Q&A Section 9110

Special Reports

.24 Background to Sections 9110.25–.27 — OMB 2019 Compliance Supplement

For compliance audits performed under Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, also referred to as single audits, the Office of Management and Budget (OMB) Compliance Supplement (supplement), issued annually, serves to identify existing important compliance requirements that the federal government expects to be considered as part of a single audit.

The 2019 supplement revised the approach used by the federal government to identify the compliance requirements subject to the compliance audit. In previous annual editions of the supplement, federal agencies identified all applicable compliance requirements for programs included in the supplement from 12 potential types of compliance requirements. Auditors would then determine which of the applicable requirements to test based on an evaluation of whether noncompliance could have a direct and material effect on a major federal program. For programs included in the 2019 supplement, OMB has limited the number of compliance requirements federal agencies can select as subject to the compliance audit to 6 of the 12 potential types of compliance requirements (except for the research and development cluster, which was permitted to identify 7 requirements). Auditors are still expected to determine which of the requirements identified by the federal agency as subject to the compliance audit to test based on an evaluation of whether noncompliance could have a direct and material effect on a major federal program.

AU-C section 935, Compliance Audits,* provides the requirements and guidance for the performance of single audits performed under generally accepted auditing standards (GAAS).

* All AU-C sections can be found in AICPA Professional Standards.
.25 Opining on Compliance When the OMB Compliance Supplement Excludes Direct and Material Compliance Requirements From the Scope of a Single Audit

_Inquiry_ — For a single audit performed using a supplement, such as the 2019 supplement, that limits the number of compliance requirements federal agencies can select as subject to the compliance audit, can an auditor provide an opinion on compliance if the supplement excludes certain types of compliance requirements from the scope of the audit and the auditor is aware that one or more of those excluded requirements could have a direct and material effect on a major federal program? For example, if the supplement does not identify eligibility (one of the 12 potential types of compliance requirements identified in the supplement) as one of the types of compliance requirements subject to the compliance audit for a major federal program, can the auditor provide an opinion on compliance if the auditor is aware that a key part of the program is based on providing benefits to individuals that meet certain income eligibility criteria?

_Reply_ — Yes. Paragraph .29 of AU-C section 935 indicates the auditor should form an opinion at the level specified by the governmental audit requirement. The governmental audit requirement in this case is the supplement, which specifies the compliance requirements to be considered by the auditor. Therefore, the auditor is able to provide an opinion on compliance.

.26 Effect on Auditor Reporting Due to the OMB Compliance Supplement Change in Approach for Identifying the Requirements Subject to the Single Audit

_Inquiry_ — Does the change of approach in the supplement for identifying the types of compliance requirements subject to the compliance audit require the auditor to revise the report wording for the report on compliance for each major federal program illustrated in AICPA Audit Guide Government Auditing Standards and Single Audits?

_Reply_ — No. Paragraph .30cii of AU-C section 935 indicates the auditor should include in an introductory paragraph of the auditor’s report the “identification of the applicable compliance requirements or a reference to where they can be found.” AU-C section 935 defines _applicable compliance requirements_ as “compliance requirements that are subject to the compliance audit.” AICPA Audit Guide Government Auditing Standards and Single Audits contains illustrative auditor’s reports, the introductory paragraphs of which refer to an audit of compliance “with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect” on each of the major federal programs. This wording meets the requirements of AU-C section 935 as it provides a reference to where a report user can find the requirements identified as subject to the compliance audit.
.27 Including an Other-Matter Paragraph to Describe the OMB Compliance Supplement Change in Approach for Identifying the Requirements Subject to the Single Audit

*Inquiry* — May an auditor include an other-matter paragraph in the report on compliance for each major federal program describing the change to the supplement for identifying the types of compliance requirements subject to the compliance audit?

*Reply* — Yes. There is nothing to preclude an auditor from including an other-matter paragraph in the report to communicate information about the change to the supplement. If the auditor considers it necessary to communicate this information, the auditor should do so in a paragraph in the auditor’s report with the heading “Other Matter” or other appropriate heading as described in AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report*.

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