

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, 2020

Date Issued:
Report Number:

March 21, 2022
24-22-002-03-315



March 21, 2022

INSPECTOR GENERAL'S REPORT

Pat Bertagnolli
Executive Director
Job Service North Dakota
1000 E Divide Avenue
Bismarck, ND 58506-5507

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. (Firm) under the Office of Management and Budget (OMB) 2 CFR 200 (Uniform Guidance) for the year ended June 30, 2020.

Our objective was to determine if the audit was conducted in accordance with applicable standards, including Generally Accepted Government Auditing Standards (GAGAS), Generally Accepted Auditing Standards (GAAS), and met the requirements of OMB Uniform Guidance.

We determined that the audit work was conducted in accordance with applicable standards. However, the report did not meet certain requirements of GAGAS, GAAS, and OMB Uniform Guidance. Specifically, the following elements were omitted from the Independent Auditor's Report due to an oversight by the Firm:

- A statement in the Independent Auditor's Report that the audit was conducted in accordance with the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.
- A reference in the Independent Auditor's Report to the separate report on internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, and grant agreements.

We have discussed these matters with the Firm's management and they have already taken corrective action. Details on the results of our review are provided in the Enclosure. We appreciate the cooperation and courtesies Job Service North Dakota and the Firm extended to us during this review.

Sincerely,



Carolyn R. Hantz
Assistant Inspector General
for Audit

Enclosure

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

Julie Cerruti, Audit Liaison, ETA

Gregory Hitchcock, Special Assistant, ETA

Nicole Vorachek, Finance Manager, Job Service North Dakota

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, 2020
(24-22-002-03-315)**

The DOL OIG conducted a QCR of the single audit of Job Service North Dakota for the year ended June 30, 2020. The single audit was completed by Brady, Martz & Associates, P.C. (Firm). Table 1 details the scope of the OIG’s QCR, including the DOL major programs we reviewed.

Table 1: Quality Control Review Scope

DOL Major Programs Reviewed	Catalog of Federal Domestic Assistance Numbers	DOL Major Funds Reported as Expended
Unemployment Insurance	17.225	\$428,211,798
Employment Service Cluster	17.207; 17.801; 17.804	\$5,274,268
Total DOL Major Funds Reported as Expended		\$433,486,066

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, and those responsible for program administration, and others. For the year ended June 30, 2020, Job Service North Dakota reported federal expenditures of \$633,565,859, which consisted of DOL funds totaling \$439,920,156 and non-DOL funds totaling \$193,645,703. The single audit conducted by the Firm covered two DOL major programs: Unemployment Insurance and the Employment Service Cluster totaling \$433,486,066. The remaining \$6,434,090 of DOL funds were used for non-major programs and \$193,645,703 of non-DOL funds were not tested as part of the single audit.

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. Usually performed annually, a single audit has two main objectives:

1. Audit of the entity’s financial statements and reporting on a separate Schedule of Expenditures of Federal Awards (SEFA) in relation to those financial statements.

2. 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.

RESULTS

We determined that the audit work was conducted in accordance with applicable standards. However, the report did not meet certain requirements of GAGAS, GAAS, and OMB Uniform Guidance. Specifically, the Firm omitted certain elements from the Independent Auditor's Report on the financial statements.

INDEPENDENT AUDITOR'S REPORT LACKED GAGAS STATEMENT AND A REFERENCE TO SEPARATE REPORT ON INTERNAL CONTROL

The Firm omitted certain standardized statements from Job Service North Dakota's Independent Auditor's Report for the fiscal year ending June 30, 2020. The following elements which are recommended by GAGAS, GAAS, and OMB Uniform Guidance were omitted from the Firm's Independent Auditor's Report:

- A statement in the Independent Auditor's Report that the audit was conducted in accordance with the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.
- A reference in the Independent Auditor's Report to the separate report on internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, and grant agreements.

OMB Uniform Guidance §200.514(a) states that the audit must be conducted in accordance with GAGAS.

GAGAS 6.36 states that when auditors comply with all applicable GAGAS requirements, they should include a statement in the audit that they conducted the audit in accordance with GAGAS. GAGAS 6.43 also states if auditors report separately (including separate reports bound in the same document) on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements, they should include a reference in the audit report on the financial statements to those additional reports. They should also state in the audit report that the report on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements are an internal part of a GAGAS audit in

considering the audited entity’s internal control over financial reporting and compliance.

The American Institute of Certified Public Accountants (AICPA) Clarified Statements on Auditing Standards (AU-C) §700A.42 explains an auditor may indicate the audit was conducted in accordance with another set of auditing standards (for example, Government Auditing Standards). The auditor should not refer to having conducted an audit in accordance with another set of auditing standards in addition to GAAS, unless the audit was conducted in accordance with both sets of standards in their entirety. Furthermore, AU-C §700A.43 states when the auditor’s report refers to both GAAS and another set of auditing standards, the auditor’s report should identify the other set of auditing standards, as well as their origin.

