State of Alaska

Audit Guide
and
Compliance Supplement
for
State Single Audits

Department of Administration
Division of Finance

May 2010

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SECTION 1 - INTRODUCTION

OVERVIEW

The ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** (the Guide) has been prepared to assist entities and auditors with state single audit preparation. It contains two major sections:

- **Audit Guide:** Covers general information, audit, and reporting requirements. It is prepared by the single audit coordinator's office with the State of Alaska, Department of Administration, Division of Finance.

- **Compliance Supplement:** Contains both the general compliance requirements, which are prepared by the single audit coordinator's office; and the specific requirements, which are prepared by the various State of Alaska agencies administering the state financial assistance programs.

INTENT OF THE GUIDE

To a significant extent, the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** is intended to parallel the federal Single Audit Act Amendments of 1996, and federal Office of Budget and Management (Federal OMB) Circular A-133 Audits of States and Local Governments, and Non-Profit Organizations (June 2003 Revision).

EFFECTIVE DATE

This Guide is effective for audits of fiscal years beginning July 1, 2009 and after, and supersedes the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** issued in May 2008.

NONE OF THE MATERIAL IN THIS GUIDE SUPERSEDES OR REDUCES FEDERAL AUDIT REQUIREMENTS.

PURPOSE FOR THE STATE SINGLE AUDIT REGULATION 2 AAC 45.010 - .090

The intent of the adoption and subsequent revisions to Alaska's single audit regulation 2 AAC 45 is to parallel the federal Single Audit Act Amendments of 1996 and OMB Circular A-133 to a significant extent. This enables the State to receive audits conducted for the federal government that also meet state agency information needs, resulting in an efficient and effective method of gathering information.

State single audits are intended to meet the basic audit needs for all state agencies in a non-duplicative way. However, single audits do not entirely eliminate the possibility that some additional or different audit work may still be conducted on state awards. In some cases, agencies may need to conduct or request a program evaluation. Any follow-up work should build on the original single audit work.

Prior to the single audit regulation:

- Entities were frequently subject to multiple audits that were time-consuming, duplicative, and incomplete.
- The overall state view was narrowed to department level and some grants were never audited.

Reasons for the state single audit regulation:

- To promote accountability of state financial assistance.
- To increase the efficiency of the monitoring process.

DEFINITIONS

Audit Period – The entity's fiscal year in which the entity expended financial assistance.

Department – Refers to the single audit coordinator's office in the Department of Administration, Division of Finance (the department). The department receives copies of all single audit reporting packages. After reviewing the reporting packages for timely submission; inclusion of required opinions, reports, and schedules; and conformance with professional standards, the department will distribute them to the appropriate state agencies.

Entity (Recipient) - An organization receiving financial assistance from the State of Alaska. "Entity" does not include the University of Alaska or any other state agency, a for-profit entity, or a non United States based entity.

Financial Assistance - State grants, contracts, provider agreements, cooperative agreements, all forms of state financial assistance to an entity, and all forms of state financial assistance provided through an entity to a third party. Financial assistance <u>does not</u> include:

- Public assistance provided under AS 47.
- Goods or services purchased for the direct administration or operation of state government.

- Moneys advanced to an entity under one or more state loan programs.
- Power cost equalization payments made to an electric cooperative on behalf of its customers.
- Amounts received under state loan programs.
- Scholarships, loans or other tuition aid provided to students, but paid to an educational institution on their behalf.
- For a third party, “financial assistance” does not include goods purchased from the third party for direct administration or operation of the entity that received financial assistance.

Known Questioned Costs – Those questioned costs specifically identified by the auditor in the audit conducted under 2 AAC 45.

State Single Audit - Audits required under 2 AAC 45.010. Entities expending state financial assistance in amounts described in 2 AAC 45.010 are required to submit audits to the Department of Administration. Please refer to section 6 for a complete reprinting of 2 AAC 45.

Subrecipient – An entity that receives state financial assistance passed through from the original recipient. The subrecipient is responsible to meet the requirements of the assistance program.

Vendor – An entity that receives a procurement contract for goods or services from a recipient. Vendor contracts are usually a result of a competitive bidding process. A vendor’s responsibility is to meet the requirements of the procurement contract.

FUTURE IMPROVEMENTS

We appreciate your assistance in identifying improvements for future updates to the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits***. Please direct your comments to:

Colleen M. Campbell, Statewide Single Audit Coordinator
State of Alaska, Department of Administration
Division of Finance
PO Box 110204
Juneau, AK 99811-0204

Phone: (907) 465-4666
Fax: (907) 465-2169

E-mail: single.audit@alaska.gov

State Single Audit Website: http://fin.admin.state.ak.us/dof/ssa/index.jsp

SECTION 2 - REQUIREMENTS

STATE SINGLE AUDIT AND MAJOR PROGRAM THRESHOLDS

State Single Audit Threshold: Unless additional audit requirements are imposed by state or federal law, a recipient of state financial assistance that **expends a cumulative total** equal to or greater than $500,000 during the entity's fiscal year is required to submit an annual single audit. Please refer to the following section, "Total Adjusted Expenditures Computation" to calculate the cumulative total grant funds.

Audit emphasis must focus on the most important areas. Because it is impractical to audit all programs of every entity and still keep the single audit emphasis on materiality and efficiency, auditors are required to evaluate administration of "major programs."

Major Program Thresholds: Major program categories for state financial assistance during an entity's fiscal year are as follows:

Program Expenditures	Total Adjusted Expenditures for All State Financial Assistance
$ 50,000	Less than $1 million
$ 75,000	$ 1 to $ 5 million
$100,000	$ 5 to $20 million
$300,000	$20 to $50 million

TOTAL ADJUSTED EXPENDITURES COMPUTATION

For the purpose of determining whether or not the state single audit and major program thresholds have been met, follow these steps:

Step #1: Start with the total expenditures from ALL financial assistance programs.

Step #2: **Deduct** any: direct federal funding, federal pass-through funds, and any financial assistance from state programs identified in 2 AAC 45.010(m).

Step #3: **Add** in any non-cash State financial assistance.

Step #4: The remaining amount will be the **Total Adjusted Expenditures** for the purpose of determining whether the State single audit and major program thresholds have been met.

FEDERAL PASS-THROUGH FUNDS

Federal money passed to an entity by the State of Alaska is **NOT** considered to be state financial assistance.

STATE PROGRAMS IDENTIFIED IN 2 AAC 45.010 (M)

Financial assistance in the following form is **excluded** from the threshold calculation per 2 AAC 45.010(m). However, under 2 AAC 45.010(n), the excluded financial assistance in 2 AAC 45.010(m) is not exempt from compliance testing if the entity meets the threshold requirements under 2 AAC 45.010(b). Please refer to Section 6 for a complete reprinting of 2 AAC 45 and the specific statutes citations.

- Community revenue sharing money provided under AS 29.60.850–29.60.879.
- Aviation fuel tax money provided under AS 43.40.010.
- Electric and telephone cooperative gross revenue tax refunds provided under AS 10.25.570.
- Alcoholic beverage license fee refunds provided under AS 04.11.610.
- Fisheries tax refunds provided under AS 29.60.450, AS 43.75.130, and AS 43.77.060.
- PERS/TRS relief funding under money appropriated to pay employer unfunded liability attributable to the entity under AS 14.25 and AS 39.35.

