

# STATE SINGLE AUDIT

STATE CONTROLLER'S OFFICE – AUDITING SERVICES SECTION



# AGENDA

- Background
  - What is the Federal Single Audit?
  - What is the State Single Audit?
- How does the State of Wisconsin Implement the State Single Audit Guidelines (SSAG)?
- Division of SSAG Responsibilities
  - DOA-SCO, Agencies, Grantees, External Auditors
- Proposed Changes to the SSAG Main Document
- Next Steps



## BACKGROUND – WHAT IS THE FEDERAL SINGLE AUDIT

- Prior to the passage of the “Single Audit” concept, the federal government’s audit efforts were disparate, duplicative, and difficult.
- Several federal agencies had hundreds of different grants and programs they were awarding – and auditing.
- These audits were conducted in non-uniform fashion and depended on the awarding federal agency and award program’s nature.



## BACKGROUND – WHAT IS THE FEDERAL SINGLE AUDIT

- In the late 1970s, the Federal Government conducted a study on the audit coverage of the federal assistance dollars it was awarding. Study indicated:
  - Inconsistency, Lack of Coordination, and Ineffectiveness
  - Overlap of Audit Efforts
  - Many Federal Grants not Audited at All



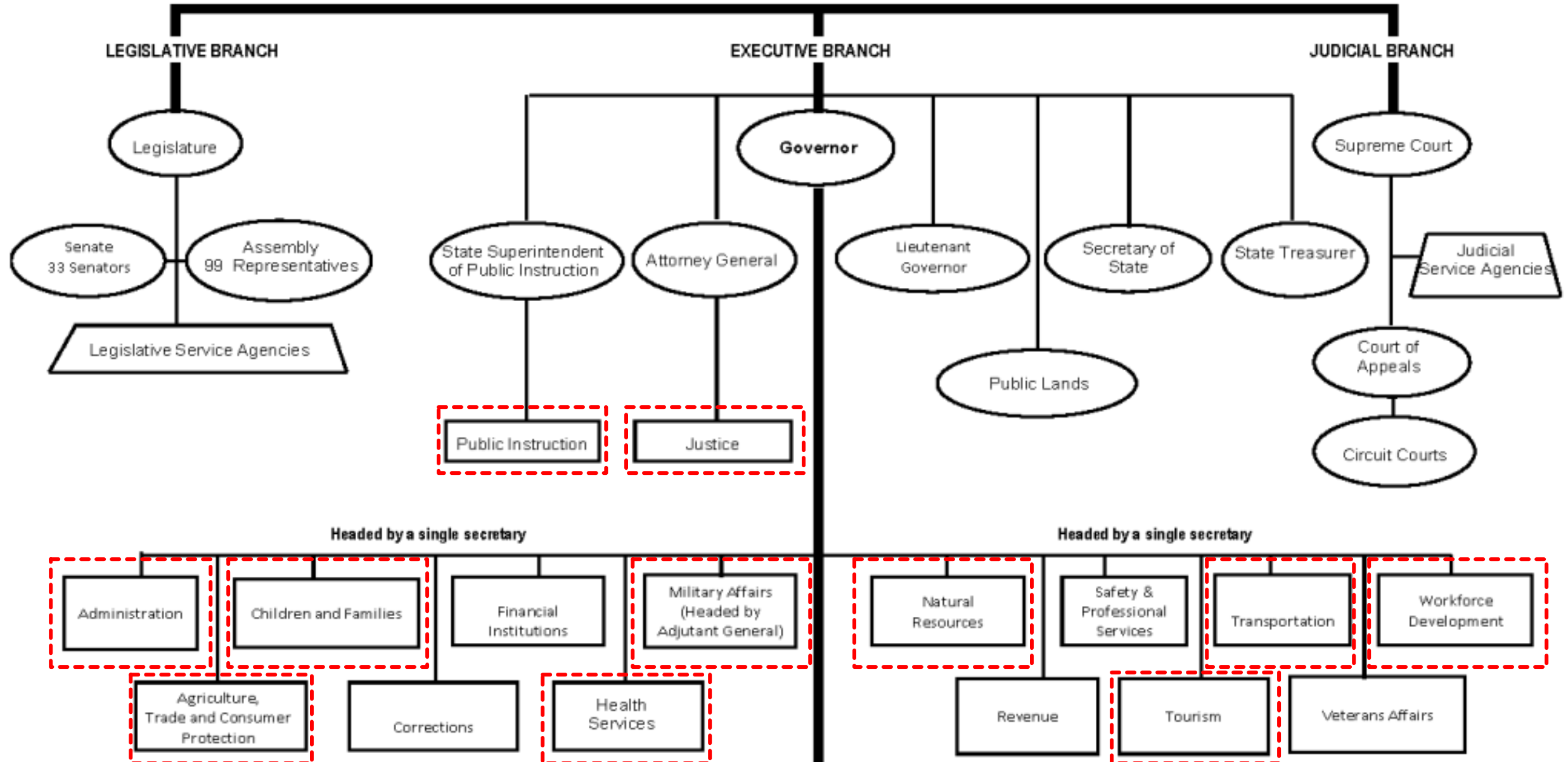
## BACKGROUND – WHAT IS THE FEDERAL SINGLE AUDIT

