

COMPLIANCE CONVERSATIONS

Exploring the 2025 OMB Compliance Supplement: Implications for Auditees

1-2 p.m. ET | October 15, 2025



Polling Questions



To be awarded CPE credits or Certificates, you must answer all three polling questions. Scan the QR code below **OR** navigate to the website address.



Scanning QR codes:

1. Open the camera app on your mobile device
2. Point the camera at the QR Code
3. Tap the web link

Website Address:

<https://ngma.cnf.io/sessions/sy93/#!/dashboard>

Initial Log-in:

- Enter your name exactly as you want it to appear on your certificate.
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Answers will NOT be accepted in the chat/Q&A box.



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LEARNING OBJECTIVES



By the end of the session, participants will be equipped to:

- Explain the major changes in the 2025 OMB Compliance Supplement and their impact on auditee processes and procedures
- Describe how updates affect key compliance requirements across various federal programs
- Outline effective strategies for transitioning to and implementing the new guidance within their Single Audit framework

2025 Compliance Supplement Update



Process for Creating the Compliance Supplement



Though the OMB “owns” the publication of the Compliance Supplement, its creation is shared across the federal complex:

Step	Description
1. Federal Agencies Review Program Requirements	Agencies assess updates needed for their programs
2. Agencies Submit Updates to OMB	Program objectives, procedures, and compliance requirements are submitted to OMB
3. Compliance Supplement Core Team	Audit and program reps from agencies, OMB, and GSA review and draft the Supplement
4. Drafting and Coordination	Core Team collaborates on key compliance areas (improper payments, fraud, etc.)
5. Final Review and Approval	OMB reviews and approves the final document
6. Publication	Supplement published on OMB’s website; effective for specified fiscal years



Current Status

- Final version not yet released – no issuance date has been announced
- A draft version has been shared by the Office of Management and Budget (OMB) with the AICPA Governmental Audit Quality Center (GAQC)
- The GAQC has posted and provided access to the draft on their site to support planning for 2025 single audit engagements
- OMB staff have communicated they do not expect significant changes between the draft and final Supplement
- Auditors are advised to use the draft for planning purposes only

2025 COMPLIANCE SUPPLEMENT UPDATE



Question

Can auditors issue single audit reports prior to the release of the final 2025 Supplement?

Answer

- ▶ The GAQC has expressed that it would not be appropriate for an auditor to issue a June 30, 2025 year-end single audit before the release of the final 2025 Supplement

BACKGROUND AND EFFECTIVE DATE



- 2024 Compliance Supplement was issued May 29, 2024
- Effective for audit periods ending June 30, 2024, and after
- 2024 Compliance Supplement is available on [Biden Whitehouse Website](#)
 - Complete PDF and Single PDFs broken out by section
- [GAQC Compliance Supplement Resource Center](#)



PART 2 – MATRIX OF COMPLIANCE REQUIREMENTS



Identifies changes to requirements subject to audit

- Requirements that were changed from a “Y” to a “N” or a “N” to a “Y” from the last Supplement will be shown in bold and highlighted in yellow
- New programs to the Supplement are identified as “(new)” and deleted programs are identified as “(delete)”
 - Many of the deleted programs were removed because they are not audited frequently
- Use Part 7 of the Supplement to audit those programs
- The matrix also appears in Part 4 – if there are discrepancies in which compliance requirements are subject to audit, reach out for guidance

Reminder: Pick 6 requirement mandate continues, except for the R&D Cluster and CCDF Cluster

Poll Question 1



When is it appropriate for auditors to issue a single audit report for a June 30, 2025 year-end, according to the GAQC?

- After the draft 2025 OMB Compliance Supplement is released
- After the final 2025 OMB Compliance Supplement is released
- Before the draft 2025 OMB Compliance Supplement is released

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PARTS 2, 3 AND 4: INTERPLAY OF PARTS



