



JUNE 2023

State Single Audit Guide

MAIN DOCUMENT

*EFFECTIVE FOR SINGLE AUDITS HAVING FISCAL YEARS
BEGINNING AFTER JUNE 30, 2023*

Wisconsin Department of Administration
DIVISION OF EXECUTIVE BUDGET AND FINANCE | STATE CONTROLLER'S OFFICE



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Summary of Changes

We've made several changes to the State Single Audit Guide since the last revision of the Main Document in June 2016. Some of the changes include changes to terminology, reorganization of the sections included within the document, and changes to various requirements within the document. The roles and responsibilities for the auditor, auditee, state awarding agencies, and pass-through entities, if applicable, remain relatively similar; however, the sections within the document have been reorganized to better mirror Uniform Guidance. Additionally, **requirements related to federal awards that are outlined in Uniform Guidance have been removed from this Guide. Auditees, auditors, state awarding agencies, and pass-through entities should follow Uniform Guidance and other applicable guidance as it relates to requirements for federal awards.** We have included references to Uniform Guidance, where appropriate, in order to incorporate the concepts. We have summarized major changes from the State Single Audit Guidelines amended in June 2016 to the current Guide in the table below:

Section	Changes
1.4 Applicability and Type of Audit Required	<ol style="list-style-type: none"> 1. We have updated the applicability of the State Single Audit Guide to reflect state awards <i>expended</i> versus <i>received</i>. 2. The amount of state awards expended must be \$250,000 or more for the Guide to be applicable (previously the guide was applicable to any state or federal pass-through awards received).
1.5 Definitions	Definitions have been updated to better reflect the concepts of Uniform Guidance and to reference the concepts of Uniform Guidance, where appropriate.
1.6 Additional Review	Added table with known statutory and administrative code provisions.
3.1 State Major Program Determination	<ol style="list-style-type: none"> 1. We have removed the ability for state awarding agencies to automatically designate state programs as state major programs or Type A state programs. 2. We have updated the process for determining state major programs using a tiered approach based on total state awards expended, similar to the concepts used in Uniform Guidance.

1.0 Introduction

1.1 Purpose

The State of Wisconsin has adopted the concept of the Federal Single Audit requirements in 2 CFR 200 Subpart F, Audit Requirements (“Uniform Guidance”) for certain recipients of funding from the State. The State Single Audit Guide (“Guide”) implements the concept of the Federal Single Audit requirements as outlined in Uniform Guidance, for certain state programs. **Auditees, auditors, state awarding agencies, and pass-through entities should follow Uniform Guidance and other applicable guidance as it relates to requirements for federal awards.**

1.2 Content

The Guide consists of two parts, the Main Document (this document), and state awarding agency appendices, both of which are discussed further below:

- 1) *Main Document*: The main document includes general guidance that is applicable to all audits performed in accordance with the Guide. This document is maintained by the State of Wisconsin Department of Administration, State Controller’s Office (DOA-SCO) and is updated periodically to reflect changes in auditing and program requirements.

Questions or comments regarding the Main Document should be sent to DOA-SCO at: DOASSAGGeneral@wisconsin.gov.

- 2) *State Awarding Agency Appendices*: The appendices detail agency-specific audit requirements for state programs that are in addition to the requirements found within the main document and are updated, as needed, by the agencies. Questions or comments regarding state awarding agency appendices should be directed to the agency contact listed on the Guide webpage or within the respective appendices.

The main document and state awarding agency appendices are available at the following webpage: <https://doa.wi.gov/Pages/StateFinances/State-Single-Audit-Guidelines.aspx>.

An auditor planning an audit in accordance with the Guide must consult the main document and the state awarding agency appendices for each of the State of Wisconsin agencies from which the auditee has expended state funding in accordance with the thresholds listed in the guide. For example, if the auditee expended state funding totaling \$250,000 or more from various state awarding agencies, including the Department of Workforce Development (DWD) and the Department of Children and Families (DCF), the auditor must review the main document, the DWD appendix, and the DCF appendix.

1.3 Users of the Guide

The Guide contains useful information for entities required to have an audit conducted as required by [Section 1.4](#), auditors conducting audits under the Guide, state awarding agencies receiving and reviewing audits required by the Guide, and pass-through entities administering state programs, if applicable.

1.4 Applicability and Type of Audit Required

The Guide is applicable, and a state single audit is required to be conducted if **all** of the following criteria are met:

- 1) Uniform Guidance applies:
 - a. The auditee is a non-federal entity, not including a State of Wisconsin agency, that expended \$750,000 or more in federal awards during its fiscal year that must have a single audit or program-specific audit conducted for that year in accordance with Uniform Guidance;
- 2) The auditee expended \$250,000 or more in state awards subject to audit under the Guide during its fiscal year for one or more state programs; **and**,
- 3) The state awarding agency has not otherwise specified that the Guide is not applicable. For example, the state awarding agency may exempt certain state programs from audit or may require different audit standards for certain types of programs or auditees. State awarding agency appendices or the respective agency's state program listing should provide guidance on whether the Guide is applicable to certain state programs. State programs that are exempt from the Guide should not be included in total state awards expended for purposes of number 2 above, and should not be included in total state awards expended as further discussed in [Section 4.1.2](#).

A single audit is required if all of the criteria identified above are met, unless the auditee meets the requirements to elect a program-specific audit as outlined in 2 CFR §200.501(c) and below.

A program-specific audit may be completed if the requirements in 2 CFR §200.501(c) are met and the auditee expends state awards under only one state program (excluding Research & Development) and the state program's statutes, regulations, or the terms and conditions of the state award do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit conducted.

The single audit or program-specific audit must be conducted in accordance with the standards outlined in Uniform Guidance and [Section 2.2.2](#) of the Guide.

Additionally, please review [Section 1.6](#) of the Guide to determine whether any additional review requirements are applicable.

1.5 Definitions

The following definitions apply to the specified terms used throughout this document:

- 1) **Auditee:** Any non-federal, non-state entity, that expends state awards which must be audited under the Guide. This includes local governments, not-for-profit organizations, Indian tribes, and institutions of higher education that carry out a state program as a recipient or subrecipient.
- 2) **Auditor:** An individual who possesses the qualifications to perform an audit in accordance with [Section 2.2.1](#).
- 3) **Beneficiary:** An individual receiving benefits from a state award.
- 4) **Contract:** For the purpose of state financial assistance, a legal instrument by which a recipient or subrecipient purchases property or services needed to carry out the project or program under a state award.
- 5) **Contractor:** An entity that receives a contract as defined in number four above.
- 6) **Pass-through entity:** A non-federal, non-state entity that provides a state award to an auditee to carry out a state program.
- 7) **Questioned Cost:** A cost that is questioned by the auditor because of an audit finding:
 - a. Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a state awards, including for funds used to match state awards;
 - b. Where the costs, at the time of the audit, are not supported by adequate documentation; or,
 - c. Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
- 8) **State award:** An award of state funding (i.e., non-federal funds) from a state awarding agency or pass-through entity subject to audit under the Guide.
- 9) **State awarding agency:** A department, commission, board, or authority of the State of Wisconsin that administers a state program by granting or providing state awards to auditees.
- 10) **State program:** A program administered by a state awarding agency.
- 11) **Subrecipient:** A non-federal, non-state entity, that receives a state award from a state awarding agency or pass-through entity to carry out part of a state program but does not include an individual that is a beneficiary of such award.