AICPA Audit Guide on “Government Auditing Standards and Single Audits” (AAG-GAS) 4.48(i) states: “the basic elements of the auditor’s report on the financial statements (as applicable) include a statement that the audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.” AAG-GAS 4.10 also states: “if auditors report separately (including separate reports bound in the same document) on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements, they should include a reference in the audit report on financial statements to those additional reports. They should also state in the audit report that the reports on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements are an internal part of a Government Auditing Standards audit in considering the audited entity’s internal control over financial reporting and compliance.”

We found the financial statements were audited in accordance with GAGAS and a separate report on internal control existed. However, due to an oversight by the Firm, standardized language was missing from the Independent Auditor’s Report. Because of tighter deadlines and the pandemic, the Firm had split the report between the financial portion and the compliance/single audit report. They explained these statements were erroneously missed but had been included in every other prior report. In the absence of the GAGAS statement and a reference to the separate report on internal control, the Independent Auditor’s Report on the financial statements did not present the required information consistent with authoritative guidelines. The Independent Auditor’s Report should be presented in accordance with applicable financial reporting framework as established by current auditing standards. Failure to do so can result in the Independent Auditor’s Report lacking the requisite information to communicate an opinion.

RESOLUTION OF MATTERS

We have discussed these matters with the Firm’s management and they have already taken corrective action. The Firm provided the June 30, 2021 and 2020 audited financial statements for Job Service North Dakota, which include the language that was erroneously omitted in the 2020 Independent Auditor’s Report. The Firm audited the financial statements in accordance with GAGAS and a separate report on internal control existed. Therefore, our report does not include recommendations to the Firm.

FIRM’S RESPONSE

The Firm agreed with the deficiencies noted and took corrective action to address them. The Firm’s response is included in its entirety in Appendix B.

OIG’S CONCLUSION

We consider the deficiencies resolved and closed.

Appendices

APPENDIX A: OBJECTIVE, SCOPE, METHODOLOGY, & CRITERIA

OBJECTIVE

Our objective was to determine if the audit was conducted in accordance with applicable standards, including GAGAS and GAAS, and met the requirements of OMB Uniform Guidance.

SCOPE

We performed a QCR of Brady, Martz & Associates, P.C.'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, 2020. Our QCR of Brady, Martz & Associates, P.C. covered \$433,486,066 in federal expenditures for two DOL major programs: Unemployment Insurance and the Employment Service Cluster. We performed our work remotely due to COVID-19.

METHODOLOGY

We reviewed the audit reports using the Council of Inspectors General on Integrity and Efficiency (CIGIE) Guide for Desk Reviews of Single Audit Reports and the CIGIE Guide for Quality Control Reviews of Single Audits. The guides were developed to ensure compliance with the requirements of OMB Uniform Guidance (including the Compliance Supplement), GAGAS, and the AICPA Audit Guide on "Government Auditing Standards and Single Audits." We reviewed the financial statements, compliance, and internal control reporting; SEFA; and Schedule of Findings and Questioned Costs.

We reviewed audit documentation and held discussions with the Firm to accomplish the required steps. The QCR guides were developed to test for compliance with GAGAS and GAAS, and met the requirements of OMB Uniform Guidance.

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
- Internal Control Over Major Programs
- Direct and Material Compliance Requirements

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

CRITERIA

- 2 CFR 200, OMB Uniform Guidance
- 2020 Compliance Supplement
- AICPA Audit Guide on “Government Auditing Standards and Single Audits”
- AU Clarified Statements
- GAGAS, 2018 Revision

APPENDIX B: FIRM'S RESPONSE

BradyMartz

CORRECTIVE ACTION PLAN

Finding: The Firm omitted certain standardized statements from Job Service North Dakota's Independent Auditor's Report for the fiscal year ending June 30, 2020. The following elements which are recommended by GAGAS, GAAS, and OMB Uniform Guidance were omitted from the Firm's Independent Auditor's Report:

- A statement in the Independent Auditor's Report that the audit was conducted in accordance with the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.
- A reference in the Independent Auditor's Report to the separate report on internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters prepared in accordance with GAGAS.

Contact Person

Mindy Piatz, CPA, Shareholder

Corrective Action Plan

We concur with OIG's findings and recommendations. We have provided the 6/30/21 audited financial statements for Job Service North Dakota, which include the language that was erroneously missed in the 6/30/20 independent auditor's report.

Completion Date

Fiscal year 6/30/21 audit of Job Service North Dakota

Make Every Day Count | www.bradymartz.com

APPENDIX C: ACKNOWLEDGEMENTS

Key contributors to this report were:

Sean Gilkerson, Audit Director
Grover Fowler, Jr., Assistant Director
Mark Lemke, Senior Auditor
Patrick Trager, Auditor
Labony Chakraborty, Writer-Editor

**REPORT FRAUD, WASTE, OR ABUSE
TO THE DEPARTMENT OF LABOR**

Online

<http://www.oig.dol.gov/hotline.htm>

Telephone

(800) 347-3756 or (202) 693-6999

Fax

(202) 693-7020

Address

Office of Inspector General
U.S. Department of Labor, 200 Constitution Avenue, NW
Room S-5506 Washington, DC 20210