



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

November 6, 2001

OFFICE OF
WATER

CWSRF 02-2
DWSRF 02-4

MEMORANDUM

SUBJECT: Single Audit Act Guidance for Sub-Recipients

FROM: Kong Chiu, Acting Chief /s/
Clean Water State Revolving Fund Branch

Chuck Job, Chief /s/
Infrastructure Branch

TO: Water Division Branch Chiefs
Regions I - X

The purpose of this memorandum is to clarify the Single Audit Act (SAA) requirements as they apply to State Revolving Fund (SRF) assistance recipients.

The Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, sets out the requirements for recipients or sub-recipients of Federal financial assistance. (In the SRF program, sub-recipients are loan recipients.) To implement the SAA, the Office of Management and Budget (OMB) issued Circular A-133 which states that non-Federal entities must have an audit of their use of Federal financial assistance any time they expend \$300,000 or more in Federal funds in a fiscal year.

§__.200(b) Single audit. Non-Federal entities that expend \$300,000 or more in a year in Federal awards shall have a single audit conducted in accordance with §__.500 except when they elect to have a program-specific audit conducted in accordance with paragraph (c) of this section.

Determination of Application of SAA to loan recipients:

Federal Financial Assistance. For the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) programs, an amount equal to funds “directly made available by” the capitalization grant are considered Federal funds or Federal financial assistance. These funds are subject to SAA requirements. In order to meet the requirements of the SAA, the State may choose to designate a specific group of projects in an amount equal to the capitalization grant in which the SAA will apply.

Further, in accordance with 606(c)(3) of the Clean Water Act and 1452(b)(2)(A) of the Safe Drinking Water Act, this SAA requirement must be included in the terms of the financial assistance stated in a State’s annual SRF Intended Use Plan.

\$300,000 Threshold. The SAA and Circular A-133 specify that the sub-recipient reporting threshold is met when the sub-recipient’s expenditure of any Federal funds exceeds the \$300,000 threshold during a fiscal year. For the purposes of the CWSRF and DWSRF, an expenditure occurs at the time that funds are disbursed by the sub-recipient for the purpose for which the assistance is provided. For example, for an SRF loan, the expenditure occurs at the time the loan recipient pays an invoice. For refinancing assistance, the expenditure occurs at the time the loan recipient uses the proceeds of the loan to refinance the existing debt. (The period for reporting is the fiscal year of the entity receiving financial assistance.)

If you have any questions, please contact either of us, or Cliff Yee, National CWSRF Program Audit Manager, at 202-564-0598.

cc: CWSRF Regional Coordinators
DWSRF Regional Coordinators