1.6 Additional Review

Having an audit conducted under the Guide does not limit the authority of the state awarding agency or pass-through entity to conduct or arrange for other audits or reviews of state programs that are authorized by state statute or administrative code. However, the state awarding agency or pass-through entity should use information from the audit to conduct its own reviews without duplication of the audit work, if possible.

Certain state awarding agency appendices may reference Wisconsin State Statutory provisions which require an “audit” subject to guidelines established by the applicable state awarding agency. The impacted state awarding agency will provide supplemental information to assist auditors in planning the audit to meet statutory requirements. For example, pursuant to s. 46.036(4)(c), Wis. Stats., “Unless waived by a department [of Health Services], biennially, or annually if required under federal law, provide the purchaser with a certified financial and compliance audit report if the care and services purchased exceed \$100,000.” The Department of Health Services (DHS), through its appendix and other applicable audit guides, has established separate guidelines to satisfy this statutory requirement. In instances where the state awarding agency has statutory authority and prescribes audit guidance that is different from the guidance prescribed in the Guide, the auditor should follow the procedures specified by the respective state awarding agency.

Below we have included a table of statutory and/or administrative code references for the respective state awarding agencies that the DOA-SCO has been made aware of; this list is *not all inclusive* and there may be other statutory provisions or administrative code requirements that require an audit or additional review for a state program. We have included the statutory and/or administrative code reference and a reference to the known audit procedures.

State Awarding Agency	Statute and/or Administrative Code Reference	Reference to Required Audit Procedures
Department of Children and Families	Wis. Stat. § 49.34(4)(c)	DCF Appendix
Department of Health Services	Wis. Stat. § 46.036(4)(c)	DHS Audit Guide
Department of Public Instruction	Wis. Stat. § 120.14	Wisconsin School District Audit Manual
	Wis. Admin Code PI 14.03(2)(d)	
Wisconsin Economic Development Corporation	Wis. Stat. § 238.03(3)(a)	Contact State Awarding Agency

1.7 Due Date

Audits conducted in accordance with the Guide are due to the Federal Audit Clearinghouse (FAC) by the date specified in 2 CFR §200.512(a).

2.0 Roles and Responsibilities

The auditee, auditor, state awarding agency, pass-through entity, and the DOA-SCO have roles and responsibilities in the state single audit process under the Guide.

2.1 Auditee

The auditee has several responsibilities related to administering state programs and the state single audit process, as outlined below.

2.1.1 Identify State Awards in Accounts

The auditee shall apply the requirements of 2 CFR §200.302(b)(1) to state awards. The auditee shall identify in its accounting system all state awards received and expended and the state programs under which they were received. State awards shall be identified by the name of the state awarding agency, name of the pass-through entity, if any, and the identification number assigned by the state awarding agency.

2.1.2 Maintain Internal Controls Over State Awards

Similar to 2 CFR §200.303(a), the auditee must establish and maintain effective internal control over the state award that provides reasonable assurance that the auditee is managing the state award in compliance with statutes, regulations, and terms and conditions of the award.

2.1.3 Comply with Laws, Regulations, and Terms and Conditions of the State Award

Similar to 2 CFR §200.303 (b) and (c), the auditee shall comply with statutes, regulations, and the terms and conditions of the state award. In addition, the auditee should evaluate and monitor compliance with statutes, regulations, and terms and conditions of the state award. If the auditee passes through a state award to another entity, the auditee would also be required to follow the pass-through entity responsibilities outlined in [Section 2.3](#).

2.1.4 Prevent, Detect, and Report Fraud

Fraud is an intentional act by management or others that results in the misstatement of the financial statements arising from fraudulent financial reporting or misappropriation of assets. The auditee's management is responsible for preventing and detecting fraud.

If fraud is discovered, management should take timely and appropriate action to remedy the fraud. Additionally, management must disclose the fraud in writing to the state awarding agency or pass-through entity in a timely manner. The letter should include the following information:

- 1) Who was involved in the fraud?
- 2) What happened?
- 3) When did the fraud happen?
- 4) How did the auditee become aware of the fraud?
- 5) Did the fraud involve state awards, either directly or indirectly (i.e., did the people involved in the fraud have duties related to state awards, regardless of whether the fraud itself involved state awards)?
- 6) What has the auditee done in reaction to the fraud (e.g., investigate extent and

causes of the instance of fraud, identify changes needed to internal controls to prevent fraud in the future)?

2.1.5 Procure Audit Services

The auditee should read the contract, grant agreement, the respective state regulations and policies, and the Guide to obtain an understanding of the audit requirements that are applicable to the auditee, including when the Guide applies and what type of audit is required ([Section 1.4](#)). Auditees should consult with the state awarding agency or pass-through entity for assistance in understanding audit requirements applicable to their state programs.

The auditee shall contract with a qualified independent auditor to perform the single audit. The auditee should clearly specify in its engagement letter with the independent auditor that the audit will comply with Uniform Guidance and the Guide.

As part of planning the procurement process, auditees should include information on the audit standards that apply to the audit in the request for proposal. This information can be obtained from the state awarding agency or pass-through entity. If the auditee receives state awards from more than one state awarding agency or pass-through entity, the auditee must ensure that the audit will satisfy the audit requirements of all entities.

The auditee should confirm that the auditor has the necessary qualifications to perform the audit. Auditees should review the Wisconsin Department of Safety and Professional Services website to determine whether the independent auditor is a licensed Certified Public Accountant: <https://licensesearch.wi.gov/>. Auditees may consider contacting other auditees that the auditor has audited to find out whether they were satisfied with the auditor's performance.

2.1.6 Ensure Audit Costs are Appropriately Charged to State Programs

The auditee may charge the respective state program(s) for the incremental cost of the audit of state major programs and additional supplemental schedules ([Section 4.1.3](#)). A reasonably proportionate share of the cost of an audit is allowable for reimbursement from each respective state program if the following criteria are met:

- 1) *Audit Met Applicable Standards*: The audit was performed in accordance with the requirements of Uniform Guidance and the standards identified in [Section 2.2.2](#),
- 2) *A Single Audit is Required by Uniform Guidance*: The auditee was required to have a single audit conducted in accordance with Uniform Guidance,
- 3) *Audit is Not Limited in Scope*: The audit covers all requirements of the state program that are expected to be audited, **and**
- 4) *Cost Represents Fair Share*: The percentage of the audit cost charged to state programs should not exceed the percentage of state funds expended in relation to the total funds expended by the auditee during the fiscal year. For example, if state expenditures are 40% of total expenditures for the fiscal year being audited, normally no more than 40% of the cost of the audit can be charged to the respective state program; however, the percentage may be exceeded if appropriate documentation demonstrates higher actual cost.

2.1.7 Prepare Applicable Portions of the Audit Reporting Package

The auditee is responsible for preparing certain elements that go into the audit reporting package which are further discussed in [Section 4.1](#).

