

U.S. Department of Labor

Office of Inspector General—Office of Audit

SINGLE AUDIT QUALITY CONTROL REVIEW



RECOVERY ACT: QUALITY CONTROL REVIEW SINGLE AUDIT OF THE NEW ENGLAND FARM WORKERS' COUNCIL, INC. FOR THE YEAR ENDED JUNE 30, 2011

Date Issued: September 27, 2012
Report Number: 18-12-006-03-001

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



September 27, 2012

Assistant Inspector General's Report

John Motto
Chief Financial Officer
New England Farm Workers' Council, Inc.
11-13 Hampden Street
Springfield, CT 01103

Dear Mr. Motto:

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 of the Single Audit of the New England Farm Workers' Council, Inc. (Council) for the year ended June 30, 2011, completed by Maletta & Company, CPAs (Firm), under the Federal Single Audit Act and Office of Management and Budget (OMB) Circular A-133 (A-133).

Our review included the following DOL major programs: the National Farmworker Jobs Program and the Workforce Investment Act (WIA) cluster¹ totaling \$1,162,854, which includes \$376,130 of American Recovery and Reinvestment Act (Recovery Act) expenditures.

Since our review included Recovery Act funds, we are required by the Recovery Act to post this report on our website www.oig.dol.gov and link it to the Recovery Accountability and Transparency Board's (Board) website www.recovery.gov.

The objectives of the QCR were to determine whether (1) the audit was conducted in accordance with applicable standards and met the single audit requirements, (2) there are any issues that may require management's attention, and (3) any follow-up work is needed.

We found the audit was conducted in accordance with applicable standards and met the single audit act requirements, except for the technical reporting deficiencies noted. Issues were identified that require management's attention and follow-up work is needed. Specifically, the report was technically deficient because the Schedule of Expenditures of Federal Awards (SEFA) lacked a pass-through identifying number, the

¹ A cluster is a grouping of closely related programs that have similar compliance requirements. Clusters are treated as a single program for the purpose of meeting the audit requirements of A-133, Section 105.

data collection form identified as major an unaudited WIA program, and the Council was incorrectly reported as a low-risk auditee. In addition, Employment and Training Administration (ETA) management needs to be made aware that the report package was not submitted timely to the Federal Audit Clearinghouse (FAC). Our recommendations identified the follow-up work needed.

We recommended that the Firm ensures the Council submits a revised reporting package to the FAC, and reports the subsequent discovery of a finding to ensure users of the Council's single audit reporting package are aware of the untimely FAC submission.

The Firm concurred with our recommendations. Based on the Firm's response, our recommendations are resolved and can be closed when the Firm provides evidence the corrective actions have been implemented.

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

Sincerely,



Elliot P. Lewis
Assistant Inspector General
for Audit

Enclosure

cc: Mr. Michael Maletta, Owner, Maletta & Company, CPAs

Mr. Stephen Daniels, Director, Division of Policy, Review, and Resolution, ETA

Ms. Brinda Ruggles, Audit Liaison, ETA

Enclosure

**Recovery Act: Quality Control Review
Single Audit of the New England Farm Workers’ Council, Inc.
for the Year Ended June 30, 2011
(18-12-006-03-001)**

Introduction

The Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, created a single organization-wide financial and compliance audit requirement for state and local governments, colleges, universities, and not-for-profit organizations that expend federal funds equal to or greater than \$300,000 in any fiscal year (\$500,000 for fiscal years ending after December 31, 2003).

On November 14, 2011, the Firm issued a single audit report of the Council’s financial statements, SEFA, and reports required by Generally Accepted Government Auditing Standards (GAGAS) and A-133 for the year ended June 30, 2011.

Our review included the following DOL major programs:

DOL Major Programs Reviewed			
Major Program	Catalog of Federal Domestic Assistance (CFDA) Number	Recovery Act Funds Reported as Expended	DOL Major Funds Reported as Expended
National Farmworker Jobs Program	17.264		\$786,724
	17.258		
Recovery Act – WIA Cluster	17.259		
	17.260	\$376,130	
Total DOL Major Program Funds Reported as Expended			\$1,162,854

Since our review included Recovery funds, we are required by the Recovery Act to post this report on our website www.oig.dol.gov and link it to the Board’s website www.recovery.gov.

Objectives

The objectives of the QCR were to determine whether (1) the audit was conducted in accordance with applicable standards and met the single audit requirements, (2) there are any issues that may require management’s attention, and (3) any follow-up work is needed.

Results

We found that the audit was conducted in accordance with applicable standards and met the single audit act requirements, except for the technical reporting deficiencies noted. Issues were identified that require management’s attention and follow-up work is needed. Specifically, the report was technically deficient because the SEFA lacked a pass-through identifying number, the data collection form identified as major an unaudited WIA program, and the Council was incorrectly reported as a low-risk auditee. In addition, ETA management needs to be made aware that the report package was not submitted timely to the FAC. Our recommendations identified the follow-up work needed.

We recommended that the Firm:

1. Ensures the Council submits a revised reporting package to the FAC.
2. Reports the subsequent discovery of a finding to ensure users of the Council’s single audit reporting package are aware of the untimely FAC submission.

