

Audits, Waivers, and Stuff

Audits, Waivers, and Other Stuff



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Today's Topics

- Audit requirements
- Challenges finding auditors
- Audit threshold
- Waivers
- Excess profit and reserves
- Findings
- Inappropriate activity
- Upcoming federal and state revisions

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Audits Overview

Requirements, Threshold, Waivers, Guidance and Due Dates

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Audit Requirements

State Single Audit Requirements

- Audits are required from subrecipients, not contractors.
- Audits are required if a subrecipient expends over \$750k or more in federal funding and \$250k in state funding.
- In reality, the vast majority of agencies receiving county funding are contractors, not subrecipients.

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Audit Requirements

State Audit Requirements

- Audit requirements are defined in Wis. Stat. § 46.036 and by policy.
- Audits are required for agencies that expend more than \$100,000 in grant funding or for purchases of services.
- Audits are not required for purchases of goods or ancillary services.

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Challenges Finding Auditors

- Difficulty recruiting college graduates
- Fewer accounting students to draw from
- Quality of life issues
- Higher pay for incoming staff
- Higher pay to retain existing staff
- Effects of COVID
- Limited capacity to serve clients
- Substantial fee increases

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Audit Waivers

- State, but not federal audits, can be waived.
- Waivers are appropriate for low-risk agencies.
- Waivers must be approved by Area Administration.
- For certain types of providers, waivers just make sense.

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Reasons for Approving Waivers

- Agency is low-risk
- Program is low-risk
- Not significantly over the threshold
- Past history has been positive
- Other oversight exists
- Extremely high audit fees
- Inability to find an auditor

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Inappropriate Waiver Requests

- Lack of adequate accounting system to provide necessary information
- Desire to avoid reimbursing excess profits or reserves
- Haven't finished doing their bookkeeping
- Haven't had to do them before

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Guidance in Granting Waivers

- Be reasonable
- Recognize challenges in finding auditors
- Look for alternative ways to provide oversight

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Current Audit Guidance

State Single Audit Guidance and DHS Audit Guide

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Audit Guidance

- For Federal Single Audits
 - 2 CFR Part 200, Subpart F, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”
 - DOA SSAG Main Document
- For State Audits
 - Department of Health Services Audit Guide, 2018 Revision

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Auditing Industry Guidance

- Generally Accepted Accounting Principles (GAAP)
- Generally Accepted Auditing Standards (GAAS)
- Generally Accepted Government Auditing Standards (GAGAS)

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Allowable Reserves and Profit

Limits on What Can Be Retained

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Non-Profit Providers

Wis. Stat. § 46.036 permits allowable reserves for non-profit agencies:

- Agencies can retain up to 5% of revenue, with no restrictions on how it can be used.
- Excess must be claimed within 6 months from receipt of audit report.

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Proprietary Agencies

- Guidance is set out in the DHS Audit Guide
- For-profit agencies may retain up to 10% profit
- Calculation includes allowances for capital expenses

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Allowable Reserves or Profit

Things to look for:

- Amount of allowable expenses
- Calculation errors
- Lower allowable percentage by county, if applicable
- Excess to be claimed
- Needs to be returned to DHS

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Audit Findings

Types of Findings and Resolution

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Types of Findings

- Material weakness
- Significant deficiency
- Material non-compliance
- Known questioned costs
- Likely questioned costs



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Resolving Common Findings

- Lack of segregation of duties
- Lack of internal controls
- Lack of financial expertise to prepare GAAP financial statements
- Unallowable costs
- Lack of documentation to support reimbursement
- Program non-compliance

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Overall Guidance

Make sure that:

- Audit reports are complete and timely.
- The right type of audit was done.
- The agency is financially healthy.
- Costs are reasonable and necessary.
- Excess profit and reserves is claimed timely.
- Findings are resolved, if practicable.

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Audit Guide Revisions

Changes to Uniform Guidance, SSAG and DHS Audit Guide

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Revised Uniform Guidance

- Was issued in March 2024
- Goes into effect on October 1, 2024 for FFY 2025
- DHS is working on guidance for providers
- Some key changes:
 - Increase audit threshold to \$1mm
 - Increase in capital purchases to \$10,000
 - De minimis rate increased to 15%

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State Single Audit Guide Revisions

- DOA issued a revised SSAG Main Document last summer
- Changes were to bring it more in line with Uniform Guidance
- Change in audit threshold requiring a Single Audit to include at least \$250,000 in state funding
- Changes related to major program determination

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DHS Audit Guide Revisions

- DHS will be issuing a revised guide later this summer as well.
- Changes in SSAG impact our Guide and will require explanation.
- Some changes to audit requirements for DHS program
- Some changes are still being worked on

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Audit Threshold Project

- Are working on an increase
- Audit survey
- Wisconsin compared to other states
- County surveys and info
- Percentage of funding being audited
- DFI has already made an increase
- Still in process
- Will keep you posted!

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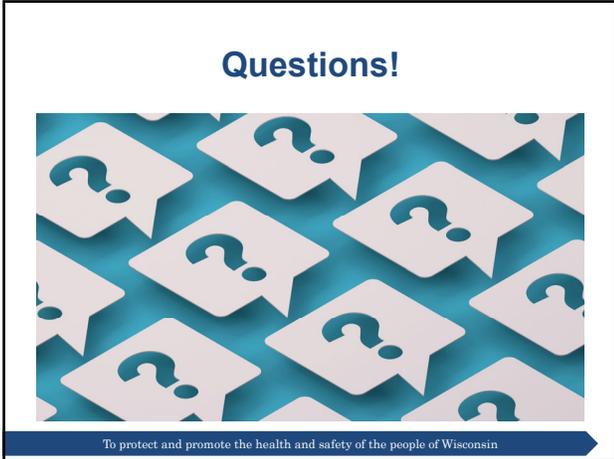
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