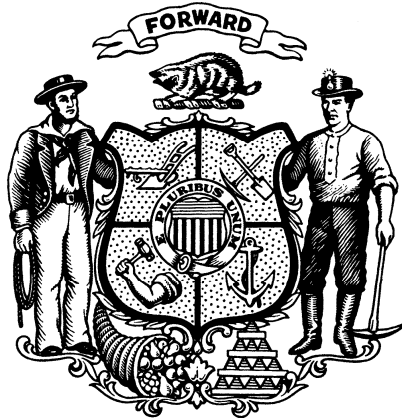


Appendix to the State Single Audit Guidelines for Programs from the Department of Workforce Development



20109 Revision

Appendix to the State Single Audit Guidelines for Programs from the Department of Workforce Development

2010~~9~~ Revision

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Summary of significant changes in this revision
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Section	Significant Changes
1.1 Audit requirement for DWD Programs/ Programs subject to audit	Deleted references to Provider Agency Audit Guide and \$25,000 statute requirement for audits.
1.4 Designated Type A Programs	Deleted references to programs which are now part of the Department of Children and Families (DCF).
1.6 Funding Sources	Clarified that CORE website is for DET programs; added information for DVR contracts.
1.9 Contact the department	Updated contact information Bureau name.
2.3 Purchase of Services	Deleted references to Refugee programs which are now part of the Department of Children and Families (DCF). Updated DVR information.
2.4 Subrecipient monitoring	Updated 'provider' language to refer to grantee subrecipients.
2.56 General Guidance Cost Allocation Plan— Random Moment Sampling (RMS)	Deleted & subsequent sections re-numbered. If you need RMS information, please refer to the DCF Appendix. Updated web address for OMB-133 compliance supplement.
3 Program Specific Guidance	Deleted references to programs which are now part of DCF.

Appendix to the State Single Audit Guidelines for Programs from the Department of Workforce Development

20109 Revision

1 Introduction

This document is part of the *State Single Audit Guidelines*, and it should be used only in context of the *Guidelines* as a whole. The *Guidelines* consist of two parts: the main document, which describes the state's single audit policy in general terms, and the department-specific appendices, which detail audit requirements for programs from the respective departments. An auditor planning an audit needs to consult the main document and the appendices for each of the departments that provided funding to the auditee. For example, if the auditee received funding from the Department of Workforce Development (DWD) and the Department of Children and Families (DCF), the auditor will need the main document, the DWD appendix, and the DCF appendix. The main document and all appendices are online at <http://www.ssag.state.wi.us/>.

1.1 Programs subject to an audit

DWD has not excluded any of its programs from audit coverage. Certain private agencies receiving grants from DWD are required by contract to have audits in accordance with the *State Single Audit Guidelines (SSAG)*. In addition, certain contracts may require audits at expenditure levels lesser than those identified in the SSAG.

1.2 General compliance requirements

DWD has identified General Compliance Requirements ([Section 2](#)) that are to be included in all audits of entities that receive funding from the department and that are audited under the *State Single Audit Guidelines*. The compliance testing must be performed whether or not the auditee has major programs from the department.

1.3 Designated state major programs

DWD has not designated specific programs to be state major programs (see Section 3.4 of the Main Document).

1.4 Designated Type A programs

DWD has not designated any programs to be Type A programs (see Section 3.4 of the Main Document).

1.5 Letter notification

DWD accepts letter notification for clean audits. See Section 5.2 of the Main Document for discussion of when letter notification is appropriate.

1.6 Funding sources

Information on federal and state funding sources for programs from DWD is online at: http://dwd.wisconsin.gov/core/funding_sources.htm, for contracts issued by DWD's Division of Employment and Training (DET).

For contracts issued by DWD's Division of Vocational Rehabilitation (DVR), the funding sources are as follows:

Name	CFDA	Federal %	State ID	State %
VR Grants to States	84.126	78.7%	445.509	21.3%
State Independent Living Services	84.169	90.0%	445.505	10.0%
Independent Living – Older/Blind	84.177	90.0%	See DHS	10.0%

1.7 Department information

The website for DWD, <http://dwd.wisconsin.gov/>, provides information concerning the Department's programs, divisions and services.

1.8 Effective date

This revision of the *Appendix to the State Single Audit Guidelines for Programs from the Department of Workforce Development* is effective for audits of fiscal years beginning after December 31, ~~2008~~2009.

1.9 Contact the department

Questions or comments on this appendix to the *State Single Audit Guidelines* should be referred to:

Amy Johnson, ~~ASD Finance~~
DWD Bureau of Financial Management ~~Department of Workforce Development~~
P.O. Box 7946
Madison, WI 53707-7946

Amy.Johnson@dwd.wisconsin.gov
608/266-7847

In addition, audit reports should be sent to the above address.

2 General requirements

DWD has identified several requirements that are applicable to more than one program. These general requirements must be tested as part of all audits involving funding from the department, whether or not the auditee has major programs or Type A programs from the department.