NON-CASH STATE FINANCIAL ASSISTANCE

State non-cash financial assistance such as free rent, donated property, or donated surplus property shall be valued at fair market value at the time of receipt or the assessed value provided by the state agency. Non-cash financial assistance values must be included in the total adjusted expenditures computation for the fiscal year in which it was received.

PROFESSIONAL STANDARDS

Auditors must comply with the current standards contained in and/or issued by:

- American Institute of Certified Public Accountants (AICPA)
- ***Government Auditing Standards***
- Governmental Accounting Standards Board (GASB)
- The Alaska Administrative Code **2 AAC 45**
- The 2010 ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

AUDIT REQUIREMENTS

State Single Audit Requirements under 2 AAC 45.010: An entity that meets the state single audit threshold is required to have an independent auditor conduct an audit for the entire operations of the entity,

The audit must be conducted according to the audit standards effective at the time of review for the audit period. Current audit standards are identified in the previous section, "**Professional Standards.**"

The audit package must include the reports listed in **Section 3 – Reporting**.

SECTION 3 - REPORTING

REPORTING PACKAGE

An entity that meets the state single audit requirements is required to submit a reporting package that includes the following:

- Audited Financial Statements and Notes.
- Schedule of State Financial Assistance.
- Auditor's reports - In an effort to make the reports understandable and to reduce the number of reports issued, the following format of reports is required:
    - Opinions (or disclaimers of opinions) on the financial statements and the Schedule of State Financial Assistance.
    - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with ***Government Auditing Standards***.
    - Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits***.
- Schedule of Findings and Questioned Costs. See example on page 13.
- Summary Schedule of Prior Audit Findings (as applicable). See example on page 15.
- Corrective Action Plan (as applicable). See example on page 16.
- Copy of any Management Letters issued by the auditor (as applicable).

UNTIL THE DEPARTMENT OF ADMINISTRATION RECEIVES SUFFICIENT COPIES OF ACCEPTABLE AUDIT REPORTS INCLUDING THE ITEMS NOTED ABOVE, AS APPLICABLE, THE AUDITEE <u>HAS NOT MET THE AUDIT REQUIREMENT</u>.

SCHEDULE OF STATE FINANCIAL ASSISTANCE

For **each** financial assistance award, the following information is required:

1. Name of state agency administering the award.
2. Program name and award number.
3. Expenditures for audit period.
4. Identification of major state programs.

The Schedule of State Financial Assistance should also include total overall expenditures as well as expenditures subtotaled by program and by each awarding agency. Any other information, such as the following, may be included to make the schedule easier to read:

- Award Period
- Award Amount
- Beginning Revenues Receivable (deferred revenue)
- Receipts for Audit Period
- Ending Revenues Receivable (deferred revenue)

AUDITOR'S REPORTS

In general, auditor's opinions and reports must include the following:

1. **Opinions on Financial Statements and Schedule of State Financial Assistance**
   - An opinion (or disclaimer of opinion) on whether the financial statements are presented fairly in all material respects in conformity with accounting principles generally accepted in the United States of America.
   - An opinion on whether the Schedule of State Financial Assistance is fairly stated in all material respects, in relation to the financial statements taken as a whole.

2. **Internal Control Related to Financial Statements and Internal Control Related to Major Programs**

   Reports must describe the scope of testing of internal control and the results of the tests and, where applicable, must refer to the separate Schedule of Findings and Questioned Costs. It is not expected that the auditor will test internal control structure policies and procedures on which there is no intent to rely for purposes of expressing an opinion on compliance or the financial statements.

3. **Compliance with Laws, Regulations, and the Provisions of Contracts or Grant Agreements, Noncompliance with which Could Have a Material Effect on the Financial Statements and Each Major Program**

   Reports must include an opinion or disclaimer of opinion, on whether the auditee complied with laws, regulations, and the provisions of applicable contracts or grant agreements; noncompliance with which could have a direct and material effect on the financial statements and each major program. As applicable, the report must refer to the separate Schedule of Findings and Questioned Costs.

4. **Schedule of Findings and Questioned Costs – (See example on page 13)**

   A Schedule of Findings and Questioned Costs, which includes the following three components:

   a. A summary of the auditor's results, which shall include:
      1) The type of report the auditor issued on the financial statements of the auditee.
      2) A statement indicating if any significant deficiencies in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses.
      3) A statement as to whether the audit disclosed any noncompliance which is material to the financial statements.
      4) A statement indicating if any significant deficiencies in internal control over state major program were disclosed by the audit and whether any such conditions were material weaknesses.

5) The type of report the auditor issued on compliance for major state programs.
6) The dollar threshold used to distinguish major programs.

b. Findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

c. Findings and questioned costs for state awards.
   1) Audit findings should be presented in sufficient detail for the auditee to prepare a corrective action plan and take corrective action and for State agencies to arrive at a management decision.
   2) The following specific information shall be included, as applicable, in audit findings:
      a. A reference number assigned to each audit finding.
      b. Identification of the state award(s) and grant number(s) for which noncompliance was found.
      c. The criteria or specific requirement upon which the audit finding is based, including statutory, regulatory, or other citation.
      d. The condition found, including facts that support the deficiency identified in the audit finding.
      e. Identification of questioned costs for state awards that exceed $5,000 in the aggregate for all tested transactions for financial assistance being audited.
      f. Information to provide proper perspective for judging the prevalence and consequences of the audit finding.
      g. The possible asserted effect to provide sufficient information to the auditee and state agency to permit them to determine the cause and effect to facilitate prompt and proper corrective action.
      h. Recommendations for corrective action to prevent future occurrences of the deficiency.
   3) Audit findings which relate to the same issue should be presented as a single audit finding.
   4) Audit findings which relate to both the financial statements and state awards should be reported in both sections of the schedule. However, the reporting in one section of the schedule may be in summary form with a reference to a detail report in the other section of the schedule.

Name of Entity
<u>EXAMPLE: SCHEDULE OF FINDINGS AND QUESTIONED COSTS</u>
For the Fiscal Year Ended June 30, 20x9

SECTION I – SUMMARY OF AUDITOR'S RESULTS

<u>Financial Statements</u>

Type of auditor's report issued: **Unqualified**

Internal Control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency (ies) identified? ☐ Yes ☒ none reported
- Noncompliance material to financial statements? ☐ Yes ☒ No

<u>State Financial Assistance</u>

Type of auditor's report issued on compliance for major programs: **Unqualified**

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency (ies) identified? ☒ Yes ☐ none reported

Dollar threshold used to distinguish a state major program: **$75,000**

SECTION II – FINANCIAL STATEMENT FINDINGS

The (***name of entity***) did not have any findings that relate to the financial statements.

SECTION III: STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 20xx-1: Deadline for State Single Audit. State Program Name, Grant 09-xxx.