- Congress passed the Single Audit Act of 1984, which became Public Law 98-502, to establish more uniform audit requirements.
- Over the next several decades, the U.S. Office of Management and Budget (OMB) issued various Circulars to implement the Single Audit Act of 1984.
- In December 2013, Circular A-133, along with other Circulars, was superseded by the issuance of 2 CFR Part 200, Subpart F – *Uniform administrative requirements, cost principles, and audit requirements for Federal awards*
  - Also referred to as “Uniform Guidance” or “2 CFR 200” or “UG”
- Uniform Guidance:
  - Raised expenditure threshold to \$750,000; Revised the way “major program” determinations were made



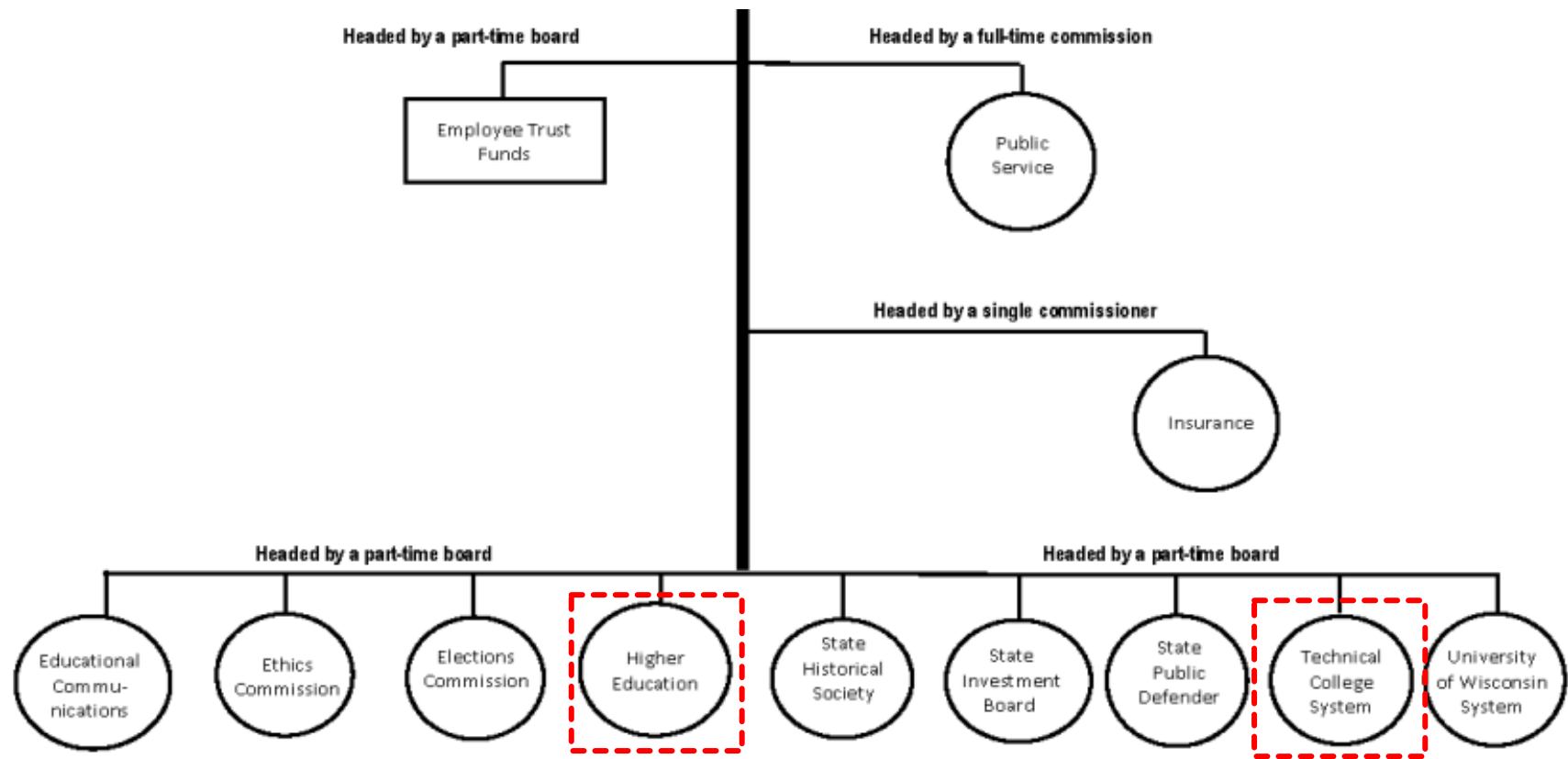
# WISCONSIN STATE GOVERNMENT ORGANIZATION