2.1.8 Complete Follow-up and Corrective Action on Audit Findings

A significant part of the value of the audit process is the opportunity to improve operations by taking corrective action on audit findings in accordance with 2 CFR §200.511(c). The auditee must prepare a *Summary Schedule of Prior Audit Findings* and a *Corrective Action Plan* in accordance with 2 CFR 200.511(b) and (c) that includes current year audit findings for state programs. These are further discussed in [Section 4.1.4](#) and [Section 4.1.5](#).

The auditee shall also cooperate with state awarding agencies or pass-through entities during the audit review and resolution process. State awarding agencies review the audit findings for their respective state programs, the auditee's *Corrective Action Plan*, and status of prior audit findings to determine whether they are satisfied with the auditee's actions. State awarding agencies may negotiate disallowances and method of reimbursement with the auditee, depending on the nature of the finding. Additionally, state awarding agencies may initiate sanctions if the auditee does not cooperate with audit collection, review, and resolution efforts ([Section 2.3.11](#)).

2.1.9 Submit Audit Reporting Package to the Federal Audit Clearinghouse

The auditee is responsible for submitting a complete audit reporting package to the FAC in accordance with 2 CFR §200.512(d). Preparing the audit reporting package and the required elements are discussed in further detail in [Section 4](#) of the Guide. Further information on submitting the audit reporting package is discussed in [Section 5](#) of the Guide.

2.1.10 Follow Retention Requirements

The auditee must retain a copy of the data collection form submitted to the FAC, the audit reporting package, and any supporting documentation for at least three years from the date of submission to the FAC or until all audit findings have been resolved by the respective state awarding agency, whichever is longer.

2.2 Auditor

The auditor has several responsibilities related to the state single audit process which are outlined in the sections below.

2.2.1 Possess Qualifications to Perform an Audit in Accordance with Applicable Standards

Auditors should take engagements to perform audits involving state awards from state awarding agencies or pass-through entities only if they have the training and experience to perform audits in accordance with the standards outlined in [Section 2.2.2](#).

In addition, the auditor must:

- 1) Possess appropriate licensure as required by Government Auditing Standards (GAGAS) paragraph 6.04;
- 2) Possess the technical qualifications to perform an audit involving government programs, including continuing professional education, as required by GAGAS; **and**
- 3) Undergo a peer review at least once every three years as required by s. 442.087(2), Wis. Stats., and make the report available to the auditee and pass-through entities, upon request, as required by GAGAS.

2.2.2 Conduct the Audit in Accordance with Applicable Standards

The auditor shall conduct the audit in accordance with the standards identified in Uniform Guidance. In addition, the auditor shall conduct the audit in accordance with the following:

- 1) The Guide, including any applicable state awarding agency appendices, and
- 2) Other requirements as specified by the state awarding agency or pass-through entity, including through grant agreements, contracts, etc.

The auditee should specify the audit standards that are applicable to the audit in the engagement letter ([Section 2.1.5](#)). However, the auditor might identify different and/or additional standards while planning the audit. In these situations, the auditor should work with the auditee to amend the engagement letter to include the appropriate audit standards.

2.2.3 Determine Whether Certain Elements are Fairly Stated

The auditor must follow 2 CFR §200.514(b), including determining whether the *Schedule of Expenditures of Federal and State Awards* is stated fairly in all material respects in relation to the auditee's financial statements as a whole.

2.2.4 Perform Procedures to Obtain an Understanding of Internal Control

Similar to 2 CFR §200.514(c)(2), the auditor must perform procedures to obtain an understanding of internal control over state programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for state major programs. Similar to 2 CFR §200.514(c)(3), the auditor must:

- 1) Plan the testing of internal control over compliance for state major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each state major program, and

- 2) Perform testing of internal control as planned in this section.

When internal control over some or all of the compliance requirements for a state major program are likely to be ineffective in preventing or detecting noncompliance, the planning and performing of testing described above are not required for those compliance requirements; however, the auditor must report a significant deficiency or material weakness for the state major program in accordance with [Section 4.2.4](#), assess the related control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal control.

2.2.5 Determine Compliance with Requirements of State Programs

Similar to 2 CFR 200.514(d), the auditor must determine whether the auditee has complied with state statutes, regulations, and the terms and conditions of state awards that may have a direct and material effect on each of its state major programs. Compliance requirements for state programs may be outlined within the applicable state awarding agency appendices, grant agreements, contracts, etc. If the auditor cannot determine the compliance requirements through review of these documents, the auditor should contact the state awarding agency to determine the compliance requirements applicable to the state program.

2.2.6 Consider and Report Fraud

The definition of fraud and the auditee's responsibility for preventing, detecting, and reporting fraud are discussed in [Section 2.1.4](#). Consideration of fraud in the administration of state awards is required as part of every audit performed in accordance with the Guide. In addition, auditors have a responsibility to determine whether the financial statements are free of material misstatements, whether caused by fraud or error. As required by AU-C §240.10, §240.28, and §240.39, the auditor must identify risks of material misstatement due to fraud, assess those risks, respond to the results of the assessment, and communicate to management, those charged with governance, and others about fraud.

AAG-GAS Paragraph 6.42 of the AICPA Audit Guide, Government Auditing Standards and Single Audits (AAG-GAS), indicates, "AU-C §240 also applies to a compliance audit. In a Uniform Guidance compliance audit, the identification and assessment of fraud risk relates to fraudulent acts that may result in material noncompliance with a major program's compliance requirements or the misappropriation of federal funds." Additionally, AAG-GAS paragraph 6.43 indicates, "When performing the Uniform Guidance compliance audit, the auditor, using professional judgment, should adapt AU-C §240 to the objectives of a compliance audit. As part of that adaptation, the auditor may consider performing [additional] procedures for each major program."

The auditor has responsibility for reporting fraud to the state awarding agency or pass-through entity in the following situations:

- 1) If the auditee has not reported the fraud to the state awarding agency or pass-through entity, the auditor should:
 - i) Inform the auditee that the auditee must report the fraud to the state awarding agency or pass-through entity in writing as described in [Section 2.1.4](#), and obtain a copy of the written communication.

- ii) Report the fraud to the state awarding agency or pass-through entity if the auditee fails to do so.
- 2) If the auditee has not taken timely and appropriate steps to remedy the fraud, the auditor should report that failure to the state awarding agency or pass-through entity.

The auditor should follow guidance in GAAS and GAGAS for determining when fraud needs to be reported.

2.2.7 Follow up on Prior Audit Findings

The auditor is required to follow up on prior audit findings applicable to state programs in accordance with 2 CFR §200.514(e).

2.2.8 Prepare Elements of the Audit Reporting Package

The elements to be prepared by the auditor are explained in further detail in [Section 4.2](#).

2.2.9 Follow Audit Documentation Retention Requirements

The auditor must retain audit documentation in accordance with 2 CFR §200.517(a) and AU-C §230.

2.2.10 Provide Access to Audit Documentation

Similar to 2 CFR §200.517(b), the auditor must make audit documentation available to a state awarding agency or a pass-through entity upon request.

2.3 State Awarding Agency and Pass-through Entity

State awarding agencies and pass-through entities have several responsibilities related to the administration of state awards and the single audit process which are outlined in the sections below. The responsibilities described in this section may not be applicable in all cases. The state awarding agency and pass-through entity should assess the risks associated with inadequate audits and devise a strategy to address those risks. For example, providing technical assistance and reviewing audit reports are likely to always be necessary, while occasionally performing reviews of the workpapers for a sample of audits can be helpful in assessing whether the pass-through entity needs to update its audit or program guidance.