Criteria:	2 AAC 45.010(b) states an entity that expends a cumulative total of $500,000 or more shall submit an audit report for the audit period by…" the earlier of 30 days after the entity receives its audit report for the audit period; or nine months after the end of the audit period" or a later date agreed upon in writing and advance of the date in this section.
Condition:	This (***name of entity***) did not engage a qualified audit firm within the required timeline to complete and submit the audit in a timely manner.
Questioned Costs:	None.
Context:	The audit firm was engaged to perform an audit in accordance with the 2 AAC 45 more than nine months after the audit period.
Effect:	This (***name of entity***) is not in compliance with 2 AAC 45.010 (b)(1).
Cause:	This (***name of entity***) did not have controls in place to identify the requirements of the state single audit threshold.
Recommendation:	This (***name of entity***) should implement controls to identify the source of funding awards. When necessary, the grantee should engage a qualified audit firm in order to the audit to be completed and submitted within the required timeframe.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

The **auditee** is responsible for follow-up and corrective action on all audit findings, significant deficiencies, material weaknesses and recommendations included in the audit report.

Corrective Action Plan - (See example on page 16)

The auditee is required to submit a corrective action plan for each of the current year audit findings. Each finding or condition should be concisely addressed; however, the plans should contain adequate information for state agencies to evaluate and monitor the recipient's intended actions. As a part of the evaluation process, state grantor agencies may require additional information or clarification of intended actions.

Corrective action plans should include the following:

- **Comments on Findings, Significant Deficiencies, Material Weaknesses, and Auditor's Recommendations**. The auditee should provide a statement of concurrence or non-concurrence with the findings, significant deficiencies, material weaknesses, and auditor's recommendations. If the auditee does not agree with a finding, significant deficiency, material weakness, or recommendation, specific information should be provided to explain its position.

- **Actions Taken or Planned**. The auditee should describe actual or planned actions that will correct all deficiencies identified in the report, the name(s) of the contact person(s) responsible for the corrective action and projected dates for completion of the corrective action. If the auditee believes a corrective action is not required, a statement describing the reasons should be included.

Summary Schedule of Prior Audit Findings - (See example on page 15)

As part of this responsibility, the auditee is required to submit a summary schedule of the prior year's audit findings **even if findings have been resolved**. The auditee should provide an update on the status of corrective actions taken on prior finding, including dates, when the findings were resolved or the planned completion date for resolving the findings. This summary must also include the status of findings from any previous audits if those findings were reported as unresolved in the prior year audit period.

Reference Numbers Required

The Summary Schedule of Prior Audit Findings and the Corrective Action Plan must include the reference numbers the auditor assigned to the audit findings in the Schedule of Findings and Questioned Costs.

Name of Entity
EXAMPLE: SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 20x9

Finding: 07-1, Segregation of duties.
This finding has been resolved. Duties have been separated as much as possible and alternative controls have been implemented to compensate for lack of separation.

Finding: 08-1, Timely submission of progress reports.
This finding has been resolved. Progress reports are submitted when due, even if there is no financial activity during the reporting period.

Finding: 08-2, Failure to reconcile bank accounts.
This finding is still unresolved. It is repeated as finding 09-2 for the year ended June 30, 20x9.

Finding: 08-3, Grant reimbursement not requested on a timely basis.
This finding has been resolved. Grant reimbursements were requested on a timely basis during the year ended June 30, 20x9.

Name of Entity
EXAMPLE: CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 20x9

Financial Statement Findings

Finding:	**09-1 Segregation of Duties**
Name of Contact Person:	Name, Title
Corrective Action:	The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The accounting staff will become more involved in providing these controls.
Proposed Completion Date:	November 1, 20x9

State Award Findings and Questioned Costs

Finding:	**09-2 Late submission of financial reports**
Name of Contact Person:	Name, Title
Corrective Action:	The program coordinator will be responsible for submitting quarterly and year-end financial reports within 15 working days of the quarter or year end.
Proposed Completion Date:	The above procedure was implemented August 1, 20x9.

ILLUSTRATIVE AUDITOR'S REPORTS

This section contains examples of reports issued under generally accepted auditing standards and *Government Auditing Standards*, based on the guidance found in Statement of Auditing Standards No. 112. Please refer to Appendix A, beginning on page 35, for Illustrative Auditor's Reports based on Statement of Auditing Standards No. 115.

- **Example 1:** Unqualified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Supplementary Information – State or Local Governmental Entity

- **Example 2:** Unqualified Opinion on Financial Statements - Not-For-Profit Organization

- **Example 3 (SAS 112):** Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (No Material Weaknesses [No Significant Deficiencies Identified], No Reportable Instances of Noncompliance or Other Matters)

- **Example 4 (SAS 112):** Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Significant Deficiencies, Reportable Instances of Noncompliance, and Other Matters Identified)

- **Example 5 (SAS 112):** Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** (Unqualified Opinion on Compliance and No Material Weaknesses [No Significant Deficiencies in Internal Control over Compliance Identified])

- **Example 6 (SAS 112):** Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** (Qualified Opinion on Compliance and Material Weaknesses in Internal Control over Compliance Identified)

<u>Example 1</u>: Unqualified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Supplementary Information — State or Local Government Entity[1]

<u>Independent Auditor's Report</u>

[Addressee]

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Example, Any State, as of and for the year ended June 30, 20x1, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Example's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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*[2], issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. [*Optional: An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion.*][3] An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions[4].

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Example, Any State, as of June 30, 20x1, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated [*date of report*] on our consideration of the City of Example's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.[5] That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The [*identify accompanying required supplementary information, such as management's discussion and analysis and budgetary comparison information*] on pages XX through XX and XX through XX are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.[6] We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.[7]

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Example's basic financial statements. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements.[8] [9] The Schedule of State Financial Assistance is required by the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits***. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.[10]

[Signature]
[Date]

[1] Auditors should refer to the AICPA Audit and Accounting Guide *State and Local Governments* for additional guidance on reporting on a government's basic financial statements. In particular, appendix A to chapter 14 of that guide describes conditions that may make modifications of the standard report necessary and illustrates several of those modifications, such as reference to the work of other auditors.

[2] The standards applicable to financial audits are the general, fieldwork, and reporting standards described in chapters 3 - 5 of *Government Auditing Standards*.

[3] This optional wording may be added in accordance with Interpretation No. 17, "Clarification in the Audit Report of the Extent of Testing of Internal Control Over Financial Reporting in Accordance With Generally Accepted Auditing Standards," of AU Section 508, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par .85-.88), which provides reporting guidance for audits of nonissuers. Interpretation No. 17 also addresses how auditors may expand this report to explain that their consideration of internal control was sufficient to provide the auditor sufficient understanding to plan the audit and determine the nature, timing and extent of tests to be performed, but was not sufficient to express an opinion on the effectiveness of the internal control. If this optional wording is added, in an audit of a governmental entity, the remainder of the paragraph should read as follows:

> "An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions."

[4] If the financial statements include organizational units that are not required to have a *Government Auditing Standards* audit, the auditor should consider modifying this scope paragraph.

[5] This sentence should be modified if the auditor is providing an opinion on internal control over financial reporting or on compliance in the *Government Auditing Standards* report.