June 2022





## AUTHORITIES



= State Agency that historically has awarded state funding subject to SSAG.

KEY: Constitutional Officer Administrative Department Independent Agency Authority Service Agency Nonprofit Corporation

Excludes various units of State government (certain boards, commissions, councils, divisions, and offices), which are attached to agencies for administrative purposes.

Source: Wisconsin Legislative Reference Bureau

## BACKGROUND – WHAT IS THE STATE SINGLE AUDIT

- After the passage of the Single Audit Act of 1984, The Secretary of the Department of Administration created an inter-agency task force to:
  - Review the impact of the Single Audit Act of 1984 on the State of Wisconsin
  - Assess what guidance the State of Wisconsin should provide to its subrecipients
  - Provide recommendations on reporting logistics and follow-up systems
  - Consider whether the State of Wisconsin should require local government subrecipients to include state grants and other forms of state financial assistance within the scope of those organization's federal single audits.



## BACKGROUND – WHAT IS THE STATE SINGLE AUDIT

- The inter-agency task force completed its review in September 1985.
- Among its analysis and findings were the following recommendations:
  - Department of Administration should develop uniform requirements governing the State's Single Audit responsibilities – with the emphasis on ensuring uniformity in fulfilling the State's subrecipient responsibility.
  - The State should adopt the “Single Audit Concept” for state assistance programs.
  - Select State assistance programs should be included (i.e., reviewed/audited) within the scope of the Federal Single Audit being completed at the entity.



## BACKGROUND – WHAT IS THE STATE SINGLE AUDIT

- Excerpt from the September 1985 *Final Report of the State of Wisconsin Interagency Task Force on Implementation of Federal Single Audit Requirements For Subrecipients*

To prevent the proliferation of separate single audit requirements by each state grantor agency, some uniform requirements should be established by the Department of Administration. For example, DOA should determine in consultation with other state agencies, which state financial assistance programs should be included in single audits of local governments. Some state funded programs which provide unrestricted aid to local units, such as state shared revenues, have not been subject to audits before and therefore could be reasonably excluded from a single audit requirement. Once these uniform requirements are developed, the Task Force believes it is imperative that they be followed by every state agency to ensure consistency and fairness.