2.3.1 Advise Auditees on State Requirements

The state awarding agency or pass-through entity, if applicable, should advise auditees on requirements of state laws, regulations, grant agreements, and contracts, as well as any supplemental requirements required by the state awarding agency or pass-through entity.

2.3.2 Require Auditee to Provide Access to Records

Similar to 2 CFR §200.337, the state awarding agency or pass-through entity, if applicable, should require each auditee to permit the state awarding agency, pass-through entity, if applicable, and auditors to have access to the records and financial statements necessary to conduct the audit of state awards under this Guide.

2.3.3 Provide Information on State Programs

Each state awarding agency is responsible for maintaining audit guidance and funding information for its state programs, as necessary, in an appendix to the Guide at:

<https://doa.wi.gov/Pages/StateFinances/State-Single-Audit-Guidelines.aspx>.

Audit Guidance

Within the state awarding agency appendices, the state awarding agency is responsible for specifying which subrecipients are subject to the Guide, which programs are included in the scope of the audit, and which audit procedures should be performed for the state awarding agency's programs. State awarding agencies should periodically analyze their audit requirements to ensure that the requirements are effective and that their costs do not outweigh their benefits. State awarding agencies should solicit input from auditees and auditors in assessing and updating their audit requirements.

Award Information

Auditees should be informed of funding and award information to identify the applicable requirements and properly administer the state program. Additionally, auditors should be informed of funding and award information to properly plan and perform an audit.

The state awarding agency is responsible for providing funding and award information for its state programs. The state awarding agency and pass-through entity, if applicable, should provide the following information for state awards:

- 1) Name of the state awarding agency,
- 2) Name of the pass-through entity, if applicable,
- 3) Name of the state program,
- 4) State identification number, and

- 5) Respective amounts that are considered federal, state, or other forms of financial assistance, if commingled into a single payment.

2.3.4 Provide Technical Assistance to Auditees and Auditors

The state awarding agency should provide technical assistance to auditees and auditors upon request. The state awarding agency should designate a person who is knowledgeable about the state programs and audit requirements to be the contact person for audit issues and to provide guidance to auditees and auditors on audit issues.

2.3.5 Identify Agencies that Need Single Audits and Collect Those Audits

Each state awarding agency should maintain a system for identifying agencies that are required to have state single audits conducted and for collecting them in a timely manner. A description of the elements of a tracking system and review process for state single audits is outlined in [Section 2.3.7](#). The state awarding agency should consider sanctions, as outlined in [Section 2.3.11](#), when a subrecipient does not submit its audit reporting package to the FAC by the audit deadline.

2.3.6 Access the Federal Audit Clearinghouse and Obtain Audit Reporting Package

The state awarding agency must access the FAC and obtain the audit reporting packages in accordance with 2 CFR §200.512.

2.3.7 Review Audit Reporting Packages and Resolve Audit Findings

The state awarding agency should complete the following items to ensure that state single audits are reviewed, and any identified issues are resolved:

- 1) *Identify Issues Affecting State Programs:* State awarding agencies should complete desk reviews to document the review of the state single audit and document any audit findings or other issues related to its state programs, including audit findings (significant deficiencies, material weaknesses, findings of noncompliance, questioned costs, or fraud), weak financial condition, or any other issue of concern to the pass-through entity.
- 2) *Follow Up on Audit Findings Affecting State Programs:* The state awarding agency should make a reasonable effort to complete its review of the audit report and any audit findings within six months of acceptance of the audit report by the FAC and document any reason(s) for delay in completing the review.

The state awarding agency should assess which findings can be reasonably corrected. Some findings may not be cost effective to correct, and both the auditee and state awarding agency should consider whether the resources spent to correct a problem are worth the benefit expected as a result of correcting the problem.

When assessing audit findings, state awarding agencies should consider the potential adverse effect on the respective program and the people served by the program. An audit finding is considered to be resolved when the auditee

and state awarding agency reach agreement on how the auditee will correct the finding. The state awarding agency may decide that the auditee's *Corrective Action Plan* adequately addresses the issue, in which case additional follow up is not needed.

If the state awarding agency determines that the *Corrective Action Plan* does not adequately address the audit finding or the auditee did not provide a *Corrective Action Plan* for audit findings, the state awarding agency should follow up with the auditee to ensure sufficient corrective action is taken by the auditee. If the audit finding is something that needs to be corrected and the auditee does not correct it, the state awarding agency may take appropriate actions as outlined in [Section 2.3.11](#).

- 3) *Document Desk Review and Resolution of Audit Findings*: The state awarding agency should document its desk review and resolution of audit findings. A desk review checklist should be used to guide the reviewer through the audit review and document the results of the review.
- 4) *Maintain a System for Tracking the Status of Single Audits*: The state awarding agency should have a system for tracking receipt and review of state single audits and resolution of audit findings. Elements to include are as follows:
 - Auditee name, contact name, phone number, and email address
 - Fiscal year/audit period
 - Audit report due date ([Section 1.7](#))
 - Date the audit report was accepted by the Federal Audit Clearinghouse ([Section 2.3.6](#))
 - Independent auditor name, contact name, phone number, and email address
 - Results of desk review
 - Summary of audit findings identified and their resolution
 - Total state and federal awards expended

In addition, the state awarding agency's files should facilitate easy retrieval of audit reports, correspondence, desk review checklists, peer reviews, and quality control review checklists.

2.3.8 Consider Additional Steps to Promote Audit Quality

The state awarding agency should consider additional steps to promote audit quality. The state awarding agency may perform the following activities to promote audit quality:

- 1) *Obtain and Review Peer Review Reports*: The state awarding agency should request copies of auditors' peer review reports. The state awarding agency should maintain a directory of auditors performing audits for its agency and the status of the peer review report.
- 2) *Review Auditor's Workpapers*: The state awarding agency may perform its own quality control reviews of auditor's workpapers to determine whether the workpapers document that the auditor followed applicable audit standards and completed the necessary requirements. In many cases, the state awarding agency can rely on the peer review for the auditor's compliance with the

requirements of GAAS, GAGAS, and Uniform Guidance and focus on the audit requirements contained in the Guide and state awarding agency appendices during the quality control review. The state awarding agency should maintain documentation of the review, and any debarment actions taken as a result of the review.

2.3.9 Notify Other State Awarding Agencies or Pass-through Entities of Irregularities

The state awarding agency should inform other affected state awarding agencies, pass-through entities, or appropriate law enforcement officials of any direct reporting by the auditee or its auditor of irregularities or illegal acts, as required by GAGAS, or other state statutes and regulations.

2.3.10 Monitor Recipients and Subrecipients

State awarding agencies should not solely rely on audits to ensure that their subrecipients are administering state programs effectively and are complying with state requirements. Additional monitoring activities that may be performed by the state awarding agency may include:

- 1) Providing technical assistance to the recipients and subrecipients on understanding and meeting the state awarding agency's expectations.
- 2) Reviewing financial reports and claims for reimbursement for reasonableness and mathematical accuracy before authorizing payment.
- 3) Requiring supporting documentation for claims for reimbursement.
- 4) Reviewing performance reports and comparing them to financial reports and claims for reimbursement.
- 5) Performing site visits to observe services being delivered and review program records.
- 6) Arranging for additional agreed-upon procedures to be performed.
- 7) Surveying the people served by the program (or their families or caseworkers) on their satisfaction with services and responding to complaints about inadequate services.
- 8) Following up on complaints from whistle-blowers.

