



# Illinois State Board of Education

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## MEMORANDUM

April 2009

**TO:** School District Superintendents  
Joint Agreement Administrators  
Other Interested Parties

**FROM:** Tim Imler  
Division Administrator  
Division of Funding and Disbursement Services

**SUBJECT:** American Recovery and Reinvestment Act of 2009 funds may increase audit requirements for districts and joint agreements

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The American Recovery and Reinvestment Act of 2009 (ARRA) is providing additional Federal funding for education in Illinois. As a result, many school districts and joint agreements will receive increased Federal awards from various programs. These additional Federal funds could cause your district/joint agreement to have a special audit performed in addition to your regular audit (the Annual Financial Report, or AFR). This additional audit is referred to as an A-133 Single Audit and is required for all units of local government that expend **\$500,000** or more in Federal funds during their fiscal year. Because ARRA funds are Federal, they must be included in determining if an entity must have an A-133 (Single Audit) for the year. Many districts or joint agreements that have previously been exempt now may be required to have an A-133 audit.

The A-133 Single Audit is an organization-wide audit that includes both the entity's financial statements as well as its Federal awards. An A-133 Single Audit is done to assure the Federal government that your organization has complied with applicable State and Federal laws to receive those Federal funds. Effective January 2004, the Office of Management and Budget Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires entities that expend \$500,000 or more a year in federal awards to have a single or program-specific audit conducted. Information regarding A-133 Single Audits may be accessed on the Illinois State Board of Education (ISBE) web site at <http://www.isbe.net/funding/html/a133.htm>.

An A-133 Single Audit is a special audit that must be performed by certified public accountant (CPA) firms that are qualified to do so. While most audits can be performed in accordance with generally accepted auditing standards (GAAS), OMB Circular A-133 requires that the Single Audit also be performed in accordance with generally accepted *government* auditing standards (GAGAS or GAS). One of the requirements of GAGAS or GAS is that the CPA firm must be in an approved peer review program and have received a positive peer review within the last three years. A-133 Single Audits performed by non-qualified auditors could potentially be rejected by ISBE, requiring the district/joint agreement to find a qualified auditor to perform the entire audit again. Auditor qualifications are explained at the following web page: [http://www.isbe.net/funding/pdf/audit\\_qualifications.pdf](http://www.isbe.net/funding/pdf/audit_qualifications.pdf)

Information on determining how much Federal aid your district/joint agreement received during the fiscal year may be found by following the instructions on the following web page: <http://www.isbe.net/funding/pdf/FRISfederalconfweb.pdf>. If your district/joint agreement received Federal assistance in the form of non-cash Commodities, you should contact the Department of Child Nutrition at 217-782-2491. Federal non-cash awards must be included in determining the total value of Federal awards expended during the fiscal year.

If you have further questions, please contact Kimberly Beachy, CPA [kbeachy@isbe.net](mailto:kbeachy@isbe.net) or Larry Smith [ismith@isbe.net](mailto:ismith@isbe.net) in the Division of Funding Disbursement Services at 217-782-5256.