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Clarification of Audit Requirements of For-Profit Organizations Including SBIR/STTR Grantees

Updated: December 6, 2001

The Department of Health and Human Services (HHS) has specified requirements for non-federal audits of for-profit (commercial) organizations in HHS' Title 45, Code of Federal Regulations [CFR], [Part 74.26, "Non-Federal Audits."](#)

Per the regulations, a for-profit (commercial) organization is subject to audit requirements for a non-federal audit if, during its fiscal year, it expended \$300,000 or more under HHS awards and at least one award is an HHS **grant**. Title 45 CFR Part 74.26 essentially incorporates the thresholds and deadlines of Office of Management and Budget (OMB) Circular No. A-133, "Audits of States, Local Governments and Non-Profit Organizations," but provides for-profit organizations with two options regarding the type of audit that will satisfy the audit requirements: either (1) a financial related audit (as defined in the Government Auditing Standards, GPO Stock #020-000-00-265-4) of all the HHS awards in accordance with Government Auditing Standards, or (2) an audit that meets the requirements contained in OMB Circular No. A-133. (The Government Auditing Standards document is available electronically at <http://www.gao.gov/govaud/ybk01.htm> and OMB Circular No. A-133 is found at <http://www.whitehouse.gov/OMB/circulars/a133/a133.html> on the World Wide Web.

Audits shall be completed and submitted to the following office within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the organization's fiscal year: National External Audit Resources, HHS Office of Audit Services, Lucas Place, 323 West 8th Street, Room 514, Kansas City, MO 64105.

The HHS will be identifying organizations not meeting audit requirements. Failure to comply may jeopardize eligibility for receiving future HHS awards.