2.3.11 Impose Additional Conditions and Sanctions as Appropriate

If an auditee fails to comply with the requirements of the state program, Uniform Guidance, or the Guide, the state awarding agency or pass-through entity may impose additional conditions, similar to 2 CFR §200.208(c), including requiring payments as reimbursements rather than advance payments, withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given performance period, requiring additional financial reports, requiring additional project monitoring, requiring the auditee to obtain technical or management assistance; or establishing additional prior approvals.

Similar to 2 CFR §200.208(d), if the state awarding agency or pass-through entity imposes additional conditions, the auditee must be notified of the following:

- 1) The nature of the additional requirements;
- 2) The reason why the additional requirements are being imposed;
- 3) The nature of the action needed to remove the additional requirement, if

- applicable;
- 4) The time allowed for completing actions, if applicable; and
- 5) The method for requesting reconsideration of the additional requirements.

Additional requirements must be promptly removed once conditions have been satisfied.

If the state awarding agency or pass-through entity determines non-compliance cannot be remedied through the additional conditions outlined above, the pass-through entity may take one or more of the following actions:

- 1) Temporarily withhold cash payments pending correction of the deficiency by the auditee;
- 2) Disallow all or part of the cost of the activity or action not in compliance;
- 3) Wholly or partly suspend or terminate the state award;
- 4) Withhold further state awards for the project or program; and
- 5) Take other remedies that are legally available.

Examples of situations when sanctions may be warranted are as follows:

- 1) The auditee did not have an audit conducted.
- 2) The auditee did not have an audit conducted in accordance with Uniform Guidance, terms of the state award, or the Guide.
- 3) The auditee did not submit the audit to the Federal Audit Clearinghouse by the audit due date defined in [Section 1.7](#).
- 4) The audit reporting package does not contain all required elements identified in [Section 4](#), for example the reporting package is missing the Corrective Action Plan or other required elements.
- 5) The auditee does not cooperate with the state awarding agency's audit resolution efforts, for example, the auditee does not take corrective action or does not repay disallowed costs to the state awarding agency or pass-through entity. The state awarding agency or pass-through entity should choose sanctions that are appropriate for the circumstances.

2.4 Department of Administration – State Controller's Office

The DOA-SCO provides overall coordination of the state single audit requirements and is responsible for the items outlined below.

2.4.1 Maintain and Update the State Single Audit Guide

The SCO is responsible for maintaining and updating the Main Document, and related webpage.

2.4.2 Provide Assistance

The SCO is responsible for providing assistance on audit issues pertaining to the Main Document. Program-specific audit questions should be directed to the respective agencies.

3.0 State Major Program Determination

A state major program is a state program determined by the auditor to be a major program in accordance with the Guide. The auditor should use the guidance below when determining which programs must be audited as state major programs.

3.1 State Major Program Determination

Similar to 2 CFR §200.518, the auditor shall apply a risk-based approach when determining which programs will be tested as state major programs. The risk-based approach should include consideration of current and prior audit experience, oversight by the state awarding agency or pass-through entity, if applicable, and the inherent risk of the state program; additionally, the state awarding agency or pass-through entity, if applicable, may provide auditors guidance about the risk of a particular state program and the auditor must consider this guidance in determining state major programs in audits not yet completed.

The following process should be followed:

- 1) The auditor must identify the larger state programs, which must be labeled *Type A State Programs*. *Type A State Programs* are defined as state programs with state awards expended during the audit period exceeding the levels outlined in the table below:

Total State Awards Expended	Type A/B Threshold
Equal to or exceed \$250,000 but less than or equal to \$8 million.	\$250,000
Exceed \$8 million but less than or equal to \$30 million.	Total state awards expended times .03
Exceed \$30 million but less than or equal to \$330 million.	\$1 million
Exceed \$330 million.	Total state awards expended times .003

- 2) State programs not labeled *Type A State Programs* must be labeled *Type B State Programs*.
- 3) The inclusion of large loan and loan guarantees (loans) must not result in the exclusion of other programs as *Type A State Programs*. When a state program providing loans exceeds four times the largest non-loan program it is considered a large loan program, and the auditor must consider this state program as a *Type A State Program* and exclude its values in determining other *Type A State Programs*. This recalculation of the *Type A State Program* is performed after removing the total of all large loan programs. For the purposes of this paragraph a program is only considered to be a state program providing loans if the value of state awards expended for loans within the program comprises fifty percent or more of the total state awards expended for the program.

- 4) The auditor must identify *Type A State Programs* which are low-risk. In making this determination, the auditor should consider the oversight exercised by the state awarding agency or pass-through entity, the results of audit follow-up, and any changes in personnel or systems affecting the program that would preclude the program from being low-risk. For a *Type A State Program* to be considered low-risk, it must have been audited as a state major program in at least one of the two most recent audit periods, and the program must not have had any of the following:
 - a. Internal control deficiencies which were identified as material weaknesses in the auditor's report on internal control for major programs ([Section 4.2.3](#));
 - b. A modified opinion on the state program in the auditor's report on state major programs ([Section 4.2.3](#)); of
 - c. Questioned costs that exceed five percent of the total state awards expended for the program.
- 5) The auditor must identify *Type B State Programs* which are high-risk using professional judgement and consideration of current and prior audit experience, oversight exercised by the state awarding agency and pass-through entity, if applicable, and the inherent risk of the state program. The auditor is not required to identify more high-risk *Type B State Programs* than at least one-fourth the number of low-risk *Type A State Programs* identified as low-risk under number 4 above. Except for known material weaknesses in internal control or material noncompliance, a single criterion in risk would seldom cause a *Type B State Program* to be considered high-risk. When identifying which *Type B State Programs* to risk assess, the auditor is encouraged to use an approach which provides an opportunity for different high-risk *Type B State Programs* to be audited as major over a period of time.
- 6) The auditor is not expected to perform risk assessments on relatively small state programs; therefore, the auditor is only required to perform risk assessments on *Type B State Programs* that exceed 25% of the *Type A* threshold determined in number 1 above.
- 7) At a minimum, the auditor must audit all of the following as state major programs:
 - a. All *Type A State Programs* not identified as low-risk under number 4 above;
 - b. All *Type B State Programs* identified as high-risk under number 5 above; and
 - c. Such additional programs as may be necessary to comply with the percentage of coverage rule discussed in number 8 below.
- 8) If the auditee meets the criteria for a low-risk auditee in 2 CFR 200.520, the auditor need only audit the state major programs identified in number 7 above and such additional state programs with state awards expended that, in aggregate, all state major programs encompass at least 20% of total state awards expended. Otherwise, the auditor must audit the state major programs identified in number 7 above, and such additional state programs with state awards expended that, in aggregate, all state major programs encompass at least 40% of total state awards expended.