## BACKGROUND – WHAT IS THE STATE SINGLE AUDIT

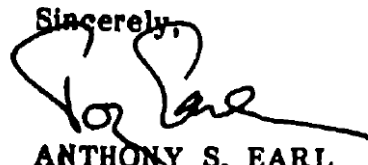
- Excerpt from the September 1985 *Letter from Governor Earl* directing DOA to implement the federal single audit concept to state grant programs.

The task force which you created, composed of representatives from major state agencies, has made recommendations for Wisconsin implementation of this act for federal pass-through assistance programs administered by state agencies. The task force also recommended the adoption of the single audit **concept** for state grant programs. Presently, each agency develops its own standards for state grant fiscal management requirements, including auditing. As a result, local governments must contend with numerous sets of state administrative requirements.

I support the concepts of the federal single audit act and a uniform implementation approach for the state and believe these principles should be extended to the administration and audit of state grants. Incorporation of single audit concepts would result in the standardization of state grant management provisions, and ultimately, a reduction in the administrative burden on local governments.

I, therefore, direct you to take the necessary steps to implement the federal single audit **concepts** and begin a phased program of application to state grant programs as outlined in the task force report.

Sincerely,

  
ANTHONY S. EARL  
Governor

/11



## BACKGROUND – WHAT IS THE STATE SINGLE AUDIT

- The State Single Audit Guidelines (SSAG) implement the concept of the Federal Single Audit, as prescribed in 2 CFR Part 200, to certain state programs and federal programs passed through State agencies.
- Split into the *Main Document* and *Agency-specific Appendices* on DOA's website
  - *Main Document* includes the general guidance that is applicable to all audits performed in accordance with the SSAG
  - *Agency-specific Appendices* include agency-specific audit requirements and the “state inventory” listing, which identifies which state programs should be included within the scope of the single audit.




# BACKGROUND – WHAT IS THE STATE SINGLE AUDIT



# BACKGROUND – WHAT IS THE STATE SINGLE AUDIT

## State Single Audit Guidelines

### Main Document:

Agency:	<b>Department of Administration</b> Attn: State Controllers Office 101 East Wilson Street, 5th Floor Madison, WI 53703
Contact:	<a href="mailto:DOASSAGGeneral@wisconsin.gov">DOASSAGGeneral@wisconsin.gov</a>
Audit Info:	 <a href="#">2015 Main Document (revised 6-2016)</a>

### Agency-specific Appendices:

Agency:	<b>Clean Water Fund (DOA &amp; DNR)</b> 101 E. Wilson 10th Madison, WI 53703
Contact:	Staff directory available <a href="#">here</a> from the Wisconsin DNR.
Audit Info:	Contact the <a href="#">Clean Water Fund</a> for audit guidance