The Firm agreed with the recommendations and provided its plan to address each of them. See Appendix D for the Firm’s complete response to our report.

Finding 1 — The SEFA lacked a pass-through identifying number.

The Council received a federal award as a subrecipient from the pass-through entity Regional Employment Board of Hampden County, Inc. under CFDA 17.259, WIA Youth Activities. However, the SEFA did not contain the program identifying number as required. The Council listed the program identifying number as Not Available on the SEFA.

A-133, Section 310(b)(2), requires that federal awards received as a subrecipient include the program identifying number assigned by the indirect pass-through grantor for indirect awards or, the award/contract number if a CFDA number is not available.

According to the Firm, the Council and the Firm tried unsuccessfully to obtain the program identifying number from the pass-through entity. Without this number, federal users and the public have no referenced source to identify and locate the grant or contract number for the indirect funding.

Finding 2 — The data collection form incorrectly identified as major an unaudited WIA program.

The Council incorrectly classified WIA – Youth Activities as a major program that was audited on the data collection form.

A-133, Section 320, requires the auditee to submit to the FAC a data collection form that provides the results of the audit. The data collection form summarizes the

significant information in the audit report for dissemination to the public through the Internet.

According to the Firm, although the Council was responsible for completing the data collection form, the Firm assisted in this effort, but did not identify the error in the form. As a result, federal users and the public may have relied upon misleading information contained in the data collection form.

Finding 3 — The Council was incorrectly reported as a low-risk auditee.

The Firm incorrectly identified the Council as a low-risk auditee. When the Council submitted the single audit for the fiscal year ending June 30, 2010, to the FAC on August 25, 2011, it did not meet the filing deadline and, therefore, did not qualify as a low-risk auditee in Fiscal Year 2011.

A-133, Section 320(a), requires the audit to be completed and the reporting package and the data collection form to be submitted no later than nine months after the end of the audit period.

Specifically, OMB Memorandum M-10-14, states:

In order to meet the criteria for a low-risk auditee (OMB Circular A-133 Section 530) in the current year, the prior two years' audits must have met the requirements of OMB Circular A-133, including report submission to the FAC by the March 31 due date (OMB Circular A-133 Section 320).

According to the Firm, the Council was on a learning curve regarding filing electronically with the FAC, which the Firm documented as a computer glitch. Regardless, due to the untimely submission, the Council should have been a high-risk auditee. The Firm decided to take the position that the Council was still a low-risk auditee, mitigating the late single audit submission by reviewing the Council's single audit filing policies and increasing the minimum audit coverage to 50 percent.² However, federal agencies and pass-through entities may have relied on the low-risk auditee determination when deciding the level of oversight and monitoring to provide the Council.

Recommendations

We recommend the Firm:

1. Ensures the Council submits a revised reporting package to the FAC that includes the missing program identifying number, a high-risk status for the auditee in the Schedule of Findings and Questioned Costs, and a revised data

² The minimum audit coverage required for a low-risk auditee is 25 percent.

collection form showing the Council did not qualify as low risk and CFDA 17.259 WIA – Youth Activities was not a major program.

2. Reports the subsequent discovery of a finding to ensure users of the Council single audit reporting package are aware of the untimely submission.

Firm's Response

The Firm agreed with the recommendations and provided its plans to address each of them. See Appendix D for the Firm's complete response to our report.

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Appendices

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Appendix A**Background**

The Single Audit Act of 1984 established consistent and uniform entity-wide audit requirements for state and local governments receiving federal financial assistance. The single audit is the primary mechanism used by federal agencies to ensure accountability for federal awards. Audits performed under the Act are intended to satisfy all federal agencies providing assistance to the entity. The act was amended in 1996 by Public Law 104-156, raising the threshold for single audit to \$300,000 in federal assistance. The June 27, 2003, revision to A-133 raised this threshold to \$500,000 for fiscal years ending after December 31, 2003.

A QCR is performed to provide evidence of the reliability of single audits 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. We performed a QCR of the single audit of the Council's financial statements, SEFA, and reports required by GAGAS and A-133 for the year ended June 30, 2011, performed by the Firm.

For the year ended June 30, 2011, the Council reported expenditures of about \$56 million in total Federal awards and about \$1.8 million in DOL awards, of which \$376,130 was reported as attributable to the Recovery Act.

The Recovery Act was signed into law on February 17, 2009. The stated purposes of the Recovery Act are to:

- preserve and create jobs and promote economic recovery;
- assist those most impacted by the recession;
- provide investments needed to increase economic efficiency by spurring technological advances in science and health;
- invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and
- stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The Recovery Act requires agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how their tax dollars are being spent. The Board was established by the Recovery Act, Congress, and the OMB to oversee and monitor implementation of the Recovery Act through periodic reporting on the use and expenditure of funds. We are required by the Recovery Act, Title XV Accountability and Transparency, Subtitle A – Transparency and Oversight Requirements, Section 1514 Inspector General Reviews, to post this report on our website www.oig.dol.gov and link it to the Board's website www.recovery.gov.