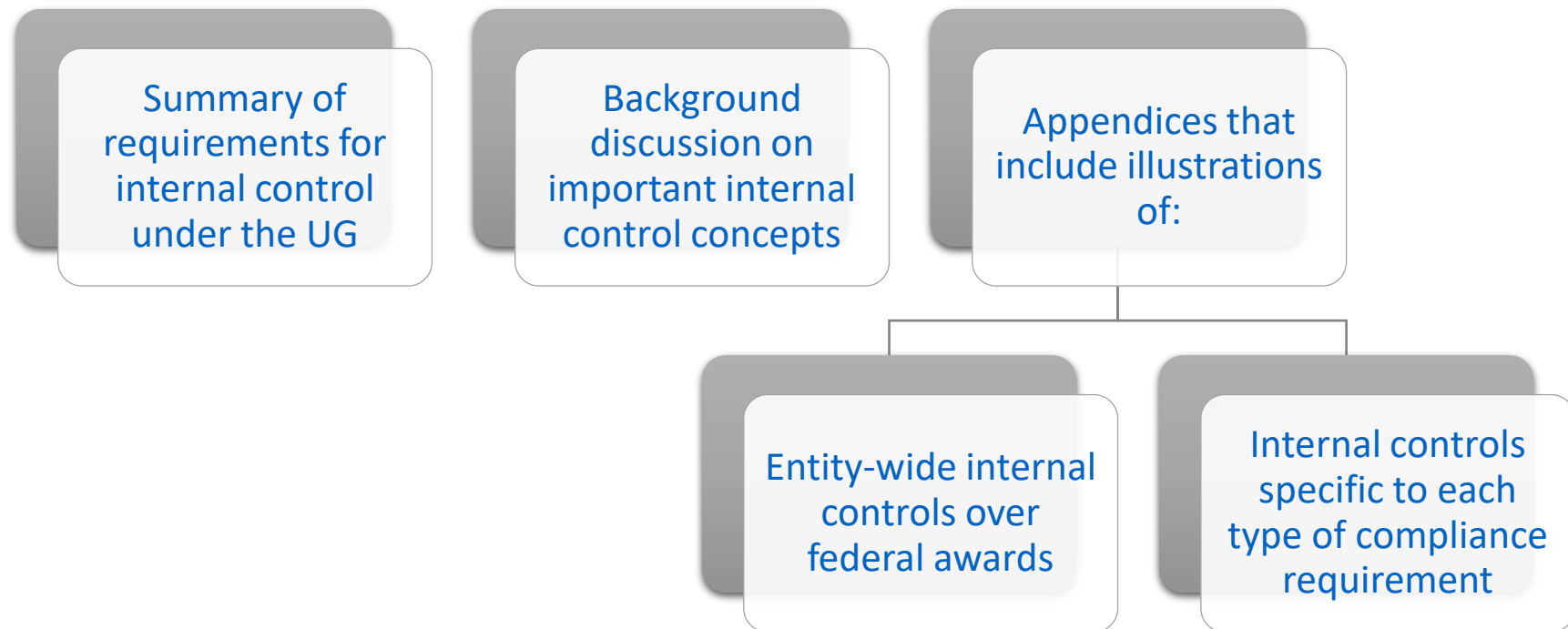
- Part 2 (Matrix)- Use to determine which compliance requirements subject to audit may have a direct and material effect on each major program
- Parts 3 and 4 (or 5, if applicable)- Use together for purposes of planning and performing test of compliance
 - Part 3- Identifies the 12 types of compliance requirements subject to audit for many federal programs, and the related audit objectives the auditor must consider in every UG compliance audit. It also provides suggested audit procedures
 - Part 4 (or 5)- Includes additional information about programs (or clusters) and the statutes and regulations governing their administration. Discusses program objectives, program procedures, and compliance requirements that are specific to each federal program included and is to be used in conjunction with Part 3

PART 8 – APPENDIX V: LIST OF CHANGES



- Should be the starting point for your review of the Compliance Supplement
- Updated annually for all changes made to the current years' release
- Historically has been a very detailed roadmap of all changes
- In the 2024 Compliance Supplement, Appendix V only included the ALNs that had changes made from the previous Supplement
 - Auditors will need to do more to understand the changes made in various Parts, Appendices, and program section
 - Can run comparisons between the Compliance Supplements

PART 6 – INTERNAL CONTROL: REMINDERS



PART 7 – GUIDANCE FOR AUDITING PROGRAMS NOT INCLUDED IN THIS COMPLIANCE SUPPLEMENT: REMINDERS



Use Part 7 to help identify compliance requirements and to develop your audit approach/program

- What are the program objectives, program procedures, and compliance requirements for a specific program?
- Which of the compliance requirements could have a direct and material effect on the program?
- Which of the compliance requirements are susceptible to testing by the auditor?
- Into which of the 12 types of compliance requirements does each compliance requirement fall?
- For Special Tests and Provisions, what are the applicable audit objectives and audit procedures?