<u>Section 2.1</u>	Reconciliations
<u>Section 2.2</u>	Client Authorization
<u>Section 2.3</u>	Purchase of Services
<u>Section 2.4</u>	Subrecipient Monitoring
<u>Section 2.5</u>	Cost Allocation or Indirect Cost Plan
<u>Section 2.6</u>	General Guidance

2.1 Reconciliations

Background

Reconciliation of the agency's reported costs for reimbursement with costs actually recorded in the agency's official accounting records is an important function. This enables the agency to identify any costs either not reported or not reimbursed.

Compliance Requirement

DWD contracts with the various grant-recipient agencies contain a provision which relates to the required reconciliation of the agency's expenses/costs as reported to the Department with those recorded in the agency's accounting records.

Suggested Audit Procedures

On a sample basis, review the reconciliation(s) prepared by the agency. If no reconciliation has been prepared, a finding should be included in the Schedule of Findings and Questioned Costs.

2.2 Client Authorization

Compliance Requirement

This requirement applies to all DWD programs. The funding sources for these programs may be Federal, State or Federal/State or Federal/Local. This compliance requirement is not to test eligibility, rather it is to be an internal control type test to assure that procedures for authorization of services have been established by the agency and are being followed.

Suggested Audit Procedures

1. Test whether there are authorization procedures approved by the agency's policy board on file.
2. Test whether the procedures are being followed.

NOTE: Not all Federal and State financial assistance programs require a separate authorization for each individual client.

2.3 Purchase of Services

Compliance Requirement

~~County social services or human services departments receiving Refugee Assistance funding through DWD must follow the standards for contracting for care and purchasing services established in s. 49.34, Wis. Stats.~~ Requirements for agencies contracting with DVR are specified by contract. **If an entity receives case aid funds from DVR, the entity must comply with all applicable federal EDGAR compliance requirements (see <http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html>).**

Suggested Audit Procedures

1. Test whether the agency has contracts on file for purchase of services, where applicable, or a waiver from DWD.
2. Test whether the agency has a system to monitor contract compliance, including whether the expenses were within the contract limits.

2.4 Subrecipient Monitoring

Compliance Requirement

DWD contracts require each ~~provider-grantee~~ receiving a specified level of funding to submit an annual certified financial and compliance audit report to its granting agency, unless the audit is waived by the department. The granting agency is DWD for providers that receive funding directly from DWD, and is the pass-through agency for ~~providers-grantees~~ who receive their funding via another agency who contracts with DWD. The audit report must meet the department's standards set forth in the *State Single Audit Guidelines*, including this appendix. ~~Provider audit reports are typically due to the granting agency six months from the end of the provider's fiscal period, and the granting agency should review and resolve the provider audit reports within six month of receipt of the reports.~~

Due to timing issues, auditors may encounter situations where the auditee has not yet reviewed and resolved the subrecipient audit reports prior to the completion of the fieldwork for the audit. In these cases, there is no finding of noncompliance, and auditors must follow-up on the status of the ~~provider-subrecipient~~ audits in the subsequent year's audit. Guidance on presenting audit findings involving ~~provider-subrecipient~~ audit reports is included at the end of this section.

Suggested Audit Procedures

1. Test whether the agency has certified audit reports on file, where applicable, or a waiver from DWD.
2. Test whether the agency has a system to monitor receipt of the audit reports, and to review and resolve the audit findings with the ~~provider-subrecipient~~ agency.
3. Test whether the agency is in compliance with the terms of the subrecipient contract. Examples, while not all inclusive, include:
 - a) Review the payments for services to assure that they are within the subrecipient contract limits.
 - b) Review the billings to determine that units of service, if specified in the subrecipient contract, have been provided and that total payments are based on actual units of service provided.

- c) Review the subrecipient contract and audit report to verify that they are in compliance with the applicable audit guides.

Subrecipient Audit Reports in the Schedule of Findings and Questioned Costs

All subrecipient audit reports that have not been received and/or reviewed and resolved when the audit fieldwork is completed should be listed in the Schedule of Findings and Questioned Costs. If the deadline for receiving these audit reports had not yet passed at the end of audit fieldwork, no costs would be questioned. However, if the deadline for submission of subrecipient audit reports has passed, questioned costs equal to the payment made to the various subrecipients must be included in the Schedule of Findings and Questioned Costs. At a minimum, the finding should include, for each audit report not received:

- the name of the subrecipient
- the payments made applicable to the contract period
- the Central Office Reporting System (CORe) line code on which the related expenditures were reported to DWD (for DET contracts)
- the program title and identification number

As a part of the review and resolution process of the entity's Single Audit Report, DWD may request an update of the status of any subrecipient audits indicated as not having been received and/or reviewed and resolved at the end of the audit fieldwork.

