

GRANTS MANAGEMENT

1. REASON FOR ISSUE: This directive sets forth a Departmental policy designating: who is responsible for administering grants to and agreements with non-profit entities, institutions of higher education and hospitals; and who is responsible for the audit of those entities, and states and local governments that expend VA awards consistent with the Single Audit Act Amendments (SAAA) of 1996, P.L. 104-156.

2. SUMMARY OF CONTENTS/MAJOR CHANGES:

a. OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," is issued under the authority of 31 U.S.C. 503 (the Chief Financial Officers Act), 31 U.S.C. 1111, 41 U.S.C. 405 (the Office of Federal Procurement Act), Reorganization Plan No. 2 of 1970, and E.O. 11541 ("Prescribing the Duties of the Office of Management and Budget and the Domestic Policy Council in the Executive Office of the President"). OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," is issued under sections 503, 1111 and 7501 et seq. of Title 31, United States Code and Executive Orders 8428 and 11541.

b. This policy provides for the designation of a VA official responsible to ensure that current and future VA policy and future regulations pertaining to awards are consistent with the requirements of OMB Circulars A-110 and A-133, and for the designation of a VA official responsible for liaison activities with the Office of Management and Budget concerning the OMB Circular A-133 Compliance Supplement. The audit requirements of OMB Circular A-133 apply to entities that receive more than \$300,000 in Federal awards.

c. Single Audit Act Amendments (SAAA) are effective for fiscal years beginning after June 30, 1996, and apply to all non-profits for the first time. Major revisions to OMB Circular A-133 include (1) increasing the threshold that triggers an audit to \$300,000 in Federal awards; (2) shortening report due date to 9 months; (3) prescribing risk based (audit) approach; and (4) shifting (audit) focus to major programs.

3. RESPONSIBLE OFFICE: Responsible office is the Assistant Secretary for Policy and Planning (008).

4. RELATED HANDBOOK: None

5. **RESCISSIONS:** None.

CERTIFIED BY:

**BY THE DIRECTION OF THE
SECRETARY OF VETERANS
AFFAIRS:**

/s/

Principal Deputy Assistant Secretary
for Information and Technology

/s/

Dennis M. Duffy
Assistant Secretary for
Policy and Planning

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GRANTS MANAGEMENT

1. PURPOSE: This directive creates a Departmental policy which delineates responsibilities for administering grants to and agreements with non-profit entities such as institutions of higher education and hospitals and for auditing those entities and states and local governments that expend VA awards consistent with the Single Audit Act Amendments of 1996. VA awards include assistance in the form of grants, per diem payments, loans, loan guarantees, property, cooperative agreements and cost-reimbursement contracts. This directive establishes the Office of Policy and Planning (008) as the official liaison with OMB on compliance with OMB Circulars A-110 and A -133.

2. POLICY:

a. This directive prescribes Departmental policy on responsibility for ensuring compliance with the uniform administrative requirements for grants and agreements with institutions of higher education, hospitals and other non-profit organizations and with the requirements for audits of those entities that receive VA awards. OMB Circular A-102 and 38 CFR Part 43 address uniform administrative requirements for grants and agreements with states and local governments.

b. OMB Circular A-110 sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit entities. OMB Circular A -133 sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of states, local governments and non-profit organizations expending Federal awards. Federal agencies that make awards to non-Federal entities are required to adopt the language of these circulars in codified regulations unless a statute requires OMB to approve different provisions.

3. RESPONSIBILITIES:

a. The Under Secretary for Benefits, Under Secretary for Health and Under Secretary for Memorial Affairs must each appoint a program official to oversee the administration of any grants to states, local governments, institutions of higher education, hospitals, and other non-profit organizations consistent with OMB Circulars A-110 and/or A-133.

b. The Assistant Secretary for Policy and Planning will be responsible for coordinating VA participation in OMB Circular A-133 Compliance Supplement.

c. The Assistant Secretary for Management will work with the three Under Secretaries to ensure that any VA regulations or policies on grants and cooperative agreements comply with OMB Circular A-110.

d. The Office of Inspector General through its Office of Audit, Director, Planning and Operational Support, will work with program offices, grantees, and the Federal Audit Clearinghouse, Bureau of the Census, to ensure compliance with audit requirements of OMB Circulars A-110 and A-133. See Appendix A for the program offices covered by this directive.

4. REFERENCES:

a. OMB Circular A-102 contains uniform administrative requirements for grants and cooperative agreements with states and local governments.

b. OMB Circular A-110 requires VA compliance with uniform administrative requirements for VA grants to institutions of higher education, hospitals, or other non-profit organizations.

c. OMB Circular A-133 and its supplement contains audit requirements for the expenditure of VA awards to states, local governments and non-profit organizations.

5. DEFINITIONS:

a. Audit Findings are deficiencies which the auditor is required to report in the schedule of findings and questioned costs.

b. Auditee is any non-Federal entity that expends Federal awards that must be audited in compliance with OMB Circular A-133.

c. Auditor is a public accountant or a Federal, state or local government audit organization which meets the general standards specified in generally accepted government auditing standards (GAGAS). The term auditor does not include internal auditors of non-profit organizations.

d. CFDA Number is the number assigned to a Federal program in the Catalog of Federal Domestic Assistance (CFDA).

e. Cognizant Agency for Audit is the Federal agency that provides the predominant amount of direct funding to the recipient unless OMB designates a specific agency cognizant for the audit assignment. This agency is responsible for coordinating the corrective action plan with the auditee as well as the other Federal agencies which provided funding to the auditee.

f. Oversight Agency is the Federal agency that provides the predominant amount of direct funding to the recipient. If there is no direct funding, the Federal agency with the predominant indirect funding is required to assume the oversight funding. An oversight agency is primarily responsible to provide technical advice to auditees and auditors when requested.

g. Compliance Supplement refers to the OMB Circular A-133 Compliance Supplement or such documents as OMB or its designee may issue to replace it. The recent Compliance Supplement is based on the 1996 Amendments and the final version of OMB Circular A-133 which provide for the issuance of a compliance supplement to assist auditors in performing the required audits. The Supplement identifies existing important compliance requirements, which the Federal government expects to be considered as part of an audit required by the 1996 Amendments. The Supplement serves as a source of information to assist auditors to understand the Federal programs' objectives, procedures and compliance requirements relevant to the audit as well as audit objectives and suggested audit procedures to determine compliance with these requirements.

h. Corrective Action Plan is prepared by the auditee to address each audit finding included in the current year auditor's reports. The corrective action plan shall provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan shall include an explanation and specific reasons.

i. The Federal Audit Clearinghouse, Bureau of the Census, is designated by OMB to: (1) receive audit reports performed in compliance with the Single Audit Act; (2) forward reports with findings to Federal awarding agencies; (3) maintain a database of completed audits (available on-line); (4) provide appropriate information to Federal agencies; and, (5) follow-up with known auditees to ensure the receipt of completed data collection forms and reporting packages.

j. GAGAS or "generally accepted government auditing standards" are standards pertaining to auditors for audits of government activities, programs, organizations and functions, and of government assistance received by contractors, non-profit organizations and other non-government organizations.

k. The Management Decision is a written document that clearly states whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments or take other action. If the auditee has not completed a corrective action, a timetable for follow-up should be given. Prior to issuing the management decision, the Federal agency or pass-through entity may request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs. The management decision should describe any appeal process available to the auditee.