess control risk; and

(C) perform tests of controls unless the controls are deemed to be ineffective; and

(4) determine whether the non-Federal entity has complied with the provisions of laws, regulations, and contracts or grants pertaining to Federal awards that have a direct and material effect on each major program.

(f)(1) Each Federal agency which provides Federal awards to a recipient shall—

(A) provide such recipient the program names (and any identifying numbers) from which such awards are derived, and the Fed-