

- Children and his/her spouse;
- Parents and their spouses;
- Siblings and their spouses;
- Grandparents and grandchildren and their spouses;
- Domestic partner and his/her parents; and
- Any individual related by blood or affinity whose close association with an employee is equivalent to a family relationship.



A new example of a less-than-arm's-length lease includes rental by a non-federal entity of any property (including commercial or residential real estate) owned by any individuals or entities affiliated with the non-federal entity for home office workspace.

GAAP provisions must also now be used for determining if a lease is a capital lease.

### ***Training and Education Costs (§ 200.472)***

The costs of training and education provided for employee development is now allowable for nonprofits without the extensive analysis that was previously required.

### ***Travel Costs (§ 200.474)***

New for nonprofit CAAs is the requirement that method(s) used for charging travel costs must be in accordance with an entity's written travel reimbursement policy. A change for both states and local governments as well as nonprofits is the requirement that, to charge travel costs (including lodging, meals and incidentals) of employees and officers to a federal award, documentation must justify that: (1) participation of the individual is necessary to the federal award; and (2) the costs are reasonable and consistent with the entity's established travel policy.

"New for nonprofit CAAs is the requirement that method(s) used for charging travel costs must be in accordance with an entity's written travel reimbursement policy."

Consistent with efforts to promote family friendly policies, non-federal entities will have the option of using federal funds to cover temporary dependent care costs that directly result from travel to conferences as long as the costs are:

- A direct result of the individual's travel for the award;
- Consistent with documented travel policy; and
- Only temporary during the travel period.

Travel costs for dependents are unallowable except for travel lasting six months or more with prior approval from a federal awarding agency.

*See endotes on page 23*

## **Audit Highlights**

By Michael Shepsis, Esq., CAPLAW

The audit requirements are contained in the Super Circular's Subpart F. Currently, audit requirements are covered in Circulars A-133 and A-50. The following is a review of Super Circular changes of particular importance to non-federal entities in preparing for an audit.

### ***Audit Requirement (§ 200.501)***

A non-federal entity that expends \$750,000 or more in federal award funds must have a single or program-specific audit that meets the requirements of Subpart F. This represents an increase from the current \$500,000 threshold for single audits. A non-federal entity that expends less than \$750,000 in a fiscal year is generally exempt from federal audit requirements for the year but must make its records for that year available for review or audit by appropriate officials of the federal agency, pass-through entity and the federal Government Accountability Office.

### ***Relation to Other Audit Requirements (§ 200.503)***

As under existing standards in Circular A-133, a federal agency, Inspectors General, or the U.S. Government Accountability Office may conduct or arrange for additional audits that are necessary to carry out their responsibilities under federal statute or regulation. However prior to starting an additional audit, a federal agency or pass-through entity must first review the Federal Audit Clearinghouse for recent audits and rely on the information there to the extent possible.

### ***Auditor Selection (§ 200.509)***

When procuring audit services, a non-federal entity must now request a copy of the auditing firm's peer review reports. Additionally, similar to the requirements in Circular A-133, the non-federal entity must evaluate an auditor's relevant experience, the availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price.

### ***Financial statements (§ 200.510)***

The schedule of expenditures of federal awards must now include, among other things, notes that describe that significant accounting policies used in preparing the

schedule and note whether or not the non-federal entity elected to use the 10% de minimis cost rate.

### **Report Submission (§ 200.512)**

The Super Circular clarifies that when the due date to submit an audit package falls on a Saturday, Sunday, or federal holiday, the reporting package is due the next business day.

As required by the Single Audit Act, a non-federal entity must make copies of the audit package available for public inspection, unless restricted by federal statute or regulation. The non-federal entity and its auditor to ensure that the audit package and data collection form do not contain personally identifiable information. The statement signed by a senior level representative of the auditee and included as part of the data collection will now, among other things, state that the reporting package does not include protected personally identifiable information and authorize the Federal Audit Clearinghouse to make the reporting package and the data collection form publicly available on a website.

### **Audit Findings (§ 200.516)**

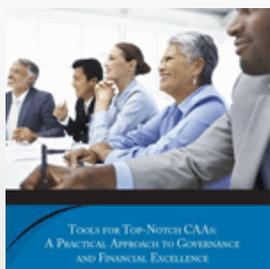
The threshold for reporting questioned costs has been raised to costs that exceed \$25,000; Currently, Circular A-133 sets this threshold at costs exceeding \$10,000.

### **Major Program Determination (§ 200.518)**

The minimum threshold for determining major programs is now set at \$750,000, consistent with the single audit threshold, and includes a table to be used in determining whether a program is considered a Type A or Type B program. In an attempt to focus audits on those areas with internal control deficiencies that have been identified as material control weaknesses, other changes were made to the determination of major programs and of the risk posed by Type A and Type B programs.

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If your CAA has questions or concerns about the Community Service Block Grant Act (CSBG) carryover or child support referral requirements, check out CAPLAW's recent analysis of each. With these analyses, CAPLAW addresses commonly faced issues associated with the requirements and proposes practical ways to approach and implement these sections of the Act. It is important to note that these analyses does not represent the opinions of the federal Office of Community Services (OCS).

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