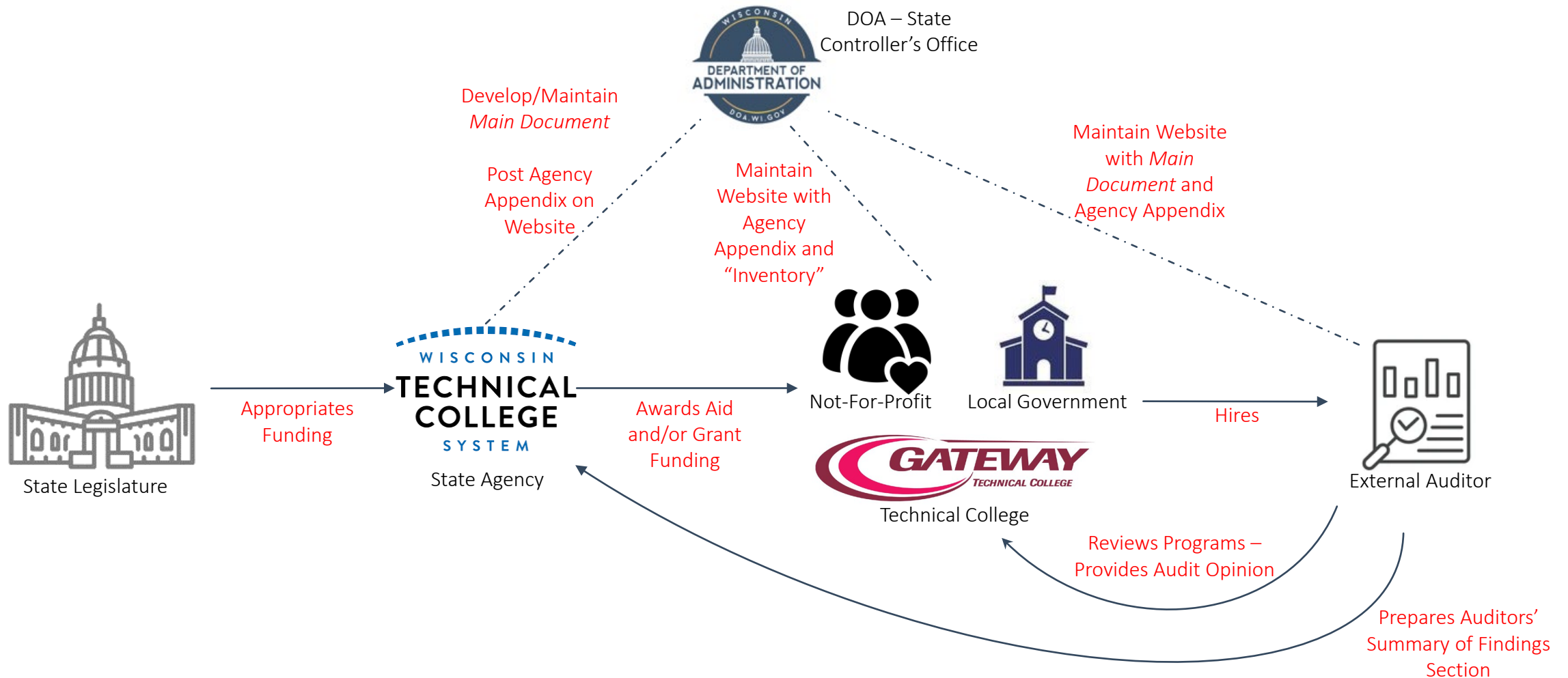
### Main Document

*State of Wisconsin  
Department of Administration  
and  
State Single Audit Committee*



2015 Revision – Amended June 2016

# HOW DOES THE STATE OF WISCONSIN IMPLEMENT THE STATE SINGLE AUDIT GUIDELINES (SSAG)? -- VISUAL



# HOW DOES THE STATE OF WISCONSIN IMPLEMENT THE STATE SINGLE AUDIT GUIDELINES (SSAG)?

- State agencies are provided funding in Chapter 20 of Wisconsin State Statutes.

STATUTE, AGENCY AND PURPOSE		SOURCE	TYPE	2021–2022	2022–2023
<b>20.292 Technical College System Board</b>					
(1)	TECHNICAL COLLEGE SYSTEM				
(a)	General program operations	GPR	A	3,015,500	3,015,500
(am)	Fee remissions	GPR	A	14,200	14,200
(d)	State aid for technical colleges; statewide guide	GPR	A	103,284,900	103,284,900
(dp)	Property tax relief aid	GPR	S	435,000,000	449,000,000
(e)	Grants to meet emergency financial need	GPR	C	320,000	320,000
(f)	Grants to district boards	GPR	C	24,124,200	24,124,200

(e) *Grants to meet emergency financial need.* As a continuing appropriation, the amounts in the schedule for distribution to technical college districts for purposes of making grants under s. 38.42.

(f) *Grants to district boards.* As a continuing appropriation, the amounts in the schedule for aids and grants to technical college districts under ss. 38.04 (13) (a), (20), (28), and (32) (a), 38.26, 38.27, 38.272, 38.28 (4), 38.29, 38.32, 38.33, 38.38, 38.40 (4m), and 38.41.