[6] The auditor may identify the body requiring the information, which in this situation is the Governmental Accounting Standards Board.

[7] Generally accepted accounting principles require that the financial statements of state and local governments be accompanied by a management's discussion and analysis, and may require that they be accompanied by other required supplementary information (RSI). The auditor may be required to or choose to report on that information. This example assumes such reporting. AU section 558, *Required Supplementary Information* (AICPA, *Professional Standards*, vol. 1); AU section 551, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents* (AICPA, *Professional Standards*, vol. 1); and the AICPA Audit and Accounting Guide *State and Local Governments* contain guidance on the auditor's responsibilities for and reporting on RSI.

[8] If the financial statements are accompanied by supplementary information other than RSI (known as SI), the auditor may be required to or choose to report on that information. This example assumes such reporting. AU Section 550, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1); AU section 551; and the AICPA Audit and Accounting Guide *State and Local Governments* contain guidance on the auditor's responsibilities for and reporting on SI. In addition, in an audit in accordance with 2 AAC 45, the financial statements should be accompanied by a supplementary Schedule of State Financial Assistance and the auditor should report whether that schedule is presented fairly in all material respects in relation to the financial statements taken as a whole.

[9] The reference to the Schedule of State Financial Assistance should be deleted if the Schedule of State Financial Assistance is not presented with the basic financial statements (that is, a separate single audit package is issued). In such a circumstance, the required reporting on the schedule may be incorporated in the report issued to meet the requirements of the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits***. See examples 5 (note 46) and 6 (note 52) for additional guidance.

[10] When reporting on SI, the auditor should consider the effect of any modifications to the report on the basic financial statements (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors). Furthermore, if the report on SI is other than unqualified, this paragraph should be modified. AU sec. 551, paragraphs .09–.11 and .13 - .14 provide guidance for reporting in these circumstances.

<u>Example 2</u>: Unqualified Opinion on Financial Statements — Not-for-Profit Organization[11]

<u>Independent Auditor's Report</u>

[Addressee]

We have audited the accompanying statement of financial position of Example NPO as of June 30, 20x1, and the related statements of activities and cash flows[12] for the year then ended. These financial statements are the responsibility of Example NPO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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*,[13] issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. [*Optional: An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Example NPO's internal control over financial reporting. Accordingly, we express no such opinion.]*[14] *A*n audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.[15]

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Example NPO as of June 30, 20x1, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated [*date of report*] on our consideration of Example NPO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.[16] That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.[17]

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** and is not a required part of the basic financial statements.[18] Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.[19]

[Signature]
[Date]

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[11] Auditors also should refer to the AICPA Audit and Accounting Guide *Not-for-Profit Organizations* for additional guidance on reporting on the financial statements of a not-for-profit organization. In addition to the situations discussed in that guide, auditors may need to modify the report on the financial statements to refer to the work of other auditors, using the guidance in AU section 543, *Part of Audit Performed by Other Independent Auditors* (AICPA, *Professional Standards*, vol. 1).

[12] Each of the statements presented, which may include a statement of functional expenses, should be identified in the introductory paragraph.

[13] See footnote 2.

[14] See footnote 3. If this optional wording is added, in an audit of a nongovernmental entity, the remainder of the paragraph should read as follows:

> "An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion."

[15] See footnote 4.

[16] See footnote 5.

[17] If the financial statements are accompanied by RSI or SI (for example, a comparison of actual and budgeted expenses), the auditor may be required to or choose to report on that information in one or more paragraphs following this paragraph. AU section 550; AU section 551; and AU section 558 contain guidance on the auditor's responsibilities for and reporting on RSI and SI. See also footnote 10.

[18] See footnote 9.

[19] See footnote 10.

<u>Example 3 (SAS 112)</u>: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* *(No Material Weaknesses [No Significant Deficiencies Identified], No Reportable Instances of Noncompliance or Other Matters)*[20]

[**Addressee]**

We have audited the financial statements[21] of Example Entity as of and for the year ended June 30, 20x1, and have issued our report thereon dated August 15, 20x1.[22] We conducted our audit 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*,[23] issued by the Comptroller General of the United States.[24]

Internal Control over Financial Reporting[25] [26]

In planning and performing our audit, we considered Example Entity's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Example Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Example Entity's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters[27]

As part of obtaining reasonable assurance about whether Example Entity's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of Example Entity in a separate letter dated August 15, 20X1. [28]

This report is intended solely for the information and use of the audit committee, management, and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.[29]

[Signature]
[Date] [30]

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[20] The auditor should use the portions of examples 3 and 4 that apply to a specific auditee situation. For example, if the auditor has identified significant deficiencies but has not identified instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the internal control section of example 4 may be used along with the compliance and other matters section of this report. Alternatively, if the auditor has not identified significant deficiencies but has identified instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the internal control section of this report may be used along with the compliance section of example 4.

[21] As explained in the AICPA Audit and Accounting Guide *State and Local Governments*, the auditor generally expresses or disclaims an opinion on a government's basic financial statements by providing an opinion or disclaimer of opinion on each opinion unit required to be presented in those financial statements. For audits of governmental entities, the first sentence in this report would be modified to reflect the opinion units that have been reported on. In addition, the first sentence under the heading "Internal Control over Financial Reporting" should be revised to refer to "our opinions" instead of "our opinion." An illustration of the revised wording for the first sentence follows:

> "We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Example Entity as of and for the year ended June 30, 20x1, which collectively comprise Example Entity's basic financial statements and have issued our report thereon dated August 15, 20x1."

[22] Describe any departure from the standard report (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors).

[23] See footnote 2.

[24] If the financial statements include organizational units that are not required to have a *Government Auditing Standards* audit, the auditor should consider modifying this scope paragraph.

[25] *Government Auditing Standards* permits, but does not require, auditors to express an opinion on internal control over financial reporting or on compliance if sufficient work was performed.

[26] This report sequences the reporting on internal control over financial reporting before the reporting on compliance and other matters. Auditors may present the internal control and compliance sections of the *Government Auditing Standards* report in whichever sequence better meets their needs.

[27] *Other matters* are certain findings of fraud or abuse. The reference to other matters in both the heading and the following paragraph typically appears in all reports, even if the report does not present or refer to findings of fraud or abuse or even if the only findings of fraud or abuse are presented in or referred to from the section on internal control over financial reporting.

[28] *Government Auditing Standards* requires the auditor to communicate in writing to officials of the audited entity violations of provisions of contracts or grant agreements or abuses that have an effect on the financial statements that is less than material but more than inconsequential. Paragraphs 5.09 of *Government Auditing Standards* requires the reference illustrated in this paragraph if the auditor has issued a management letter reporting such matters. This reference does not preclude the auditor from including other discussions or recommendations in the management letter.

[29] This paragraph conforms to AU section 532, *Restricting the Use of an Auditor's Report* (AICPA, *Professional Standards*, vol. 1). See AU section 532 for additional guidance on restricted-use reports.

