

U.S. Department of Labor

Office of Inspector General—Office of Audit

SINGLE AUDIT QUALITY CONTROL REVIEW



QUALITY CONTROL REVIEW SINGLE AUDIT OF JOB SERVICE NORTH DAKOTA FOR THE YEAR ENDED JUNE 30, 2014

Date Issued:
Report Number:

March 29, 2016
24-16-001-03-315

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



March 29, 2016

INSPECTOR GENERAL'S REPORT

David Krebsbach
Finance Manager
Job Service North Dakota
1000 E Divide Avenue
Bismarck, ND 58506-5507

The U.S. Department of Labor's (DOL) Office of Inspector General (OIG) conducted a Quality Control Review (QCR) of the Single Audit of Job Service North Dakota (JSND) for the year ended June 30, 2014. The single audit was completed by Brady, Martz & Associates, P.C., (Firm) under the Federal Single Audit Act and Office of Management and Budget Circular A-133 (A-133).

A QCR is performed to provide evidence of the reliability of the single audit to the auditors of federal agency financial statements, such as those required by the Chief Financial Officers Act, those responsible for the programs, and others. For the year ended June 30, 2014, JSND reported expenditures of \$140,755,590, consisting of DOL funds totaling \$139,287,510 and non-DOL funds totaling \$1,468,080. The single audit conducted by the Firm covered two DOL major programs: Unemployment Insurance (\$125,955,457) and Trade Adjustment Assistance (\$311,426). The remaining \$13,020,627 of DOL funds were used for non-major programs and were not tested as part of the single audit.

Our objectives were to determine if: (1) the audit was conducted in accordance with applicable standards, including Generally Accepted Government Auditing Standards (GAGAS) and Generally Accepted Auditing Standards (GAAS), and met the requirements of A-133; (2) there were any issues that may require management's attention; and (3) any follow-up work is needed to support the opinions contained in the audit report.

RESULTS IN BRIEF

While we found the audit was conducted in accordance with applicable standards, we noted it was technically deficient for one aspect of A-133 reporting requirements; therefore, follow-up work was needed. Specifically, the Firm incorrectly identified JSND as a high-risk auditee in the single audit report and data collection form. Our QCR found JSND met all the criteria to be considered a low-risk auditee.

The Firm's internal review procedures had detected JSND's incorrect risk designation before the audit was completed; however, audit staff corrected this error in only the work papers and not in the report and data collection form. Federal agencies and pass-through entities may have relied on the audit report and data collection form's incorrect high-risk designation for JSND when deciding federal funding levels and the amount of oversight and monitoring required for JSND.

We have discussed our concerns and observations with the Firm and it has already taken corrective action. The Firm stated it has implemented review procedures to ensure the risk designation included in the schedule of federal findings and questioned costs and included in the data collection form's federal programs summary agrees with the risk assessment documented in the audit files. The Firm worked with JSND, and on December 16, 2015, submitted a revised report package to the Federal Audit Clearinghouse (FAC) that cites the auditee's low-risk designation.

Details on the results of our review are provided in the Enclosure.

Sincerely,



Elliot P. Lewis
Assistant Inspector General
for Audit

Enclosure

cc: Stephen Daniels, Director, Division of Policy, Review, and Resolution,
Employment and Training Administration (ETA)

Julie Cerruti, Audit Liaison, ETA

Gregory Hitchcock, Audit Liaison, ETA

Lisa Lahrman, Acting Administrator, Office of Management
and Administrative Services, ETA

Patrick Brown, Shareholder, Brady, Martz & Associates, P.C.

Mindy Piatz, Shareholder, Brady, Martz & Associates, P.C.

Enclosure

**Quality Control Review
Single Audit of Job Service North Dakota
for the Year Ended June 30, 2014
(24-16-001-03-315)**

The Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, established single audit financial and compliance requirements for states, local and Indian tribal governments, and non-profit organizations that expend federal funds equal to or greater than \$500,000 in any fiscal year.

On December 17, 2014, the Firm issued a single audit report of JSND's financial statements, Schedule of Expenditures of Federal Awards (SEFA), and reports required by GAGAS and A-133 for the year ended June 30, 2014.