# HOW DOES THE STATE OF WISCONSIN IMPLEMENT THE STATE SINGLE AUDIT GUIDELINES (SSAG)?

- State Agency outlines their state funding in the “inventory listing” on the SSAG webpage, along with their agency’s appendix to the main document.

Agency:	<b>Wisconsin Technical College System</b> 4622 University Ave. P. O. Box 7874 Madison, WI 53707-7874
Contact:	Michelle Rudman, CPA (608) 266-1433 <a href="mailto:michelle.rudman@wtcsystem.edu">michelle.rudman@wtcsystem.edu</a>
Audit Info:	<a href="#">📎 2022-2023 WTCS Compliance Supplement</a> <a href="#">📎 2022-2023 WTCS Federal Funding</a> <a href="#">📎 2022-2023 WTCS State Funding</a>  <a href="#">📎 2021-2022 WTCS Compliance Supplement</a> <a href="#">📎 2021-2022 WTCS Federal Funding</a> <a href="#">📎 2021-2022 WTCS State Funding</a>



# HOW DOES THE STATE OF WISCONSIN IMPLEMENT THE STATE SINGLE AUDIT GUIDELINES (SSAG)?

- State Agency will review the external auditor's report for several items and complete desk review:
  - SEFA – Amounts
  - Any findings identified by the auditor
  - Any findings related to internal controls
  - Any specific program findings
- After reviewing, agencies will use this information in order to:
  - Incorporate into risk assessment process for future grant recipients
  - Follow-up with grantees on findings
  - Seek recovery of funding, if applicable



## SPLIT OF RESPONSIBILITIES

- High level overview of responsibilities – all responsibilities are outlined in the State Single Audit Guide.
- DOA-SCO Responsibilities:
  - Updating the Main Document of the State Single Audit Guidelines which documents the overall requirements auditees, auditors, and pass-through entities are required to follow.
  - Updating the SSAG webpage to ensure the most up-to-date information is available to external auditors and other users.



# SPLIT OF RESPONSIBILITIES

- State Agency's Responsibilities:
  - Reassess the respective agency's appendix to the State Single Audit Guidelines on an annual basis, including the inventory listing, and making updates as needed
  - Assisting and answering external auditors' questions on the agency-specific appendix guidance.
  - Reviewing external auditor reports on entities that receive funding from their agency.



# SPLIT OF RESPONSIBILITIES

- External Auditor:
  - Conduct the audit in accordance with the *State Single Audit Guidelines*
  - Reach out to the granting agency with questions
  - Provide an opinion and summary of auditors' results, in addition to other required elements of the audit reporting package



# SPLIT OF RESPONSIBILITIES

- Grantee (Recipient):
  - Carryout the objectives of the grant program in accordance with applicable rules and regulations
  - Contract out for an external auditor, as applicable
  - Take corrective action on findings identified during the audit process



QUESTIONS?

<Break for Questions>



# DELAY IN UPDATES TO STATE SINGLE AUDIT GUIDELINES – MAIN DOCUMENT

- The SSAG main document has not been updated in several years due to the following reasons, in addition to others:
  - Implementation of new accounting system
  - Turnover within the SCO Audit Services Section
  - Other higher-priority items (reconstituting agency-audit program, updating the SEFA process, etc.)



# UPDATES TO STATE SINGLE AUDIT GUIDELINES

- Currently, the Audit Services Section is working on updates to the SSAG and we are looking to get feedback on how these changes may impact your audit firm.
- We have already previewed these changes with State Agencies, and they are within an open comment period.
- Our proposed updates are based on a review of current Federal Uniform Guidance principles, as compared to the current version of the SSAG.





# PROPOSED CHANGES

(TO THE SSAG MAIN DOCUMENT)

# CURRENT: SCOPE OF SSAG

## State Single Audit Guidelines Main Document

### 1 Introduction

The *State Single Audit Guidelines* implement the federal audit requirements for **certain state programs and federal programs passed through state agencies**.