[30] Because this report relates to the audit of the financial statements and is based on the generally accepted auditing standards audit procedures performed, it is subject to the provisions of AU section 530, *Dating of the Independent Auditor's Report* (AICPA, Professional Standards, vol. 1). Therefore, it should be dated the same date as the auditor's report on the financial statements, which per paragraph .01 of AU section 530 is "no earlier than the date on which the auditor obtains sufficient appropriate audit evidence."

Example 4 (SAS 112): Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards (Significant Deficiencies, Reportable Instances of Noncompliance, and Other Matters Identified)*[31]

[Addressee]

We have audited the financial statements[32] of Example Entity as of and for the year ended June 30, 20x1, and have issued our report thereon dated August 15, 20x1.[33] We conducted our audit 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,*[34] issued by the Comptroller General of the United States.[35]

Internal Control over Financial Reporting[36] [37]

In planning and performing our audit, we considered Example Entity's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Example Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. [*List the reference numbers of the related findings, for example, 20x1-1, 20x1-3, and 20x1-4*].

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.[38] However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters[39]

As part of obtaining reasonable assurance about whether Example Entity's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 20x1-2 and 20x1-5*].

*[**NOTE:** The referenced findings should include reportable: a) instances of noncompliance; and b) fraud or abuse that is not the result of a significant deficiency.]*

We noted certain matters that we reported to management of Example Entity in a separate letter dated August 15, 20x1.[40]

Example Entity's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Example Entity's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.[41]

[Signature]
[Date] [42]

[31] See footnote 20.

[32] See footnote 21.

[33] See footnote 22.

[34] See footnote 2.

[35] See footnote 24.

[36] See footnote 25.

[37] See footnote 26.

[38] If conditions believed to be material weaknesses are disclosed, the report should identify the material weaknesses that were identified by the auditor. The last sentence of this paragraph should be replaced with language such as the following: "However, of the significant deficiencies described above, we consider items *[list the reference numbers of the related findings, for example, 20x1-1 and 20x1-4]* to be material weaknesses."

[39] See footnote 27.

[40] See footnote 28.

[41] See footnote 29.

[42] See footnote 30.

<u>Example 5 (SAS 112)</u>: Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* (Unqualified Opinion on Compliance and No Material Weaknesses [No Significant Deficiencies in Internal Control over Compliance Identified])

[Addressee]

Compliance[43]

We have audited the compliance of Example Entity with the types of compliance requirements described in the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** that are applicable to each of its major state programs for the year ended June 30, 20x1. Example Entity's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of Example Entity's management. Our responsibility is to express an opinion on Example Entity's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,*[44] issued by the Comptroller General of the United States; and ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits***. Those standards and the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity's compliance with those requirements.

In our opinion, Example Entity complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 20x1. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** and which are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 20x1-3 and 20x1-6*].[45]

Internal Control over Compliance
The management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. [46]

Example Entity's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Example Entity's response and, accordingly, we express no opinion on it. [47]

This report is intended solely for the information and use of the audit committee, management, the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.[48]

[Signature]
[Date]

[43] This report sequences the reporting on compliance before the reporting on internal control over compliance. Auditors may present the internal control over compliance and compliance sections of this report in whichever sequence better meets their needs.

[44] The standards applicable to financial audits are the general, fieldwork, and reporting standards described in chapters 3-5 of *Government Auditing Standards.*

[45] When there are no such instances of noncompliance identified in the Schedule of Findings and Questioned Costs, the last sentence should be omitted.

[46] There may be instances in which it would be appropriate to report on the Schedule of State Financial Assistance in this report (that is, a separate single audit package is issued). In such a circumstance, a new section should be added immediately following this paragraph. For audits of not-for-profit organizations, the wording of the new section is as follows:

> Schedule of State Financial Assistance
>
> We have audited the basic financial statements of Example Entity as of and for the year ended June 30, 20x1, and have issued our report thereon dated August 15, 20x1. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

For audits of governmental entities, the wording of this new section is as follows:

> Schedule of State Financial Assistance
>
> We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Example Entity as of and for the year ended June 30, 20x1, and have issued our report thereon dated August 15, 20x1. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Example Entity's basic financial statements. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

When reporting on the supplementary information, the auditor should consider the effect of any modifications to the report on the basic financial statements (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors). Furthermore, if the report on supplementary information is other than unqualified, this paragraph should be modified accordingly. Guidance for reporting in these circumstances is described in AU section 551, paragraphs .09-.11 and .13-.14, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents* (AICPA, *Professional Standards*, vol. 1).

[47] If there are no findings referred to in this report (or identified in the Schedule of Findings and Questioned Costs), this paragraph should be omitted.

[48] This paragraph conforms to AU Section 532, *Restricting the Use of an Auditor's Report* (AICPA, *Professional Standards*, vol. 1). See AU section 532 for additional guidance on restricted-use reports.

<u>Example 6 (SAS 112)</u>: Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* (Qualified Opinion on Compliance and Material Weaknesses in Internal Control over Compliance Identified)

[Addressee]

Compliance[49]

We have audited the compliance of Example Entity with the types of compliance requirements described in the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** that are applicable to each of its major state programs for the year ended June 30, 20x1. Example Entity's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of Example Entity's management. Our responsibility is to express an opinion on Example Entity's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,*[50] issued by the Comptroller General of the United States; and the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits****.* Those standards and the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity's compliance with those requirements.

As described in item [*list the reference numbers of the related findings, for example, 20x1-10 and 20X1-4*] in the accompanying schedule of findings and questioned costs, Example Entity did not comply with requirements regarding [*identify the type(s) of compliance requirement*] that are applicable to its [*identify the major state program*]. Compliance with such requirements is necessary, in our opinion, for Example Entity to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Example Entity complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 20x1.[51]

Internal Control over Compliance
The management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 201X1-7, 201X1-8, and 201X1-9*] to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items [*list the reference numbers of the related findings, for example 20X1-8 and 201X1-9*] to be material weaknesses.[52]

Example Entity's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Example Entity's response and, accordingly, we express no opinion on it. This report is intended solely for the information and use of the audit committee, management, the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.[53]

[Signature]
[Date]

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[49] See footnote 43.

[50] See footnote 44.

[51] When other instances of noncompliance are identified in the Schedule of Findings and Questioned Costs as required by the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** the following sentence should be added: "The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** and which are described in the accompanying Schedule of Findings and Questioned Costs as items [*list the reference numbers of the related findings, for example, 20x1-3 and 20x1-6].*"

[52] See footnote 46.

[53] See footnote 48.

APPENDIX A - ILLUSTRATIVE AUDITOR'S REPORTS – SAS 115

This appendix contains examples of reports issued under generally accepted auditing standards and *Government Auditing Standards*, based on the guidance found in Statement of Auditing Standards No. 115, effective for audits for periods ending on or after December 15, 2009.

