

U.S. Department of Labor

Office of Inspector General—Office of Audit

SINGLE AUDIT QUALITY CONTROL REVIEW



QUALITY CONTROL REVIEW OF THE SINGLE AUDIT OF JOB SERVICE NORTH DAKOTA FOR THE YEAR ENDED JUNE 30, 2023

**DATE ISSUED: JUNE 26, 2024
REPORT NUMBER: 24-24-004-50-598**



INSPECTOR GENERAL'S REPORT

June 26, 2024

Patrick Bertagnolli
Executive Director
Job Service North Dakota
1000 E Divide Avenue
Bismarck, ND 58506

Dear Mr. Bertagnolli:

The purpose of this report is to formally advise you of the results of a Quality Control Review (QCR) the U.S. Department of Labor (DOL) Office of Inspector General (OIG) conducted on the single audit of Job Service North Dakota, which was completed by Brady, Martz & Associates, P.C. ("the Firm") under the Office of Management and Budget's (OMB) 2 C.F.R. Part 200 (Uniform Guidance)¹ for the year ended June 30, 2023.

Our objective was to determine if 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 OMB Uniform Guidance.

We determined the single audit report and audit work performed generally met the requirements of GAGAS, GAAS, and OMB Uniform Guidance. However, we found the Firm needed to correctly report the Type A/B Threshold.

Details on the results of our review are provided in the Enclosure. Since the Firm agreed with the matter noted and took the corrective actions necessary to properly address it, no official management response is required of the Firm. In providing this memorandum to the Firm, the OIG considers this matter closed.

¹ 2 C.F.R. § 200.0 through § 200.521

We appreciate the cooperation and courtesies the Firm extended to us during the review.

Sincerely,



Carolyn R. Hantz
Assistant Inspector General for Audit

Enclosure

cc: Mindy Piatz
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Enclosure

**Quality Control Review
Single Audit of Job Service North Dakota
for the Year Ended June 30, 2023
(24-24-004-50-598)**

DOL OIG conducted a QCR of the single audit of Job Service North Dakota for the year ended June 30, 2023. 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 of 1990. The single audit conducted by the Firm covered unemployment insurance and the employment service major program cluster (see Table 1).²

Table 1: Scope of the OIG's QCR

DOL Major Program Sections Reviewed	Catalog of Federal Domestic Assistance (CFDA) Listing Number	DOL Major Funds Reported as Expended
Unemployment Insurance	17.225	\$72,747,271
Employment Service Cluster	17.207 and 17.801	\$5,827,696
Total DOL Major Funds Reported as Expended		\$78,574,967

Source: Job Service North Dakota's June 30, 2023, Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023, Job Service North Dakota reported federal expenditures of \$87,008,743, which consisted of DOL funds totaling \$85,793,057 and non-DOL funds totaling \$1,215,686. The scope of the OIG's QCR was unemployment insurance and the employment service cluster, equaling \$78,574,967 of the \$85,793,057 in total DOL funds.³

The single audit is an organization-wide audit or examination of a non-federal entity that expends \$750,000 or more of federal assistance received for its operations.

² Major Programs are critical to the single audit process, as they are the programs for which the Firm will be performing additional internal control work on and ultimately issuing a compliance opinion on as part of the single audit.

³ The remaining \$7,218,090 in DOL funds were used for non-major DOL programs, which were not tested by the Firm as part of the single audit.

Usually conducted annually, a single audit has three main objectives:

1. Perform an audit of the entity's financial statements and report on a separate Schedule of Expenditures of Federal Awards (SEFA) in relation to the entity's financial statements.
2. Conduct a compliance audit of federal awards expended during the year as a basis for issuing additional reports on compliance related to major programs and on internal control over compliance.
3. Follow up on prior audit findings by performing procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee.

RESULTS

We determined the single audit report and audit work performed generally met the requirements of GAGAS, GAAS, and OMB Uniform Guidance. However, we found the Firm needed to correctly report the Type A/B Threshold.

TYPE A/B THRESHOLD INCORRECTLY REPORTED BY THE FIRM

We found the Firm incorrectly reported the Type A/B threshold as \$3,000,000 instead of \$2,610,262 in the single audit report on the Schedule of Findings and Questioned Costs and on the data collection form. This threshold is used to determine the major programs to be audited. Our review of the audit documentation found the Firm applied the correct threshold in its testing procedures despite having reported it incorrectly.