- Currently, the SSAG is scoped to cover both state programs and Federal programs passed through state agencies (Section 1 of the 2015 Main Document).



# PROPOSED: SCOPE OF SSAG

## Introduction

### 1.1 Purpose

The State of Wisconsin has adopted in principle 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 federal single audit requirements as outlined in Uniform Guidance, for certain state programs.

- It is our understanding that audit requirements for Federal programs passed through state agencies would be covered under the Federal Compliance Supplement.
- *Does the SSAG still need to cover state programs that are funded by both state and federal funding sources?*
  - DOA-SCO looking for feedback/thoughts on the potential impact to your audit firm.



# CURRENT: TYPE-A STATE MAJOR PROGRAM THRESHOLD

- Current major program determination guidance and Type A State Major Program threshold is outlined in Section 3.4 of the 2015 Main Document.

## 3.4 Compliance

For all audits, include state programs and state laws and regulations when determining whether the auditee has complied with statutes, regulations, and the terms and conditions of the awards

---

**State Single Audit Guidelines, Main Document, 2015 Revision**

Page 3-1

Appendices are an integral part of this document.

Appendices and updates are online at [www.ssag.state.wi.us](http://www.ssag.state.wi.us)

---

that may have a direct and material effect on each of its major programs, as described in Sections 200.514(d), 200.518 and 200.519 of the Uniform Guidance, with the following exceptions:

- *Compliance requirements in appendices to Guidelines and the contract* – The auditor shall apply the general and specific program audit procedures described in the appendices to these *Guidelines* (online at [www.ssag.state.wi.us](http://www.ssag.state.wi.us)) and/or in the contract.
- *Risk-based approach for identifying state major programs (single audits only)* - The auditor shall apply the risk-based approach from the Uniform Guidance to identify which programs will be tested as state major programs, with the following modifications:
  - Consider prior audit experience with state programs when assessing whether the auditee is a low risk agency for purposes of the percentage-of-coverage rule for state program.
  - For programs that are state funded, the threshold for Type A programs is \$250,000.
  - For programs that are state funded, the threshold for Type B programs is \$62,500.

## PROPOSED: TYPE-A STATE MAJOR PROGRAM THRESHOLD

- *Proposed*: Using a tiered approach consistent with Federal Uniform Guidance for the determination of State Major Programs.

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 \$8,000,000 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.	\$1,000,000
Exceed \$330 million.	Total state awards expended times <u>.003</u>

## CURRENT: MAJOR PROGRAM DETERMINATION

- The granting agency may designate state or federal pass-through programs to be automatically considered to be Type A state programs, and these programs are tested as state major unless the auditor assesses them to be low-risk, but at least once every three years. In addition, granting agencies may designate programs to be state major, so that these programs are always tested when the auditee has the programs. State granting agencies will identify designated Type A and designated state major programs in their appendices to these *Guidelines* (online at [www.ssag.state.wi.us](http://www.ssag.state.wi.us)). The incremental cost of auditing declared major programs may be charged to the respective programs ([Section 1.4](#)). However, Programs that are state funded that had less than \$25,000 in expenditures should not be treated as state major programs unless they are needed to satisfy the percent-of-coverage threshold on the state side.
- Workpaper documentation should include, for each program: the name of the program, the amounts of expenditures, whether the program is Type A or Type B, the factors considered in the risk assessment, the auditor's assessment of the risk for each factor, and the overall assessment of risk. The workpapers should also show how risk is reflected in the testing for high risk programs.
- When the state program is the state share of a commingled federal and state program, 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.
- The state share of commingled federal and state programs can be counted toward the 20% or 40% percentage-of-coverage threshold on the state side if the program is tested as major on the federal side.
- When the state program is the state share of a commingled federal and state program, the auditor should apply the state share towards the federal single audit threshold.
- For a low risk agency, if a current year significant deficiencies, material weaknesses, or material noncompliance indicates the potential for a system-wide problem (as opposed to a one-time or grant specific issue), the auditor needs to expand testing to

***State Single Audit Guidelines, Main Document, 2015 Revision***

*Page 3-2*

*Appendices are an integral part of this document.*

*Appendices and updates are online at [www.ssag.state.wi.us](http://www.ssag.state.wi.us)*

cover 40% of state program expenditures, i.e. no longer consider the agency to be low risk.