Note: When a state program is the state share of a commingled federal and state program:

- 1) The auditor should apply the state share towards the federal single audit threshold.*
- 2) The auditor can rely on the risk assessment for the federal share and does not need to apply a separate risk assessment for the state share.*
- 3) The state share can be counted toward the 20% or 40% percentage of coverage rule for state programs if the program is tested as a federal major program.*

3.2 State Major Program Determination Documentation

The auditor must include in the audit documentation the risk analysis process used in determining state major programs, including the factors considered in the risk assessment, the auditor's assessment of risk for each factor, and the overall assessment of risk. Additionally, the auditor should include the following information for each state major program: name of the state program, total expenditures for the state program, whether the program is a *Type A State Program* or *Type B State Program*.

4.0 Preparing the Audit Reporting Package

Audit reporting packages for state single audits and program-specific audits performed in accordance with the Guide must include certain elements. Guidance on determining which type of audit is appropriate is discussed in [Section 1.4](#). All of the elements applicable to the type of audit must be included in the audit reporting package submitted to the FAC in order for the reporting package to be considered complete.

The audit reporting package requirements are consistent with those of Uniform Guidance whenever possible since entities that have audits conducted in accordance with the Guide also need to have audits conducted in accordance with Uniform Guidance, this reduces the potential for conflict between the two sets of requirements.

4.1 Elements Prepared by the Auditee

The auditee is responsible for preparing the following elements of the audit reporting package:

Element	Reporting Package	
	Single Audit	Program-specific Audit
Financial Statements of Overall Entity	Yes	No ¹
Schedule of Expenditures of Federal and State Awards	Yes	Yes
Supplemental Schedules, as required by the state awarding agency, if applicable	Yes	Yes
Summary Schedule of Prior Audit Findings	Yes	Yes
Corrective Action Plan	Yes	Yes

4.1.1 Financial Statements of the Overall Entity

Audit Type	Applicability
Single Audit	Yes
Program-specific Audit	No

For a state single audit, the auditee must prepare financial statements in accordance with 2 CFR §200.510(a). Additionally, these financial statements shall be presented in accordance with accounting principles generally accepted in the United States of America applicable to the type of entity being audited.

¹ For a program-specific audit, similar to 2 CFR §200.507(b)(2), the auditee must prepare the financial statement(s) for the state program that includes, at a minimum, a *Schedule of Expenditures of State Awards* for the state programs and notes that describe the significant accounting policies used in preparing the schedule.

4.1.2 Schedule of Expenditures of Federal and State Awards

Audit Type	Applicability
Single Audit	Yes
Program-specific Audit	Yes

The audit reporting package for state single audits and program-specific audits must include a *Schedule of Expenditures of Federal and State Awards* prepared by the auditee for the period covered by the auditee's financial statements. For a program-specific audit, the schedule is generally the financial statement of the program.

The determination of when a state award is expended must be based on when the activity related to the state award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with state statutes, regulations, and the terms and conditions of the state awards, such as: expenditure/expense transactions associated with awards including grants, direct appropriations, etc., the disbursement of funds to subrecipients, the use of loan proceeds under loan and loan guarantee programs, the receipt of property, the distribution or use of food commodities. State awards that a state awarding agency excludes from the state single audit requirements should not be included in the total state awards expended for purposes of determining whether a state single audit is required and should not be included in total state expenditures on the Schedule of Expenditures of Federal and State Awards.

Content of the Schedule of Expenditures of Federal and State Awards

The schedule must include the information required by 2 CFR §200.510(b) for federal programs. At a minimum, the schedule must include the following information for state programs subject to the state single audit requirements:

- Name of the state program,
- Name of the state awarding agency,
- Name of the pass-through entity, if applicable,
- State identification number,
- Identifying number assigned by the pass-through entity, if applicable,
- Total state awards expended for each state program, and
- Total amount provided to subrecipients from each state program.

Determination of whether a program is subject to the requirements of the Guide is included in the State Program Listing for the respective agency at:

[https://doa.wi.gov/Pages/State-Single-Audit-Guidelines-\(SSAG\).aspx](https://doa.wi.gov/Pages/State-Single-Audit-Guidelines-(SSAG).aspx)

[Illustration 4.1](#) includes an example of a *Schedule of Expenditures of Federal and State Awards* for a hypothetical auditee. Auditees can use other formats for this schedule that include all of the information listed above.

The Uniform Guidance and the Guide establish the minimum level of detail for the *Schedule of Expenditures of Federal and State Awards*. With prior approval from DOA-SCO, state awarding agencies needing more detail may require additional supplemental schedules; however, the incremental cost of the additional schedules must be covered by the respective state program(s). When the majority of the auditee's programs are from an agency that requires additional detail, the auditee may find it more efficient to provide the detail in the *Schedule of Expenditures of Federal and State Awards* rather than in a separate schedule.

Commingled State and Federal Awards

Some state programs are funded with a mixture of state, federal, and local funding. When possible, the state and federal shares should be presented separately in the *Schedule of Expenditures of Federal and State Awards*. If the state and federal portion of an award are unable to be separated, auditors should follow the guidance in AAG-GAS paragraph 7.16 for presenting commingled assistance in the *Schedule of Expenditures of Federal and State Awards*.

Illustration 4.1: Example Schedule of Expenditures of Federal and State Awards

Example Entity
Schedule of Expenditures of Federal and State Awards¹
 For the Year Ended June 30, 20XX

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number ²	Total Federal Expenditures	Provided to Subrecipients
U.S. Department of Agriculture:				
Passed-through From:				
Wisconsin Department of Health Services				
Special Supplemental Food Program for Women, Infants and Children	10.557	140771, 147080 & 147156	\$600,000 (Note E) ³	\$425,000
Total U.S. Department of Agriculture			\$600,000	\$425,000
U.S. Department of Education:				
Passed-through From:				
University of Wisconsin System				
Federal Perkins Loan	84.047	185236	\$200,000	\$0
Total U.S. Department of Education			\$200,000	\$0
<i>Total Expenditures of Federal Awards</i>			\$800,000	\$425,000

State Grantor/Pass-through Grantor/Program Title	State Identifying Number	Pass-through Entity Identifying Number ²	Total State Expenditures	Provided to Subrecipients
Wisconsin Department of Health Services				
GPR Childhood Lead	435.01	177010	\$385,000	\$65,000
GPR Lead Poisoning	435.02	177020	\$115,000	\$0
<i>Total Expenditures of State Awards</i>			\$500,000	\$65,000
Total Expenditures of Federal and State Awards			\$1,300,000	\$490,000

The accompanying notes are an integral part of this schedule.

¹ Additional formats may be used as long as the format includes all elements for this schedule that are listed in [Section 4.1.2](#).

² When awards are received as a subrecipient, the schedule must include the identifying number assigned by the pass-through entity.

³ If federal, state, and local funds are commingled and the commingled portions cannot be separated to specifically identify the individual funding sources, the total amount should be included in the schedule, with a note describing the commingled nature of the funds.

Illustration 4.1: Example Schedule of Expenditures of Federal and State Awards, Continued

Example Entity
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 20XX

Note A. Basis of Presentation

The accompanying *Schedule of Expenditures of Federal and State Awards* includes the federal and state award activity of *Example Entity* under programs of the federal government and state awarding agencies for the year ended June 30, 20XX. The information in this schedule is presented in accordance with the requirements of Uniform Guidance and the State Single Audit Guide. Because the schedule presents only a selected portion of the operations of *Example Entity*, it is not intended to and does not present the financial position, changes in net assets, or cash flows of *Example Entity*.