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Appendix B

Objectives, Scope, Methodology, and Criteria

Objectives

Our objectives were to determine whether:

1. The audit was conducted in accordance with applicable standards and met the single audit requirements;
2. there are any issues that may require management’s attention; and
3. any follow-up work is needed.

Scope

We performed a QCR of the Firm’s single audit of the Council’s financial statements, SEFA, and reports required by GAGAS and A-133 for year ended June 30, 2011. As part of the QCR, we included review of the single audit reports issued by the Council and the Firm for the year ended June 30, 2011, as well as the single audit reports for the years ended June 30, 2010 and 2009 to identify systemic issues. We performed our work at the offices of the Firm at 43 Enterprise Drive, Bristol, Connecticut.

Our review included the following DOL major programs:

DOL Major Programs Reviewed			
Major Program	CFDA Number	Recovery Act Funds Reported as Expended	DOL Major Funds Reported as Expended
National Farmworker Jobs Program	17.264		\$786,724
	17.258		
Recovery Act – WIA Cluster	17.259		
	17.260	\$376,130	
Total DOL Major Program Funds Reported as Expended			\$1,162,854

Methodology

We reviewed the report using the Council of the 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 the Single Audit Act, Single Audit Act Amendments of 1996, and A-133. We focused our review on the report’s qualitative aspects of (1) due professional care; (2) auditors' qualifications and independence; (3) financial statements, compliance, and internal control reporting; (4) SEFA; and (5) 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’s partners and auditors 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
- Schedule of Expenditures of Federal Awards
- Audit Follow up
- Reporting
- Internal Control Over Major Programs
- Data Collection Form

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

Criteria

A-133

American Institute of Certified Public Accountants Audit Guide

GAGAS, July 2007 Revision

Guidance on GAGAS Requirements for Continuing Professional Education

Recovery Act

Single Audit Act of 1984

Single Audit Act Amendments of 1996

Appendix C

Acronyms and Abbreviations

A-133	Office of Management and Budget Circular A-133
Board	Recovery Accountability and Transparency Board
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CFDA	Catalog of Federal Domestic Assistance
Council	New England Farm Workers' Council, Inc.
Desk Guide	CIGIE Guide for Desk Reviews of A-133 Audit Reports
DOL	Department of Labor
FAC	Federal Audit Clearinghouse
Firm	Maletta & Company, CPAs
GAGAS	Generally Accepted Government Auditing Standards
OIG	Office of Inspector General
OMB	Office of Management and Budget
QCR	Quality Control Review
QCR Guide	CIGIE Uniform QCR Guide for A-133 Audits
Recovery Act	American Recovery and Reinvestment Act
SEFA	Schedule of Expenditures of Federal Awards
WIA	Workforce Investment Act

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Appendix D

Firm's Response to Draft Report



CERTIFIED PUBLIC ACCOUNTANTS

43 Enterprise Drive • Bristol, CT 06010-3990 • 860/582-6715 • Fax 860/585-6339

September 18, 2012

Mr. Elliott P. Lewis
Assistant Inspector General for Audit
U.S. Department of Labor
Office of Inspector General
200 Constitution Avenue, N.W.
Room S-5512
Washington, D.C. 20210

Dear Mr. Lewis

We have the following responses to your recommendations related to your quality control review of the single audit of the New England Farm Workers' Council, Inc. (the Council) for the year ended June 30, 2011.

Recommendation #1: Ensure the Council submits a revised reporting package to the Federal Audit Clearinghouse (FAC) that includes the missing program identifying number; a not low-risk status for the Council in the Schedule of Findings and Questioned Costs; and a revised data collection form for showing the Council did not qualify as low-risk and Catalog of Federal Domestic Assistance (CFDA) 17.259 Workforce Investment Act – Youth Activities was not a major program.

We agree with your recommendation. We acknowledge that the SEFA lacked a pass-through identifying number. We will work with the Council and send a confirmation letter to the Regional Employment Board of Hampden County, Inc. requesting the pass-through identifying number. When we obtain the number it will be added to the Schedule of Expenditures of Federal Awards (SEFA). We acknowledge that the Council did not qualify as a low-risk auditee. We will ensure the Council submits a revised reporting package to the FAC that includes a not low-risk status for the Council in the Schedule of Findings and Questioned Costs and revised data collection form showing the Council did not qualify as low risk. We acknowledge that the data collection form submitted to the FAC was incorrectly completed. We will ensure the Council submits a revised data collection form to the FAC to accurately show CFDA 17.259 WIA – Youth Activities was not a major program. We will strengthen review procedures and inform the Council of the need to accurately complete the data collection form. The corrective actions will be completed and documented by December 31, 2012.

Recommendation #2: Report the subsequent discovery of a finding to ensure users of the Council single audit reporting package are aware of the untimely submission.

We agree with your recommendation. We will emphasize to the Council the importance of submitting reporting packages within the nine-month timeframe. We inform the Employment and Training Administration by revising the Council's single audit report to include an untimely FAC submission finding. The corrective actions will be completed and documented by December 31, 2012.

Sincerely,

A handwritten signature in black ink that reads 'Michael A. Maletta CPA'.

Michael A. Maletta
Owner
Maletta & Company, CPAs