Our review included the following DOL major programs:

DOL Major Programs Reviewed		
Major Program	Catalog of Federal Domestic Assistance Number	DOL Major Funds Reported as Expended
Unemployment Insurance	17.225	\$125,955,457
Trade Adjustment Assistance	17.245	311,426
Total DOL Major Funds Reported as Expended		\$126,266,883

RESULTS

THE FIRM'S INTERNAL REVIEW OF SINGLE AUDIT REPORTS AND DATA COLLECTION FORMS NEEDS IMPROVEMENT

The Firm incorrectly identified JSND as a high-risk auditee in the single audit report's schedule of federal findings and questioned costs and in the data collection form's federal programs summary. JSND met all the criteria to be considered a low-risk auditee.

A-133, Section 530, sets certain requirements that an auditee must meet to be considered low risk, including the following:

- Single audits have been performed on an annual basis in prior years,
- The auditor's opinions on the financial statements and SEFA were unmodified,

- There were no material weaknesses in prior audits, and
- None of the federal programs previously audited had findings in the last two years.

The Firm's internal review procedures had detected JSND's incorrect risk designation before the audit was completed; however, audit staff corrected this error only in the work papers and not in the report and data collection form. Federal agencies and pass-through entities may have relied on the audit report and data collection form's incorrect high-risk auditee designation when deciding federal funding levels and the amount of oversight and monitoring required for JSND.

We have discussed our concerns and observations with the Firm and it has already taken corrective action.

FIRM'S RESPONSE

The Firm stated it has implemented review procedures to ensure the risk designation included in the schedule of federal findings and questioned costs and included in the data collection form's federal programs summary agrees with the risk assessment documented in the audit files. On December 16, 2015, the Firm worked with JSND to resubmit a revised report package to the FAC that cites the auditee's low-risk designation.

Appendices

APPENDIX A

**OBJECTIVE, SCOPE, METHODOLOGY, AND
CRITERIA**

OBJECTIVES

Our objectives were to determine if: (1) the audit was conducted in accordance with applicable standards, including GAGAS and GAAS, and met the requirements of A-133; (2) there were any issues that may require management's attention; and (3) any follow-up work is needed to support the opinions contained in the audit report.

SCOPE

We performed a QCR of the Firm's single audit of JSND's financial statements, SEFA, and reports required by GAGAS and A-133 for the year ended June 30, 2014. We performed our work at the office of the Firm at 207 East Broadway Avenue, Bismarck, ND, 58503-1297.

METHODOLOGY

We reviewed the audit report using the Council of Inspectors General on Integrity and Efficiency (CIGIE) Guide for Desk Reviews of A-133 Audit Reports (Desk Guide). The Desk Guide was developed to ensure compliance with the requirements of A-133. We reviewed the financial statements, compliance, and internal control reporting; SEFA; and Schedule of Findings and Questioned Costs.

Using the CIGIE Uniform Guide for QCRs of A-133 Audits (QCR Guide), we reviewed audit documentation and held discussions with the Firm to accomplish the required steps. The QCR Guide was developed to test for compliance with GAGAS general and fieldwork standards and A-133 requirements.

Specifically, we reviewed:

- Auditor Qualifications
- Independence
- Due Professional Care
- Quality Control
- Planning and Supervision
- Management Representations
- Litigation, Claims and Assessments
- Possible Fraud or Illegal Acts
- Determination of Major Programs
- SEFA

- Audit Follow up
- Reporting
- Internal Control Over Major Programs

We also reviewed the Firm's peer review applicable to the period of the audit.

CRITERIA

- A-133
- GAGAS, December 2011 Revision
- Single Audit Act of 1984
- Single Audit Act Amendments of 1996

APPENDIX B

FIRM'S RESPONSE



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

March 25, 2016


Elliot P. Lewis
Assistant Inspector General for Audit
US Department of Labor
Office of Inspector General
Washington, DC 20210

Dear Mr. Lewis:

In regards to your Quality Control Review of the Single Audit of Job Service North Dakota for the year ended June 30, 2014, we have the following response to the item included in the result section of your report.

- We agree with the item and have implemented review procedures to ensure that the risk designation included in the schedule of federal findings and questioned costs and in the data collection form's federal programs summary agrees with the risk assessment as documented in the audit file. We have also submitted a revised data collection report package to the OMB Federal Audit Clearinghouse.

Sincerely,
BRADY, MARTZ & ASSOCIATES, P.C.

By 
Patrick J. Brown, CPA
Shareholder

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APPENDIX C

ACKNOWLEDGEMENTS

Key contributors to this report were Melvin Reid (Director), Mark Lemke, Grover Fowler, and Christine Allen.

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