Note B. Summary of Significant Accounting Policies

Expenditures reported on the accompanying schedule are reported on the [*identify basis of accounting*] basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C. Indirect Cost Rate

Example Entity has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note D. Federal Student Loan Program

The federal student loan program listed subsequently is administered directly by *Example Entity*, and balances and transactions relating to this program are included in *Example Entity's* basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding at June 30, 20XX consists of:

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 20XX</u>
84.038	Federal Perkins Loan	\$500,000

Note E. Commingled Federal and State Funds

The federal expenditures shown for Assistance Listing 10.557 include commingled federal and state funds.

4.1.3 Additional Supplemental Schedule(s) Required by a State Awarding Agency

Audit Type	Applicability
Single Audit	Yes, if required
Program-specific Audit	Yes, if required

A state awarding agency may specify that the audit reporting package include additional supplemental schedule(s) for its state programs. A common reason for requiring an additional supplemental schedule is use of audited information on revenue and allowable costs by contract to settle contracts with its auditees. An example of an additional supplemental schedule is included in [Illustration 4.2](#).

Before requiring a supplemental schedule, the state awarding agency should review the requirements of the *Schedule of Expenditures of Federal and State Awards* ([Section 4.1.2](#)) to determine whether this schedule meets the state awarding agency's needs. If the state awarding agency determines that an additional supplemental schedule is necessary, the state awarding agency must contact DOASSAGGeneral@wisconsin.gov for approval prior to requiring the additional supplemental schedule(s). Additionally, the state awarding agency must specify this requirement in the respective appendix to the Guide and allow its program(s) to pay for the incremental cost of the additional schedule(s) ([Section 2.1.6](#)).

Illustration 4.2: Schedule of Revenue and Allowable Costs by Contract

Example Entity

[Name of Program]

Schedule of Revenue and Allowable Costs by Contract

Contract Periods October 1, 20XX to September 30, 20XX
and October 1, 20XX to December 31, 20XX

	Contract Period 10/1/20XX – 9/30/20XX	Contract Period 10/1/20XX – 12/31/20XX	Total
Revenue	\$XX,XXX	\$X,XXX	\$XX,XXX
Allowable Costs			
Salaries	XX,XXX	X,XXX	XX,XXX
Fringe Benefits	XX,XXX	X,XXX	XX,XXX
Payroll Taxes	XX,XXX	X,XXX	XX,XXX
Equipment	XX,XXX	X,XXX	XX,XXX
Supplies	XX,XXX	X,XXX	XX,XXX
Travel	XX,XXX	X,XXX	XX,XXX
Total Allowable Costs	\$XX,XXX	\$X,XXX	\$XX,XXX
Excess (Deficiency) Revenue Over Allowable Costs	\$XXX	\$XXX	\$XXX
Units of Service	XXX	XXX	XXX
Other costs not attributable under the contract	\$XX,XXX	\$XX,XXX	\$XX,XXX

4.1.4 Summary Schedule of Prior Audit Findings

Audit Type	Applicability
Single Audit	Yes
Program-specific Audit	Yes

The auditee must prepare a *Summary Schedule of Prior Audit Findings* as part of the audit reporting package in accordance with 2 CFR §200.511(b). The schedule must also include audit findings related to state programs.

If there are prior audit findings to be included on the schedule, the auditee must include the reference number(s) assigned to the finding (e.g., 20XX-001, 20XX-002, etc.) and the status of the finding in accordance with the requirements of 2 CFR §200.511(b).

4.1.5 Corrective Action Plan

Audit Type	Applicability
Single Audit	Yes
Program-specific Audit	Yes

The audit reporting package must include a *Corrective Action Plan* prepared by the auditee. The *Corrective Action Plan* must include state findings and be prepared in accordance with the requirements of 2 CFR §200.511(c).

4.2 Elements Prepared by the Auditor

The auditor is responsible for preparing certain elements of the audit reporting package. All auditor's reports should be prepared in accordance with the standards outlined in [Section 2.2.2](#) and the most recent guidance from the American Institute of Certified Public Accountants (AICPA). Auditors must modify the reports as needed to suit the auditee's circumstances using the most current guidance in documents such as the AICPA's Illustrative Reports, the AICPA's Government Auditing Standards and Single Audits Audit Guide, and the Codification of Statements on Auditing Standards. Sample reports may be found on the AICPA's website at:

- [Illustrative Uniform Guidance Reports](#)
- [Illustrative State and Local Government Reports](#)

The audit reporting package must include the following elements covering state programs:

Element	Reporting Package	
	Single Audit	Program-specific Audit
Independent Auditor's Report on the Financial Statements and Schedule of Expenditures of Federal and State Awards	Yes	No
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	Yes	No
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Guide	Yes	No
Schedule of Findings and Questioned Costs	Yes	Yes
Independent Auditor's Report on the Financial Statement of a Federal Program and a State Program When Using the Program-Specific Audit Option to Satisfy the Uniform Guidance Audit Requirements and the State Single Audit Guide	No	Yes
Report on Compliance for a Federal Program and a State Program and Report on Internal Control Over Compliance When Using the Program-Specific Audit Option to Satisfy the Uniform Guidance Audit Requirements and the State Single Audit Guide	No	Yes
Management Letter	No - See Section 4.2.7 for requirements on submitting to agencies.	

4.2.1 Independent Auditor’s Report on the Financial Statements and Schedule of Expenditures of Federal and State Awards

Audit Type	Applicability
Single Audit	Yes
Program-specific Audit	No

The auditor must determine and provide an opinion (or disclaimer of opinion) whether the financial statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting principles (or a special purpose framework such as cash, modified cash, or regulatory as required by state law). The auditor must also decide whether the *Schedule of Expenditures of Federal and State Awards* and required supplemental schedules, if any, are stated fairly in all material respects in relation to the auditee’s financial statements as a whole.

4.2.2 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Audit Type	Applicability
Single Audit	Yes
Program-specific Audit	No

The auditor must prepare a report in accordance with 2 CFR §200.515(b).

4.2.3 Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Guide

Audit Type	Applicability
Single Audit	Yes
Program-specific Audit	No

The auditor must prepare a report in accordance with 2 CFR §200.515(c) that also includes an opinion or disclaimer of opinion as to whether the auditee complied with state statutes, regulations, and the terms and conditions of state awards which could have a direct and material effect on each state major program. This report must state that the audit of compliance was also conducted in accordance with the Guide. Depending on the type of audit completed, this report may also include the auditor’s determination on whether required supplemental schedules, if any, are stated fairly in all material respects in relation to the financial statements as a whole.

4.2.4 Schedule of Findings and Questioned Costs

Audit Type	Applicability
Single Audit	Yes
Program-specific Audit	Yes

The auditor must prepare a *Schedule of Findings and Questioned Costs* that includes all components required by 2 CFR 200.515(d). The schedule must also include findings and questioned costs relating to state awards. [Illustration 4.3](#) includes an example of this schedule.