- **Example A (SAS 115):** Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (No Material Weaknesses Identified, No Significant Deficiencies Identified, No Reportable Instances of Noncompliance or Other Matters Identified)

- **Example B (SAS 115):** Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Material Weaknesses and Significant Deficiencies and Reportable Instances of Noncompliance, and Other Matters Identified)

- **Example C (SAS 115):** Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** (Unqualified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control over Compliance Identified)

- **Example D (SAS 115):** Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** (Qualified Opinion on Compliance; Material Weaknesses and Significant Deficiencies in Internal Control over Compliance Identified)

Example A (SAS 115): Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* *(No Material Weaknesses Identified, No Significant Deficiencies Identified, No Reportable Instances of Noncompliance or Other Matters Identified)*

[**Addressee]**

We have audited the financial statements[54] of Example Entity as of and for the year ended June 30, 20x1, and have issued our report thereon dated August 15, 20x1.[55] We conducted our audit 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*,[56] issued by the Comptroller General of the United States.[57]

Internal Control over Financial Reporting[58] [59]

In planning and performing our audit, we considered Example Entity's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Example Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Example Entity's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters[60]

As part of obtaining reasonable assurance about whether Example Entity's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of Example Entity in a separate letter dated August 15, 20X1. [61]

This report is intended solely for the information and use of management, [identify the body or individuals charged with governance], others within the entity, and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.[62]

[Signature]
[Date] [63]

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[54] As explained in the AICPA Audit and Accounting Guide *State and Local Governments*, the auditor generally expresses or disclaims an opinion on a government's basic financial statements by providing an opinion or disclaimer of opinion on each opinion unit required to be presented in those financial statements. For audits of governmental entities, the first sentence in this report would be modified to reflect the opinion units that have been reported on. In addition, the first sentence under the heading "Internal Control over Financial Reporting" would be revised to refer to "our opinions" instead of "our opinion." An illustration of the revised wording for the first sentence follows:

> "We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Example Entity as of and for the year ended June 30, 20x1, which collectively comprise Example Entity's basic financial statements and have issued our report thereon dated August 15, 20x1."

[55] Describe any departure from the standard report (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors).

[56] The standards applicable to financial audits are the general, fieldwork, and reporting standards described in Chapters 3, 4, and 5 of *Government Auditing Standards*.

[57] If the financial statements include organizational units that are not required to have a *Government Auditing Standards* audit, the auditor should consider modifying this scope paragraph.

[58] *Government Auditing Standards* permits, but does not require, auditors to express an opinion on internal control over financial reporting or on compliance if sufficient work was performed.

[59] This report sequences the reporting on internal control over financial reporting before the reporting on compliance and other matters. Auditors may present the internal control and compliance sections of the *Government Auditing Standards* report in whichever sequence better meets their needs.

[60] *Other matters* are certain findings of fraud or abuse. The reference to "*other matters*" in both the heading and the following paragraph typically appears in all reports, even if the report does not present or refer to findings of fraud or abuse or even if the only findings of fraud or abuse are presented in or referred to from the section on internal control over financial reporting.

[61] *Government Auditing Standards* requires the auditor to communicate in writing to officials of the audited entity violations of provisions of contracts or grant agreements or abuses that have an effect on the financial statements that is less than material but more than inconsequential. Paragraph 5.09 of *Government Auditing Standards* requires the reference illustrated in this paragraph if the auditor has issued a management letter reporting such matters. This reference does not preclude the auditor from including other discussions or recommendations in the management letter.

[62] This paragraph conforms to AU section 532, *Restricting the Use of an Auditor's Report* (AICPA, *Professional Standards*, vol. 1). See AU section 532 for additional guidance on restricted-use reports.

[63] Because this report relates to the audit of the financial statements, and is based on the generally accepted auditing standards audit procedures performed, it is subject to the provisions of AU section 530, *Dating of the Independent Auditor's Report* (AICPA, Professional Standards, vol. 1). Therefore, it should be dated the same date as the auditor's report on the financial statements, which per paragraph .01 of AU section 530 is "no earlier than the date on which the auditor obtains sufficient appropriate audit evidence."

Example B (SAS 115): Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* *(Material Weaknesses and Significant Deficiencies and Reportable Instances of Noncompliance, and Other Matters Identified)*

[Addressee]

We have audited the financial statements[64] of Example Entity as of and for the year ended June 30, 20x1, and have issued our report thereon dated August 15, 20x1.[65] We conducted our audit 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,*[66] issued by the Comptroller General of the United States.[67]

Internal Control over Financial Reporting[68] [69]

In planning and performing our audit, we considered Example Entity's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Example Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses or therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses [and other deficiencies that we consider to be significant deficiencies].[70]

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. *[List the reference numbers of the related findings, for example, 20X1-1, 20X1-3, and 20X1-4].*

[A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (*List the reference numbers of the related findings, for example, 20X1-2 and 20X1-5.)]*[71]

Compliance and Other Matters[72]

As part of obtaining reasonable assurance about whether Example Entity's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 20x1-2 and 20x1-5*].

*[**NOTE:** The referenced findings should include reportable: a) instances of noncompliance; and b) fraud or abuse that is not the result of a significant deficiency.]*

We noted certain matters that we reported to management of Example Entity in a separate letter dated August 15, 20x1.[73]

Example Entity's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Example Entity's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, [identify the body or individuals charged with governance], others within the entity, and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.[74]

[Signature]
[Date] [75]

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[64] See footnote 54.

[65] See footnote 55.

[66] See footnote 56.

[67] See footnote 57.

[68] See footnote 58.

[69] See footnote 59.

[70] If no significant deficiencies are identified, the text within the brackets is omitted from the report.

[71] See footnote 70.

[72] See footnote 60.

[73] See footnote 61.

[74] See footnote 62.

[75] See footnote 63.

<u>Example C (SAS 115)</u>: Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* (Unqualified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control over Compliance Identified)

[Addressee]

Compliance[76]

We have audited the compliance of Example Entity with the types of compliance requirements described in the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** that are applicable to each of its major state programs for the year ended June 30, 20x1. Example Entity's major state programs are identified in the accompanying schedule of state financial assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of Example Entity's management. Our responsibility is to express an opinion on Example Entity's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,*[77] issued by the Comptroller General of the United States; and ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits***. Those standards and the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity's compliance with those requirements.

In our opinion, Example Entity complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 20x1. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** and which are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 20x1-3 and 20x1-6*].[78]

Internal Control over Compliance

Management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits***, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.[79]

Example Entity's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Example Entity's responses and, accordingly, we express no opinion on the responses.[80]

This report is intended solely for the information and use of the audit committee, management, the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.[81]

[Signature]
[Date]

[76] This report sequences the reporting on compliance before the reporting on internal control over compliance. Auditors may present the internal control over compliance and compliance sections of this report in whichever sequence better meets their needs.

[77] The standards applicable to financial audits are the general, fieldwork, and reporting standards described in chapters 3-5 of *Government Auditing Standards.*

[78] When there are no such instances of noncompliance identified in the schedule of findings and questioned costs, the last sentence should be omitted.