EXPECTATIONS FOR 2025 COMPLIANCE SUPPLEMENT



2 new programs; 7 deleted programs

Part 3 will have significant changes

- Will be divided into two parts: Part 3.1 to describe requirements for use when testing federal awards subject to the previous UG and Part 3.2 for use when testing awards subject to the revised 2024 UG

Changes to many other programs including:

- Performance reporting updates
- Special tests and provisions updates
- Some changes to compliance requirements subject to audit
- Changes due to law or regulation updates

Information on 2025 Supplement is based on most recent vett drafts the GAQC has reviewed

Review final Supplement closely to learn more about the final changes

Poll Question 2



Which section should auditors consult first to review all changes made in the current year's Compliance Supplement?

- Appendix V – List of Changes
- Part 6 – Internal Control
- Part 7 – Guidance for Auditing Programs Not Included

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EXPECTATIONS FOR 2025 COMPLIANCE SUPPLEMENT



- **Appendix IV, Higher Risk Designation:** Likely to be only two higher risk programs
- Assistance Listing Number Title
- 93.778/93.777/93.775 Medicaid Cluster
- 15.252 Abandoned Mine Land Reclamation (AMLR)

Latest draft showed that the following programs were removed from the higher risk list: ALN 21.023 – Emergency Rental Assistance and ALN 21.027 – CSLFRF.

Appendix VII: Other Audit Advisories: (1) Adding guidance on UG transition; (2) adding information on submission extensions (discussed previously); and (3) describing changes to where FFATA subaward information is to be submitted by clients (will now go to SAM.gov instead of FSRS.gov)

CAUTION! Information on 2025 Supplement is based on most recent vett drafts the GAQC has reviewed.

Review final Supplement closely and attend June GAQC event to learn more about the final changes.

AICPA AUDIT AND ACCOUNTING GUIDE AND GOVERNMENT AUDITING STANDARDS



AICPA AUDIT GUIDE, GOVERNMENT AUDITING STANDARDS AND SINGLE AUDITS



Key AICPA resource for auditors of Uniform Guidance compliance audits

GAQC Executive Committee is involved in developing updates to this guide each year

2025 edition has been issued

Key changes:

Conforming changes for 2024 UG revisions, subparts A through E

Dual guidance for 2024 UG revisions, subpart F, 2024 revision Government Auditing Standards, and QM standards

Enhance changes for single audits in Appendix B



Order when published at:

<https://www.aicpa-cima.com/cpelearning>

2025 AICPA AUDIT GUIDE, GOVERNMENT AUDITING STANDARDS AND SINGLE AUDITS – ENHANCIVE CHANGES



Last major enhancive update made was in 2009 (in response to a 2007 federal audit quality study which concluded there were significant quality issues)

The Guide has been updated for specific technical updates and conforming changes since then

GAQC EC took on a project to give a fresh look at the Guide contents to ensure it addresses quality concern areas and aligns with how single audit practice has evolved

Task force developed the changes over a period of 1+ years

2025 GAS-SA GUIDE - ISSUANCE APPROACH



AICPA Guide revisions do not have effective dates as they cannot establish requirements
Thus, the enhance changes will be included as Appendix B of the 2025 edition of the Guide

Appendix B will replace all single audit chapters (Part II) in the 2026 edition of the Guide

This approach will give auditors and other key single audit stakeholders time to consider the new guidance in advance of its final publication in 2026



2025 GAS-SA GUIDE - KEY ENHANCIVE CHANGE AREAS

Reorganized and refreshed in a more logical order.

New UG adopted in its entirety (including Subpart F changes).

The more significant changes made will address:

- Entity-wide procedures (versus those done at the individual compliance requirement level) including IT;
- Risk assessment process for compliance requirements subject to audit;
- Internal control and compliance testing guidance, including sample size table revisions; and
- Determining sufficient, appropriate evidence when exceptions are identified in testing.

GAQC will offer training and other tools to help members understand the revisions.

Normal 2025 conforming changes will be made to extant content



A VISUAL OF THE 2024 GAS-SA GUIDE VS. 2025 APPENDIX B



1 - 4	<i>Government Auditing Standards</i>		Ch #	2025 Appendix B Chapter Title
5	Single Audit Act, Uniform Guidance Audit Requirements, Compliance Supplement		5	Overview of Uniform Guidance Audit Requirements
6	Auditor Planning Considerations Under the Uniform Guidance		6	Compliance Supplement
7	Schedule of Expenditures of Federal Awards		7	Preliminary Engagement Activities
8	Determination of Major Programs		8	Planning Consideration
9	Consideration of Internal Control Over Compliance for Major Programs		9	Schedule of Expenditures of Federal Awards
10	Compliance Auditing Applicable to Major Programs		10	Determination of Major Programs
11	Audit Sampling Considerations of Uniform Guidance Compliance Audits		11	Performing Entity-Wide Procedures
12	Audit Considerations of Pass-Through Entities and Subrecipients		12	Identification and Assessment of Risks of Material Noncompliance
			13	Testing Internal Control Over Compliance For Each Major Program
			14	Testing Compliance Applicable to Each Major Program
			15	Evaluation and Reporting of Findings