According to 2 C.F.R. § 200.518(b)(1), auditors must identify awards from the larger federal programs that exceeded the level outlined in Table 2 during the audit period. These programs must be labeled as Type A programs. The Type A/B threshold is the dollar threshold used to distinguish between Type A and Type B programs. Federal programs over the Type A/B threshold are the larger federal programs and are referred to as Type A programs. Everything less than the Type A/B threshold are referred to as Type B programs.

In addition, 2 C.F.R. § 200.518(d)(2) states “the auditor is not expected to perform risk assessments on relatively small programs. Therefore, the auditor is

only required to perform risk assessments on Type B programs that exceed twenty-five percent (.25) of the Type A/B threshold. Table 2 presents the thresholds based on the significance of Type A program funding.

Table 2: OMB Uniform Guidance Type A/B Thresholds

Total Federal Awards Expended	Type A/B Threshold
Equal to or exceed \$750,000 but less than or equal to \$25 million	\$750,000
Exceed \$25 million but less than or equal to \$100 million	Total federal awards expended times .03
Exceed \$100 million but less than equal to \$1 billion	\$3 million
Exceed \$1 billion but less than or equal to \$10 billion	Total federal awards expended times .003
Exceed \$10 billion but less than or equal to \$20 billion	\$30 million
Exceed \$20 billion	Total federal awards expended times .0015

Source: 2 C.F.R. § 200.518(b)(1)

Total federal awards expended by Job Service North Dakota of \$87,008,743 were in excess of \$25 million but less than or equal to \$100 million. Therefore, the Type A/B threshold should have been \$2,610,262 (\$87,008,743 times .03).

The Firm attributed its reporting of the incorrect threshold to an oversight. The Firm provided us with audit documentation showing it was aware of the Type A/B threshold requirements, as demonstrated by its correct calculation in the audit work papers. Although the reporting inaccuracy had no effect on the Firm's audit work, it resulted in incorrect information being maintained on the federal database that is used to analyze information from all single audits.

The Firm agreed with the matter noted and took the corrective actions necessary to properly address it. The Firm provided us with the revised single audit report and revised data collection form submitted to the Federal Audit Clearinghouse reflecting the corrected Type A/B threshold. Since the Firm has already taken corrective actions, we consider this matter closed.

APPENDIX A: SCOPE AND METHODOLOGY

SCOPE

We performed a QCR of the Firm's single audit of Job Service North Dakota's financial statements, SEFA, reports required by GAGAS, and OMB Uniform Guidance for the year ended June 30, 2023. Our QCR of the Firm's single audit covered \$78,574,967 in federal expenditures for unemployment insurance and the employment service major program cluster. We performed our work onsite at the Firm in Bismarck, North Dakota.

METHODOLOGY

We reviewed the single audit report using the Council of Inspectors General on Integrity and Efficiency's (CIGIE) *Guide for Desk Reviews of Single Audit Reports* and reviewed the supporting audit documentation using CIGIE's *Guide for Quality Control Reviews of Single Audits*. These guides were developed to ensure compliance with the requirements of OMB Uniform Guidance (including the compliance supplement), GAGAS, and the American Institute of Certified Public Accountants' (AICPA) *Audit Guide on Government Auditing Standards and Single Audits*.

We also reviewed the financial statements, compliance, and internal control reporting; SEFA; and Schedule of Findings and Questioned Costs. We also held discussions with the Firm to accomplish the required steps.

Specifically, we reviewed:

- Auditor Qualifications
- Independence
- Professional Judgment/Due Professional Care
- Quality Control
- Fieldwork
- Schedule of Federal Awards
- Determination of Major Federal Programs
- Schedule of Findings and Questioned Costs
- Summary of Prior Audit Findings
- Financial Statement Risk Assessment
- Financial Statement Identification and Evaluation of Audit Findings
- Communication of Financial Statement Audit Findings
- Compliance with AICPA Standards

- Considerations Related to Audit of Major Federal Program
- Sampling - Major Federal Program (Internal Control and Compliance)
- Testing of Internal Control Over Compliance
- Testing for Compliance with Direct and Material Compliance Requirements

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

CRITERIA

- OMB Uniform Guidance, 2 C.F.R. Part 200
- OMB Compliance Supplement
- AICPA Audit Guide on Government Auditing Standards and Single Audits
- Clarified Statements on Auditing Standards (AU-C)
- GAGAS

APPENDIX B: ACKNOWLEDGEMENTS

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