[79] There may be instances in which it would be appropriate to report on the schedule of state financial assistance in this report (that is, a separate single audit package is issued). In such a circumstance, a new section would be added immediately following this paragraph. For audits of not-for-profit organizations, the wording of the new section is as follows:

> <u>Schedule of State Financial Assistance</u>
> We have audited the basic financial statements of Example Entity as of and for the year ended June 30, 20x1, and have issued our report thereon dated August 15, 20x1. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

For audits of governmental entities, the wording of this new section is as follows:

> <u>Schedule of State Financial Assistance</u>
> We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Example Entity as of and for the year ended June 30, 20x1, and have issued our report thereon dated August 15, 20x1. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Example Entity's basic financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

When reporting on the supplementary information, the auditor should consider the effect of any modifications to the report on the basic financial statements (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors). Furthermore, if the report on supplementary information is other than unqualified, this paragraph should be modified accordingly. Guidance for reporting in these circumstances is described in AU section 551, paragraphs .09-.11 and .13-.14, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents* (AICPA, *Professional Standards*, vol. 1).

[80] If there are no findings referred to in this report (or identified in the schedule of findings and questioned costs), this paragraph should be omitted.

[81] This paragraph conforms to AU Section 532, *Restricting the Use of an Auditor's Report* (AICPA, *Professional Standards*, vol. 1). See AU section 532 for additional guidance on restricted-use reports.

<u>Example D (SAS 115)</u>: Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* (Qualified Opinion on Compliance; Material Weaknesses and Significant Deficiencies in Internal Control over Compliance Identified)

[Addressee]

Compliance[82]

We have audited the compliance of Example Entity with the types of compliance requirements described in the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** that are applicable to each of its major state programs for the year ended June 30, 20x1. Example Entity's major state programs are identified in the accompanying schedule of state financial assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of Example Entity's management. Our responsibility is to express an opinion on Example Entity's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,*[83] issued by the Comptroller General of the United States; and the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits****.* Those standards and the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity's compliance with those requirements.

As described in item(s) [*list the reference numbers of the related findings, for example, 20x1-10 and 20X1-4*] in the accompanying schedule of findings and questioned costs, Example Entity did not comply with requirements regarding [*identify the type(s) of compliance requirement*] that are applicable to its [*identify the major state program*]. Compliance with such requirements is necessary, in our opinion, for Example Entity to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Example Entity complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 20x1.[84]

Internal Control over Compliance

The management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits***, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses or therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.[85]

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example 20X1-8 and 20X1-9*] to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example 20X1-6 and 20X1-7*] to be significant deficiencies.[86] [87]

Example Entity's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Example Entity's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the audit committee, management, the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.[88]

[Signature]
[Date]

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[82] See footnote 76.

[83] See footnote 77.

[84] When other instances of noncompliance are identified in the schedule of findings and questioned costs as required by the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** the following sentence should be added:

> "The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** and which are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 20x1-3 and 20x1-6*]*."*

[85] If no significant deficiencies were identified, this sentence would read as follows:

> "However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses."

[86] See footnote 79.

[87] If no significant deficiencies were identified, this paragraph would be deleted.

[88] See footnote 81.

SECTION 4 - SUBMITTING SINGLE AUDITS

WHERE TO SEND AUDITS

Centralized Collection of Audits: The department provides the service of collecting and reviewing audits required from entities. This includes **state single audits** for state financial assistance and **federal single audits** for recipients of federal pass-through monies distributed by a state agency.

Send Audit Packages to: Statewide Single Audit Coordinator
State of Alaska, Department of Administration
Division of Finance
P.O. Box 110204
Juneau, AK 99811-0204

WHAT TO SUBMIT FOR A COMPLETE REPORTING PACKAGE

Be sure to include the audited financial statements and all applicable items of a complete reporting package as described on page 9. See the following page for a list of state agencies that may appear on the Schedule of State Financial Assistance.

Number of Copies:

State Single Audit	Federal Single Audit	Federal and State Single Audits Bound Together
• 1 copy for **Each** State of Alaska agency listed on the Schedule of **State** Financial Assistance **PLUS** • 1 copy for single audit archives	• 1 copy for **Each** State of Alaska agency listed on the Schedule of Expenditures of **Federal** Awards **PLUS** • 1 copy for single audit archives	• 1 copy for **Each** State of Alaska agency listed on either the Schedule of Expenditures of **Federal** Awards or Schedule of **State** Financial Assistance **PLUS** • 1 copy for single audit archives

Note: School districts have an additional requirement to send a complete reporting package, including management letter, directly to Department of Education & Early Development.

After receipt and review of the **complete reporting package**, the single audit coordinator's office will distribute the audit package to the appropriate state agencies.

If you have questions, please contact the State Single Audit Coordinator at (907) 465-4666.

LISTING OF STATE OF ALASKA AGENCIES

The following is a listing of State of Alaska agencies that may have programs subject to the State Single Audit requirements. Please refer to the Compliance Supplements in this ***Guide*** for more detailed information on individual programs and their audit requirements.

- Alaska Court System
- Alaska Housing Finance Corporation (AHFC)
- Alaska Energy Authority (AEA)
- Department of Administration (DOA)
- Department of Commerce, Community & Economic Development (DCCED)
- Department of Corrections (DOC)
- Department of Education & Early Development (DEED)
- Department of Environmental Conservation (DEC)
- Department of Fish & Game (DFG)
- Department of Health & Social Services (DHSS)
- Department of Labor & Workforce Development (DLWD)
- Department of Military & Veterans Affairs (DMVA)
- Department of Natural Resources (DNR)
- Department of Public Safety (DPS)
- Department of Revenue (DOR)
- Department of Transportation & Public Facilities (DOT/PF)
- Surplus Property (Department of Administration, General Services Division)

SECTION 5 - QUESTIONS AND ANSWERS

This section is designed to clarify issues or requirements of the state single audit.

1. **Will state agencies withhold money from their awards to cover the cost of a single audit, or should the recipient do this?**
   Answer: State agencies are not responsible for withholding money for the cost of a single audit. Recipients of state financial assistance are responsible for the budgeting and payment of audit services.

2. **How will recipients know if they should plan for the cost of a single audit before the end of the fiscal year?**
   Answer: It is important to continuously track receipt and expenditure of state financial assistance and federal pass-through funds. The recipient should budget for an audit. Then, if it becomes clear that the audit is not necessary, the money can be used as otherwise allowed in the grant agreements.

3. **What money can be used to pay the cost of a state single audit?**
   Answer: Audit costs are legitimate costs of administering state financial assistance. Audit costs can be direct or indirect costs depending on the award agreement or policies established by the state granting agency. It is important that audit costs be fully documented. Costs apportioned to state programs need to be supported with schedules or other documentation showing how the allocation was applied. Generally, auditors will evaluate the reasonableness of that allocation.

4. **How will recipients that have not budgeted for the single audit costs pay for it?**
   Answer: Planning ways to meet audit expenses is an important element in good business management. The recipient of state financial assistance that has not earmarked money for an audit will have to absorb the payment from other unrestricted funds. **Failure to set aside money to pay for audits is not a valid excuse for failing to have an audit performed**.

5. **What if an audit is not completed within nine months after fiscal year end?**
   Answer: Contact the single audit coordinator to request an extension. The single audit coordinator will review the request, the past history of the grantee in submitting timely audit packages, and other relevant facts. The single audit coordinator's office will notify the recipient, applicable state agencies and CPA firm, if provided, whether the extension request was granted or denied.