Materiality in GAGAS Financial Audits

A special consideration for audits involving government funding is a lower level of materiality. Entities that receive government funding have an obligation to honor the public trust, which demands that entities follow the very highest standards when using these funds. This concept of a lower level of materiality when dealing with government funding is reflected in GAGAS paragraph 6.03, which states,

For engagements conducted in accordance with GAGAS, auditors may find it appropriate to use lower materiality levels than those used in non-GAGAS audits because of the public accountability of government entities and entities receiving government funding, various legal and regulatory requirements, and the visibility and sensitivity of government programs.

The guidance in Uniform Guidance for determining when findings should be reported results in a threshold that is too high when applied to state awards; however, state awarding agencies recognize that clearly immaterial or inconsequential noncompliance should not be included in an audit report.

Definition of Audit Findings

Auditors should use the following guidance in determining which findings related to state awards to report:

- Noncompliance that has a potential for adversely affecting the quality of care for people being served by the state program should always be reported. Examples of this type of noncompliance include care provided by unlicensed providers, failure to perform background checks for care providers, and incomplete or outdated case plans.
- Noncompliance that affects program integrity should always be reported. Examples of such noncompliance include services provided to ineligible individuals and services that are not allowed by the conditions set forth in the contract.
- Noncompliance that results in questioned costs exceeding \$10,000 should always be reported.
- Fraud should always be reported.
- A pattern of noncompliance that indicates a deficiency in the auditee's internal control over compliance should always be reported.

If it is unclear whether a finding should be reported, contact the respective state awarding agency.

Content of Schedule of Findings and Questioned Costs

Similar to 2 CFR §200.515(d), the Schedule of Findings and Questions Costs must include, at a minimum, the following components:

- 1) A summary of the auditor's results, which must include:
 - a. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP (i.e., unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);
 - b. Where applicable, a statement about whether significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements;
 - c. A statement as to whether the audit disclosed any noncompliance that is material to the financial statements of the auditee;
 - d. Where applicable, a statement about whether significant deficiencies or material weakness in internal control over major programs were disclosed by the audit;
 - e. The type of report the auditor issued on compliance for major programs (i.e., unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);
 - f. A statement as to whether the audit disclosed any audit findings that the auditor is required to report;
 - g. An identification of major programs by listing each individual major program;
 - h. The dollar threshold used to distinguish Type A and Type B programs, as described in [Section 3.1](#) of the Guide; and
 - i. A statement as to whether the auditee qualified as a low-risk auditee under [Section 3.1](#) of the Guide.
- 2) Findings relating to the financial statements which are required to be reported in accordance with GAGAS.
- 3) Findings and questioned costs for state awards, using the guidance above in determining which findings and questioned costs to report.
- 4) Other issues, which must include:
 - a. A statement as to whether the auditor's report or the notes to the financial statements include a disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern;
 - b. A statement as to whether the audit report shows audit issues related to state awards with pass-through entities that require audits to be conducted in accordance with the Guide;
 - c. A statement as to whether a management letter or other document conveying audit comments issued as a result of the audit; and
 - d. Name of audit partner.

Organization of Findings

Similar to 2 CFR §200.515(d)(3)(i), audit findings should be organized by state awarding agency or pass through entity, if applicable.

Elements of a Finding

An audit finding should include enough information for the auditee to take corrective action and for the pass-through entity to resolve the finding.

Audit findings should include all information identified in 2 CFR §200.516(b). Additionally, the auditor should include the following information for audit findings related to state program:

- 1) Name of the state program
- 2) State Identification Number
- 3) Name of state awarding agency
- 4) Name of the pass-through entity, if applicable
- 5) Pass-through entity identification number, if applicable

Personally Identifiable Information

Audits involving awards from state agencies are public records. Auditees and auditors must follow the requirements of 2 CFR §200.512(a)(2) to ensure the reporting package does not include protected personally identifiable information.

Illustration 4.3 Schedule of Findings and Questioned Costs

**Example A – A single audit in accordance with both
the Uniform Guidance and the State Single Audit Guide.**

Example Agency
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 20XX

A. Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued? | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 4. Internal control over federal major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| 5. Type of auditor's report issued on compliance with federal major programs? | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 200.516(a) of the Uniform Guidance? | No |

7. Identification of federal major programs:

<u>Assistance Listing Number:</u>	<u>Name of Federal Program or Cluster:</u>
10.557	Special Supplemental Food Program for Women, Infants, and Children

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between Type A and Type B federal programs? | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | No |

State Awards

- | | |
|---|---------------|
| 1. Internal control over State major programs | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| 2. Type of auditor's report issued on compliance with state major programs? | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Guide? | No |

Illustration 4.3 Schedule of Findings and Questioned Costs, Continued

4. Identification of state major programs:		
<u>State Identification Number:</u>	<u>Name of State Program:</u>	
255.101	State Special Education and School Aged Parents	
5. Dollar threshold used to distinguish between Type A and Type B state programs?		\$250,000
B. Financial Statement Findings		No matters were reported
C. Federal and State Award Findings and Questioned Costs		No matters were reported
D. Other Issues		
1. Does the auditor's report or the notes to the financial statements include a disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?		No
2. Does the auditor's report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weaknesses, or significant deficiencies) related to state awards with pass-through entities that require audits to be conducted in accordance with the State Single Audit Guide:		
Department of Health and Family Services		No
Department of Workforce Development		No
Department of Children and Families		No
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?		No
4. Name of audit partner		_____

4.2.5 Independent Auditor’s Report on the Financial Statements of a Federal Program and a State Program When Using the Program-Specific Audit Option to Satisfy the Uniform Guidance Audit Requirements and the State Single Audit Guide

Audit Type	Applicability
Single Audit	No
Program-specific Audit	Yes

The auditor must prepare a report in accordance with 2 CFR 200.507(b)(4)(i) that also includes an opinion or disclaimer of opinion as to whether the financial statement of the state program is presented fairly in all material respects in accordance with the stated accounting policies. The report must state that the audit was also conducted in accordance with the Guide.

4.2.6 Report on Compliance for a Federal Program and a State Program and Report on Internal Control Over Compliance When Using the Program-Specific Audit Option to Satisfy the Uniform Guidance Audit Requirements and the State Single Audit Guide

Audit Type	Applicability
Single Audit	No
Program-specific Audit	Yes

The auditor must prepare a report in accordance with 2 CFR §200.507(b)(4)(ii) and (iii) that also includes a report on internal control related to the state program and an opinion or disclaimer of opinion as to whether the auditee complied with laws, regulations, and the terms and conditions of the state award which could have a direct and material effect on the state program. The report must state that the audit of compliance was also conducted in accordance with the Guide.

4.2.7 Management Letter

The management letter is not required to be submitted to the FAC; however, if the auditor issued a management letter (or a similar document conveying the auditor’s comments), a copy must be sent to the state awarding agency or pass-through entity, if requested, similar to 2 CFR §200.512(e). State awarding agencies may request the management letter in their respective appendix.

5.0 Submitting the Audit Reporting Package

5.1 Submission to the Federal Audit Clearinghouse

Per 2 CFR §200.512(a), the auditee is responsible for submitting the complete audit reporting package and the data collection form to the FAC by the audit due date outlined in [Section 1.7](#).