2.5 Cost Allocation and Indirect Costs Plans

Note: This section pertains to Indirect Cost Plans at all agencies and to Cost Allocation Plans at agencies other than Counties. DWD does not approve any agency's cost allocation or indirect cost plans. Instead, the department relies on the independent audit to confirm that plans are in accordance with the Allowable Cost Policy Manual and 2 CFR Part 225 (formerly OMB Circular A-87). This testing must be performed if the agency claimed reimbursement from department programs for allocated or indirect costs.

As part of the general requirement, "ALLOWABLE COSTS/COST PRINCIPLES", the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments indicates that organizations other than every State, State Department, major local unit of government and any other organization requested to do so, must prepare the appropriate indirect cost or cost allocation plan and/or proposal and maintain them on file for later review. In addition, in accordance with U. S. Department of Health and Human Services publication ASMB C-10 Implementation Guide for 2 CFR Part 225 (formerly OMB Circular A-87), all subrecipient organizations who are not direct recipients of federal funds must:

- Substantiate claims for indirect and direct cost reimbursement.
- Have available, at the time a claim is made, prepared cost allocation plans. This includes the plan to charge indirect or overhead costs and the plan to allocate direct costs to programs/funding sources.
- Have the plans available for audit.
- Retain the plans for a period of three (3) years. This period starts on the last day of the accounting period covered by the plan.

The Department will utilize these same criteria for all subrecipient organizations (counties, American Indian tribes, school districts, non-profit organizations and for-profit businesses, etc.) that receive state financial assistance commingled with federal financial assistance or state-only financial assistance.

The Department relies on the independent auditor to review the organization's indirect cost or cost allocation plan regardless of whether the plan is prepared by the agency or an outside party hired by the agency. Therefore, using professional judgment, the independent auditor must determine if the cost allocation or indirect plan is reasonable and that costs included in the plan are not part of the direct costs being charged to the grant or contract. To assist the independent auditor, but not to supplant his or her professional judgment, DWD has developed the following list of questions, that when answered in the affirmative, will aid in the determination required:

1. Are the allocated direct cost and/or indirect cost categories, and the method of allocation of each, defined as well as documented in writing in the agency's Cost Allocation and/or Indirect Cost Plan?
2. Was the plan (or plans) available for review when requested?
3. Were the allocated and/or indirect costs actually allocated in a manner consistent with the respective plans?
4. Do the costs meet the criteria for allowability found in the applicable federal cost principle circulars and/or the [DWD Financial Management Manual](http://dwd.wisconsin.gov/det/contractsgrants/default.htm) (see <http://dwd.wisconsin.gov/det/contractsgrants/default.htm> any additional guidance issued by DET or DVR):
 - a. Do the agency's accounting records support the costs?
 - b. Are the costs supported by adequate documentation?
 - c. Are the costs that are included in the Cost Allocation and/or Indirect Cost Plan only those costs not charged directly?
5. Do the total costs charged, whether direct, allocated direct or indirect, equal the actual total costs incurred? Are the costs properly reported?
6. Is the basis used to charge programs with their direct, allocated direct and/or indirect costs an equitable measure of the extent to which the cost incurred actually benefits the program to which it is charged? NOTE: No costs are to be charged to programs on the basis of funds available or revenue received.
7. Were the allocated direct costs and/or indirect costs charged based on actual costs incurred rather than budgeted costs?
8. Did a program's equitable share of indirect cost reimbursement comply with any limitations contained in the grant agreement/contract? NOTE: When the grant agreement/contract limits the amount of reimbursement and the amount charged is greater than the available reimbursement the excess charges cannot be shifted to some other program.

Because of the Department's reliance on the auditor's review, if or when any of these questions are answered in the negative, it is our expectation the finding(s) and/or questioned cost(s) **must be** included in the Schedule of Findings and Questioned Costs.

2.6 General Guidance

DWD has not developed compliance supplements for specific programs. The following guidance is provided to assist auditors in identifying the applicable compliance requirements and audit procedures for DWD programs.

Risk Assessment

A. GENERAL RISK FACTORS

The program has not been audited in at least one of the last two audit periods.

The auditor identified significant findings in the most recent audit.

The auditee has had significant changes in personnel or systems affecting the program.

The program is new for this auditee or the program requirements have recently changed.

The program has complex administrative requirements.

The auditor identified significant problems in performing the general compliance testing for requirements that are relevant to this program.

B. PROGRAM SPECIFIC RISK FACTORS

Consult the contract and program guidance for program specific risk factors.

C. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

Auditors will need to identify the applicable compliance requirements and audit procedures for these programs. The general compliance requirements described earlier apply to most department programs.

The contract between the department and the auditee explains the nature and purpose of the program and may identify compliance requirements where noncompliance could have a direct and material effect on the program.

Part 7 of the “OMB Circular A-133 Compliance Supplement” (online at http://www.whitehouse.gov/omb/grants_circulars/http://www.whitehouse.gov/omb/circulars/a133-compliance/08/08toc.html) includes guidance for identifying the types of compliance requirements to test when there is no compliance supplement. This guidance is designed for federal programs; however, it will also be useful for state programs.