

2018 OMB Compliance Supplement Released

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The Office of Management and Budget (OMB) released the final [2018 OMB Compliance Supplement](#) (2018 Supplement) on May 18, 2018. The 2018 Supplement has been prepared in a different format from previous years. The format for the 2018 Supplement is to only include sections with significant updates and changes. Thus, the 2018 Supplement is smaller in size and has been referred to as a "skinny" supplement. Based on this, organizations must use both the 2018 Supplement and the 2017 OMB Compliance Supplement (2017 Supplement) together when determining the federal program objectives, procedures and compliance requirements that the Federal government expects to be considered as part of a single audit.

Key Changes to the 2018 Compliance Supplement

All organizations with federal funds should review Appendix V, List of Changes for the 2018 Compliance Supplement, for more information about the changes made and the specific programmatic changes for specific Catalog of Federal Domestic Assistance (CFDA) numbers.

A few highlighted changes are as follows:

Table of Contents of the 2018 Supplement is a critical roadmap for determining how to use the 2017 and 2018 Supplements together as it specifies where the 2017 Supplement is superseded and/or continues to be relevant.

Part 1, *Background, Purpose, and Applicability*, has been updated to reflect the effective date for the 2018 Supplement which is for audits of fiscal years beginning after June 30, 2017 and supersedes Part 1 of the 2017 Compliance Supplement. This section also states that the portions of the 2017 Supplement that were not superseded or deleted by the 2018 Supplement continue to be effective for audits of fiscal years beginning after June 30, 2017.

Part 2, *Matrix of Compliance Requirements*, is not included in the 2018 Supplement. Instead, for new or

revised programs, auditors are instructed to use the individual program matrices included in Parts 4 and 5 of the 2018 Supplement. For programs that are not included in the 2018 Supplement, the organization will need to use the Part 2 matrix in the 2017 Supplement.

Part 3, *Compliance Requirements*, has not changed from the 2017 Compliance Supplement other than 3.2.I, "Procurement and Suspension and Debarment." So, organizations should use the 2017 Supplement Part 3 (i.e., Parts 3.1 and 3.2), as appropriate for all other compliance requirement testing. The changes in section 3.2.I are mainly to address information on how the 2017 and 2018 National Defense Authorization Acts (NDAA) affect the simplified acquisition and/or micro-purchase thresholds that are to be used by auditees. The contents of 3.2.I should be read in conjunction with the new 2018 Appendix VII-A, Other Audit Advisories – Hurricanes and NDAA Addendum.

Part 4, *Agency Program Requirements*, only includes new programs and programs that were updated due to significant regulatory or other changes. For all other programs not included in the 2018 Supplement, organizations will continue to use the 2017 Supplement.

Part 5, *Clusters of Programs*, has been updated for regulatory and other updates to the Student Financial Assistance Cluster and Other Clusters has been updated to add a new cluster. Organizations will need to use Part 5 of the 2017 Supplement to refer to the "Introduction" section and for auditing the Research and Development Cluster.

Appendix VII-A, is an addendum to Appendix VII in the 2017 Supplement and contains guidance regarding reliefs being provided related to the effects of hurricanes Harvey, Irma and Maria. This appendix also provides additional guidance related to procurement including additional information related to the effect of the 2017 and 2018 NDAs on the compliance requirements and testing of procurement.

Sections Not Included in the 2018 Supplement

The 2018 Supplement does not include sections that were not updated. Thus, organizations will need to utilize Part 6, Internal Control, Part 7, Guidance for Auditing Programs Not Included in This Compliance Supplement, and all other Appendices except Appendix V from the 2017 Supplement.

Contact us at info@capincrouse.com with any questions.

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