F/S IMPACT OF FEDERAL ACTIONS ON NFPS AND SLG ENTITIES

On January 27, 2025, the OMB paused certain federal grants and loans, leading to legal challenges and significant uncertainty for entities relying on federal funding, prompting some to consider worst case scenarios. Areas of the financial statements that could be impacted include:

- Grant revenue and receivables
- Risks and uncertainties
- Subsequent events
- Going concern
- Liquidity and availability of resources



REGULATORY UPDATE



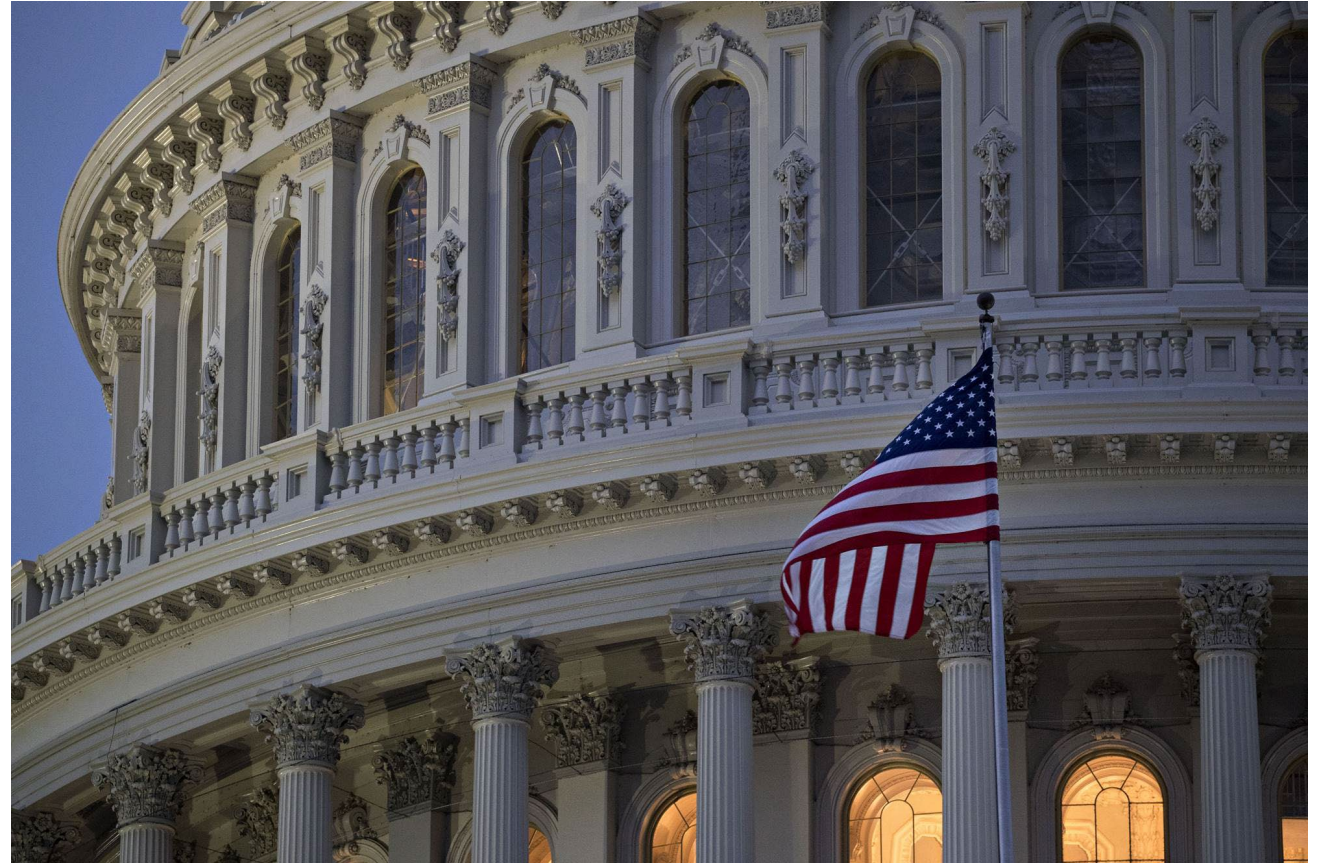
IMPACT OF THE TRUMP ADMINISTRATION'S AGENDA ON NONPROFIT ORGANIZATIONS



WE WILL COVER THE FOLLOWING IN THIS SECTION:



- Analyze and understand the implications of the Trump administration's agenda and change in Federal policies on nonprofit organizations (NFPs)
- Overview of Key Policy Changes: Freezing of federal grants, restructuring of healthcare funding, and the National Institutes of Health's (NIH) new indirect cost rate policy and the potential implications



FEDERAL FUNDING FREEZE AND SPENDING CUTS



FEDERAL FUNDING FREEZE AND SPENDING CUTS



Policy Overview

- President Trump's directive to freeze all federal grants, loans, and financial assistance programs to conduct a comprehensive spending review.