## PROPOSED: MAJOR PROGRAM DETERMINATION

- *Proposed: Removing the ability for agencies to automatically designate state programs as Type A major programs (meaning that if an entity did not expend \$250,000 on a state program it would not be audited as a Type A major program).*
- *Note: Some agencies may have statutory authority to still require compliance testing of their state programs which would be outlined in their respective appendix.*

## CURRENT: APPLICABILITY AND TYPE OF AUDIT REQUIRED

- Currently, the SSAG is applicable for entities that have:
  - Expended \$750,000 or more in Federal funding, and
  - Received state or federal funding from a state department
- Current guidance is outlined in Section 1.3 of the 2015 Main Document

### 1.3 When are *Guidelines* applicable and what kind of audit is needed?

The *State Single Audit Guidelines* are applicable to an audit if all three conditions are met:

*Condition #1.* The Uniform Guidance applies:

- The agency is a local government or a non-profit organization that expended \$750,000 or more in federal awards. or
- The agency is a for-profit that expended \$750,000 or more in federal awards from the federal Department of Health and Human Services (HHS) *and* the granting agency specifies that the audit be in accordance with the Uniform Guidance. (An HHS interpretation of 45 CFR Part 74 authorizes a granting agency subcontracting HHS funding to a for-profit organization to specify that the for-profit organization have an audit in accordance with the Uniform Guidance or *Government Auditing Standards*.) or
- The granting agency specifies in their contracts or compliance supplements that the audit be in accordance with the Uniform Guidance.

*And*

*Condition #2.* The agency received funding from a state department. This funding may be state money or federal pass-through money.

*And*

*Condition #3.* The granting agency has not otherwise specified that the *Guidelines* are not applicable. For example, the granting agency may exempt certain programs from audit or may require different audit standards for certain types of programs or auditees. See respective department appendices (online at [www.ssag.state.wi.us](http://www.ssag.state.wi.us)) for guidance on when the *Guidelines* are applicable to specific state and federal pass-through programs.

# PROPOSED: APPLICABILITY AND TYPE OF AUDIT REQUIRED

## 1.4 Applicability and Type of Audit Required

The Guide is applicable and a 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 their fiscal year that must have a single or program-specific audit conducted for that year in accordance with Uniform Guidance;
- 2) The auditee expended state awards from a State of Wisconsin agency during their fiscal year exceeding \$250,000 for one or more state programs (this includes direct state awards or state awards passed through a granting agency); **and**
- 3) The pass-through entity has not otherwise specified that the Guide is not applicable. For example, the pass-through entity may exempt certain state programs from audit or may require different audit standards for certain types of programs or auditees. Agency-specific appendices may provide guidance on whether the Guide is applicable to certain state programs.

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). 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.

- Proposed:
  - Expended \$750,000 or more in Federal funding, and
  - *Expended \$250,000 or more in state funding (Note: The reason for this change is to be consistent with Uniform Guidance. The Type A threshold for Uniform Guidance is \$750,000 which is consistent with the requirement to have a Federal Single Audit completed.)*



## NEXT STEPS

- DOA-SCO will be posting a copy of this PowerPoint Presentation, the Recording from this meeting, and the draft version of the updated SSAG (along with other materials) to the SSAG webpage for consideration.
  - Auditors will have an opportunity to review these draft documents before final versions are posted and effective.
  - Concerns, questions, feedback on the *draft version* can be sent to DOA-SCO for review and consideration: [DOASSAGGeneral@wisconsin.gov](mailto:DOASSAGGeneral@wisconsin.gov)
- DOA-SCO is working with state agencies to update their “footprint” on the SSAG webpage.





QUESTIONS/COMMENTS

