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**INFORMATION MEMORANDUM**

**TO:** Head Start and Early Head Start Grantees and Subrecipients

**SUBJECT:** 2014 Head Start Audit Compliance Supplement

**INFORMATION:**

Grantees are encouraged to share this Information Memorandum with their governing body and auditors to make sure that selected auditors are familiar with all applicable audit requirements.

Office of Management and Budget (OMB) Circular A-133 requires annual audits of states, local governments, and nonprofit organizations that expend \$500,000 or more from federal awards in a fiscal year.<sup>i</sup> OMB Circular A-133 describes the non-federal entity’s responsibilities for managing federal assistance programs and the auditor’s responsibility with respect to the scope of audit. The grantee is also responsible to ensure that subrecipients (including delegate agencies) obtain an annual audit if they expend \$500,000 or more from federal awards in their fiscal year.<sup>ii</sup> Auditors are required to follow the provisions of OMB Circular A-133 and program-specific guidance found in the 2014 Compliance Supplement (Supplement). The 2014 Supplement applies to audits of fiscal years beginning after June 30, 2013. A link to the Supplement available in both Word and PDF follows: [http://www.whitehouse.gov/omb/circulars/a133\\_compliance\\_supplement\\_2014](http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2014)

**General Information for all Head Start Grantees and Subrecipients**

All audited Head Start and Early Head Start grantees, including Early Head Start - Child Care Partnerships (EHS-CCP) (collectively “Head Start grantees”), their subrecipients, and their auditors should be familiar with general information applicable to all Head Start grantees contained in Part 1 – Background, Purpose, and Applicability; Part 2 – Matrix of Compliance Requirements; and Part 3 – Compliance Requirements. Part 4 – Agency Program Requirements and Part 4 – Department of Health and Human Services include audit guidance for program objectives, program procedures, information about compliance requirements specific to a program, and other useful information that does not fit in the other noted sections.

**Audit Guidance for all Head Start Grantees and Subrecipients**

Audit guidance for all Head Start grantees (CFDA 93.600) is found in the Supplement at pages 4-93.600-1 through 4-93.600-11. This guidance applies to all audited non-federal entities providing Head Start, Early Head Start, and/or EHS-CCP services.

**Additional Guidance for Hurricane Sandy Head Start Disaster Relief Grantees and Subrecipients**

In addition to guidance applicable to all Head Start grantees, recipients of Hurricane Sandy Disaster Relief funds (CFDA 93.095 and CFDA 93.096) must also comply with audit guidance found at pages 4-93.095-1 through 4-93.095-4.

## **Additional Guidance for EHS-CCP Grantees and Subrecipients**

In addition to guidance applicable to all Head Start grantees, non-federal entities and subrecipients receiving EHS-CCP grants (CFDA 93.575) must comply with additional audit guidance found at pages 4-93.575-1 through 4-93.575-12. Recipients of new Early Head Start expansion grants that do not involve child care partnerships are not required to comply with the additional guidance found at pages 4-93.575-1 through 4-93.575-12.

### **Five Year Grant NoA Condition**

All grantees receiving initial five year project period awards must participate in an Office of Head Start (OHS)-sponsored single audit webinar within six months of the start of the project period. Please see [IM 13-02: Five Year Head Start Project Periods](#) and the associated [A-133 Audit Training Webcast](#).

### **Governing Body Involvement**

The Head Start Act designates the governing body as the responsible entity for selection of the financial auditor<sup>iii</sup> and requires that all critical accounting policies be reported to the governing body.<sup>iv</sup> The governing body must be allowed to review and approve the annual financial audit.<sup>v</sup> Additional governing body audit responsibilities include monitoring the agency's actions to correct any audit findings and any other actions necessary to comply with applicable laws (including regulations) governing financial statement and accounting practices.<sup>vi</sup>

Grantees are required to provide accurate and regular information to the governing body about the financial audit<sup>vii</sup> and appropriate training and technical assistance. Grantees must ensure that the members of the governing body understand the information they receive and effectively participate in oversight of the Head Start agency responsible for Head Start services.<sup>viii</sup>

Grantees must effectively educate their governing bodies and fully involve them in the audit selection and the audit process as required by the Head Start Act. In addition to those previously mentioned, a number of resources exist to support grantees in meeting this requirement. Please see [IM 12-01: Choosing an External Auditor](#) and the webinar titled "[Auditing the Head Start Program as Part of Your Single Audit](#)" available on the American Institute of CPAs (AICPA) website: [www.aicpa.org](http://www.aicpa.org).

OHS encourages grantees to understand Head Start audit requirements, choose a qualified auditor, and fully involve the governing body to obtain high quality audit reports supporting effective fiscal and program operations.

Please direct any questions on this Information Memorandum to your OHS Regional Office. Thank you for all you do on behalf of Head Start children and families.

/ Ann Linehan /

Ann Linehan  
Acting Director  
Office of Head Start

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<sup>i</sup> Grantees that are commercial organizations (including for-profit hospitals) should review audit requirements found at 45 CFR §74.26(c)-(d). States, local governments, and nonprofit organizations that expend less than \$500,000 from federal awards in a fiscal year are exempt from federal audit requirements for that year, except as noted in OMB Circular A-133 §\_\_.215(a), but records must be available for review or audit by appropriate officials of the federal agency, pass-through entity, and the General Accounting Office (GAO). See OMB Circular A-133 §\_\_.200(d).

<sup>ii</sup> Guidance on determining if an organization is a subrecipient is provided in OMB Circular A-133 §\_\_.210.

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iii Head Start Act §642(c)(1)(E)(iv)(VII)(cc) applies except when a financial auditor is assigned by the state under state law or is assigned under local law.

iv Head Start Act §642(c)(1)(E)(iv)(VII)(cc)

v Head Start Act §642(c)(1)(E)(iv)(V)(aa)

vi Head Start Act §642(c)(1)(E)(iv)(VII)(dd)

vii Head Start Act §642(d)(2)(E)

viii Head Start Act §642(d)(3)