Implementation Details

- On January 27, 2025, the Office of Management and Budget (OMB) issued Memorandum M-25-13, instructing federal agencies to pause disbursement of funds under existing grants and assistance programs
- A federal judge issued an administrative stay temporarily blocking the OMB's directive, citing lack of congressional approval and potential disruption of essential services
- Despite the court ruling, some federal agencies continued to withhold funds, leading to further legal challenges





Implications for Nonprofits

- Potential cash flow disruptions due to delayed reimbursements or suspended payments
- Need to seek alternative funding sources such as private donors, corporate sponsorships, or state and local funding
- Risk of program cutbacks, staff layoffs, and service reductions if funding disruptions persist



Poll Question 3



What is a recommended action for nonprofit CFOs in response to the federal funding freeze and spending cuts?

- Monitor cash flow and explore alternative revenue sources
- Increase reliance on federal grants
- Ignore the funding freeze as it is temporary

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FEDERAL FUNDING FREEZE AND SPENDING CUTS



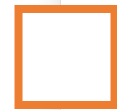
Recommended Actions for Nonprofit CFOs



Assess reliance on federal funding and explore alternative revenue strategies



Monitor cash flow and ensure liquidity reserves can withstand delays in federal disbursements



Consider cost-cutting measures, including program adjustments and staffing changes, to sustain operations



ONGOING CHALLENGES TO INDIRECT COST RATES



Proposed Changes to Indirect Cost Recovery



National Institutes of Health

- ▶ Proposed 15% flat indirect rate, including old contracts



Department of Energy

- ▶ Initially proposed 15% cap for all projects, including retroactive application
- ▶ Revised and updated Policy Flash limits new awards to 15% of the total project budget (excludes IHEs) for indirect and fringe



National Science Foundation

- ▶ Proposed 15% cap on indirect cost rates
- ▶ New awards include a clause that if the cap is reinstated by courts, organizations must replay excess indirect costs retroactively to May 5



Department of Defense

- ▶ Proposed 15% cap for all new awards and existing awards through renegotiation

All agency proposals regarding rate limitations are currently either rescinded or have been halted by court action

Proposed Changes to Indirect Cost Recovery



Implications for Nonprofits

- Federal grant recipients may face substantial funding gaps due to reduced IDC recovery
- Potential need to reallocate funds or reduce research activities to accommodate funding shortfalls

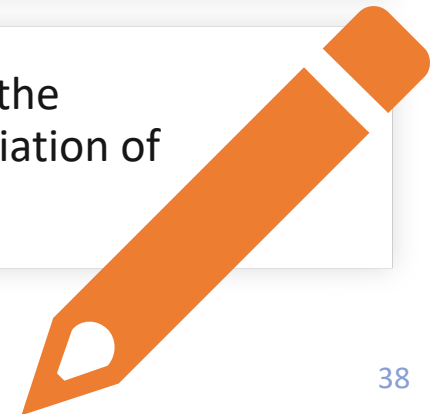


RESPONDING TO SHIFTS IN INDIRECT COST RATE POLICY



Recommended Actions for Nonprofit CFOs

- ☐ Conduct financial modeling to quantify expected losses in indirect cost recovery
- ☐ Identify high-risk programs that rely heavily on NIH funding
- ☐ Develop cost absorption strategies to offset lost overhead recovery
- ☐ Engage in advocacy efforts through organizations such as the Council on Governmental Relations (COGR) and the Association of American Medical Colleges (AAMC)



OVERALL STRATEGIC RECOMMENDATIONS



Diversify funding sources to reduce dependence on federal grants



Enhance **financial planning** and **risk management** practices



Stay informed and actively **participate in advocacy efforts** to influence policy decisions affecting the nonprofit sector

SUMMARY OF IMPACTS



The Trump administration's 2025 policy changes present significant financial and operational challenges for nonprofits, particularly those reliant on federal funding and involved in healthcare and research.



Questions?

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