

PEMA Directive

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Subject:

Homeland Security Grant Program Subrecipient Reporting

Scope:

Task Forces receiving equipment procured by PEMA on their behalf using Homeland Security Grant funds.

Distribution:

- Task Force Chairs
- Task Force Fiduciary Agents
- County Coordinators
- www.pema.state.pa.us

By Direction of:

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Director, PA Emergency Management Agency Pennsylvania Homeland Security Advisor

I. PURPOSE

The purpose of this directive is to establish procedures for the reporting of federal homeland security funding and equipment in accordance with the: U.S Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*; Single Audit Act of 1984, P.L. 98-502; and Single Audit Act Amendment of 1996, P.L. 104-156.

II. OVERVIEW OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) REPORTING

The OMB issued A-133, a statewide Schedule of Expenditures of Federal Awards (SEFA) that must be prepared each fiscal year. On June 27, 2003, the OMB issued a subsequent revision, which was effective for fiscal years ending after December 31, 2003; this revision increased the threshold for a Single Audit from \$300,000 to \$500,000 for purposes of subrecipient monitoring. In addition, the Department of Homeland Security (DHS) issued property guidance as it relates to OMB Circular A-133.

A. Current Single Audit Requirements

- 1. An entity that expends \$500,000 or more in federal assistance in a fiscal year shall have a Single Audit conducted in accordance with the Single Audit Act, except when such entity elects to have a program specific audit.
- 2. An entity is exempt from Single Audit requirements if the entity expends less than \$500,000 in total federal assistance in the entity's fiscal year.

Comments and Questions Regarding this Directive Should be Directed to:

Division of Grants Management via email at RA-GrantProgram@state.pa.us

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3. An entity may elect to have a program specific audit if they expend funds only under one federal program and the federal program's laws, regulations, or grant agreements do not require a financial statement audit of the auditee.

B. OMB Circular A-133 Audit/Property Guidance

In compliance with the: Single Audit Act of 1984, P.L. 98-502; Single Audit Act Amendment of 1996, P.L. 104-156; and OMB Circular A-133, *Audit to States, Local Governments and Non-Profit Organizations*; the value of property/equipment must be included in the year it is received to determine if a recipient of federal funds meets the OMB Circular A-133 audit expenditure threshold in the recipient's fiscal year. If the threshold is met and a Single Audit is required, the property/equipment is subject to all Single Audit requirements.

The following will provide guidance regarding the receipt of property/equipment:

- 1. If a recipient or subrecipient receives a federal award comprised of only property valued at \$500,000 or more (e.g., equipment purchased by the state under DHS programs), the recipient or subrecipient may be able to elect to perform a program-specific audit instead of a Single Audit. The subrecipient should contact the grantee (pass-through entity) for guidance.
- 2. If a recipient or subrecipient receives federal awards comprised of both property (e.g., equipment purchased by the state under the DHS programs) and other forms of financial assistance (e.g., funding) from multiple DHS programs and/or from other federal agencies, the property is subject to the Single Audit requirement.
- 3. If a recipient or subrecipient receives a federal award comprised of both property and funding under different federal programs all of which fall under DHS, then a Single Audit is required.
- 4. If a recipient or subrecipient receives a federal award comprised of property and funding from one federal program (e.g., State Homeland Security Grant Program), the subrecipient may be eligible to elect a program-specific audit instead of a Single Audit. The subrecipient should contact the grantee (pass-through entity) for guidance.

NOTE: The guidance provided above applies to equipment retained through ordering where payments are made directly to the vendors by the state on the recipient's behalf. Invoices, shipping receipts, or other types of documentation should be available to validate the value and receipt of equipment.

C. Federal Award Expenditure

The determination of when an award is expended is based on when the activity related to the award occurs. In general, the activity pertains to events that require auditees to comply with laws, regulations, and the

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provisions of contracts or grant agreements. Such events include, but are not limited to, the following:

- 1. Expenditures/expense transactions associated with grants, cost reimbursement contracts, cooperative agreements, and direct appropriations.
- 2. The disbursement of funds passed through to subrecipients.
- 3. The receipt of property.
- 4. The receipt of surplus property.

D. Expenditures of Non-Cash Awards

Most federal awards are in the form of cash awards. However, there are a number of federal programs that do not involve cash transactions. These programs have specific guidelines to determine when they have been expended and should be included in the SEFA:

- 1. Insurance: Fair market value of an insurance contract at the time of receipt or the assessed value provided by the federal agency.
- Donated property or donated surplus property: Fair market value of donated property or donated surplus property at the time of receipt or the assessed value provided by the federal agency.
- 3. Free rent: Fair market value of free rent at the time of receipt or the assessed value provided by the federal agency. Free rent is not considered an award expended unless it is received as part of an award to carry out a federal program.

III. SEFA YEAR END REPORTING

The SEFA reports the total expenditures for each federal program. Counties and/or local governments receiving any kind of federal assistance are responsible to ensure federal funds are accounted for properly to support accurate reporting in the SEFA.

This report includes federal awards that were distributed (passed through) to a subrecipient organization by the Catalog of Federal Domestic Assistance (CFDA) number.

The Pennsylvania Emergency Management Agency (PEMA) will inform task forces of federal funds by the CFDA number upon the grant award notice.

IV. POLICY

In order to become compliant with the above federal regulations, regional task forces and counties in receipt of federal grant funds and/or equipment and services must comply with the following:

A. When a regional task force submits an equipment purchase request to PEMA, it must identify the county in which the equipment will reside. The regional task force will take responsibility for ensuring that equipment is received at

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the location, the equipment will be utilized, and confirmed with PEMA via a goods receipt.

- B. The county in receipt of the equipment will include the value of the purchase on its yearly SEFA report which complies with the Single Audit Act.
- C. Planning, training, exercise, organization, and management and administration funds that are expended by the regional task force will be reported on the SEFA by the fiduciary agent of each task force.
- D. When the regional task force enters into a service contract through its fiduciary agent, it will identify the county that receives the service. The receiving county will report the expenditure on its SEFA.
- E. When multiple counties receive the service, the regional task force fiduciary agent will report the expenditure on its SEFA. The task force will take responsibility for ensuring that services are received and a receipt is submitted to PEMA.

V. REFERENCES

- A. U.S. Office of Management and Budget (OMB) Circular A-133, *Audit to States, Local Governments and Non-Profit Organizations*
- B. Single Audit Act of 1984, P.L. 98-502
- C. Single Audit Act Amendments of 1996, P.L. 104-156

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