6. **What is the penalty for noncompliance or not conducting the single audit?**
   Answer: The state single audit regulation does not establish any penalties aside from the penalties already established in law, regulation, or specifically in an award agreement. State agencies will view noncompliance as potential

evidence that the recipient may not be able to properly administer awards. This could affect future awards.

7. **Are all certified public accountants qualified to perform an audit under 2 AAC 45.010?**
   Answer: 2 AAC 45 requires an audit to be conducted by an independent auditor according to ***Government Auditing Standards***, which requires auditors to have continuing professional education related to government auditing requirements and auditing organizations to have an external quality control (peer) review. Grantees having an audit under 2 AAC 45 should ensure, prior to contracting with the firm, that the prospective audit firm has a current license and satisfies the peer review requirements.

8. **How do I submit a state single audit?**
   Answer: For submission information, see page 48 – Submitting Single Audits.

9. **How many copies of single audits need to be submitted?**
   Answer: See page 48 - Submitting Single Audits.

10. **Must the corrective action plan address findings required to be reported by *Government Auditing Standards*?**
    Answer: Yes. State single audit regulations require that written comments be provided on any findings, questioned costs, significant deficiencies, material weaknesses, and recommendations contained in the audit report.

11. **If an auditee does not have any noncompliance to be reported, does a Schedule of Findings and Questioned Costs have to be included in the reporting package for a state single audit?**
    Answer: Yes.

12. **A state single audit is not required of the current year. The prior year state single audit contained audit findings. Do the prior year findings need to be addressed in the current year audit?**
    Answer: No. The affected state agency(s) will continue to work directly with the grantee on the resolution of the prior year findings.

13. **Do school districts reports have any special submission requirements?**
    Answer: Yes. School districts should follow the guidelines on page 48, Submitting Single Audits, with the additional requirement to send the Department of Education and Early Development a copy of the reporting package to the Commissioner of Education and Early Development.

    AS 14.14.050 requires the school board of each school district to send a copy of their audit report and management letter to the Commissioner of Education and Early Development by November 15. Send the Commissioner of Education and Early Development's copy to:

Alaska Department of Education & Early Development
Education Support Services
Attn: Heidi Reichl
801 West 10th Street, Suite 200
P.O. Box 110500
Juneau, AK 99811-0500
e-mail: heidi.reichl@alaska.gov

14. How does the state determine if an audit meets audit standards?

Answer: The single audit coordinator's office will review audit reports for conformance with professional standards; inclusion of required opinions, reports, and schedules; timely completion; and sufficient number of copies. Audits reports will be forwarded to the state agency(s) granting financial assistance for review to ensure each award was included; findings are clear and understandable; and planned corrective actions appear adequate.

15. If an audit report is found deficient, what procedures will be used to notify the parties involved; and who will resolve the issues?

Answer: The single audit coordinator's office will notify the entity (copy to the auditor and applicable granting agencies) of a deficient reporting package within four weeks of receipt of the audit. Within 30 days of this notification, the entity is required to provide the requested information and/or documents.

If a revision or further information is required by the auditors, the notification will be sent to the auditor with a copy sent to the entity and applicable granting agencies. The auditor will have 30 days to submit revised reports or other requested information.

Audits are not in compliance with the timely submission requirement of the single audit regulation until deficiencies are resolved. The entity should maintain contact with the state granting agency(s) and the single audit coordinator's office while deficiencies are being resolved.

The single audit coordinator's office will mediate disagreements between the auditor, recipient, and the state granting agency(s).

16. What is an entity's responsibility when awarding a subrecipient(s) an amount equal to or greater than the audit threshold?

Answer: The original entity receiving state financial assistance is responsible for ensuring that third parties comply with the state single audit requirements. The entity is required to provide the subrecipient with specific information regarding the award and its requirements. The entity must have an effective system for monitoring the subrecipient. As applicable, the entity must ensure that appropriate corrective action is taken within six months after disclosure of a third party's noncompliance with state statute or regulation, or financial assistance agreement.

17. **Are auditors required to evaluate the entity's system for monitoring subrecipient compliance with 2 AAC 45.010?**
    Answer: Yes.

18. **Are private firms contracted to provide products such as office furnishings considered third party subrecipients that are subject to the single requirements?**
    Answer: No.

19. **What is the difference between a subrecipient and a vendor?**
    Answer: A ***subrecipient*** is an entity that receives state financial assistance passed through from the original recipient. The subrecipient is responsible to meet the requirements of the assistance program.

    A ***vendor*** is an entity that receives a procurement contract for goods or services from a recipient. Vendor contracts are usually a result of a competitive bidding process. A vendor's responsibility is to meet the requirements of the procurement contract.

20. **What is the determining factor in deciding whether a third party is a subrecipient or a vendor?**
    Answer: The test for a subrecipient relationship is whether the organization receives state financial assistance to carry out a program.

21. **Are contracts or agreements negotiated between the state and local governments, such as Transfer of Responsibility Agreements, included under single audit requirements?**
    Answer: Yes, provided the local government has met the audit threshold specified in the single audit regulation.

22. **We understand that federal financial assistance includes loans and loan guarantees. Are loans under state programs categorized as state financial assistance and subject to audit?**
    Answer: No.

23. **How do entities determine state major programs when their fiscal year has a different yearend than the state?**
    Answer: Major program and audit thresholds are based on the entity's fiscal year.

24. When an entity changes its yearend, how should it treat the stub period for purposes of the state single audit?

Answer: A state single audit of the stub period is required if the stub period is longer than six months, or if it was audited by itself. If the stub period is less than six months and not audited separately, it should be included in the succeeding year's single audit.

25. Are auditors required to do compliance testing for financial assistance programs that are excluded from the state single audit threshold computations?

Answer: Yes, if such programs are determined to be major state programs. The exclusion applies only for the audit threshold computation, not compliance testing.

26. If the Compliance Supplement does not contain requirements for a particular program, does that mean this program does not need to be audited for compliance?

Answer: No. The auditor should determine compliance requirements from the award document, and applicable laws and regulations. Auditors can contact the agency representatives indicated on page 62, Single Audit Contacts.

27. What requirements apply to federal pass-through money?

Answer: Federal pass-through money received from state agencies remains classified as federal financial assistance. Federal compliance and audit requirements apply to this money. The requirements for federal single audits are contained in the Single Audit Act Amendments of 1996 and federal OMB Circular A-133.

28. What are the federal audit and major program thresholds?

Answer: Federal OMB Circular A-133, Revised June 27, 2003, changed the federal audit threshold for fiscal years ending after December 31, 2003 as follows:

- **Audit Threshold** - A recipient of federal awards that expends a cumulative total equal to or greater than $500,000 during the entity's fiscal year is required to submit a federal single audit. A program audit may be performed if the entity had expenditures under only one federal program and is not subject to any other requirements to have a financial statement audit. (Subject to more detailed requirements – See Federal OMB Circular A-133).
- **Major Federal Programs** - Major federal programs are determined on a risk-based approach. The risk-based approach includes consideration of current and prior audit experience; oversight by federal agencies and pass-through entities; and inherent risk of the federal program. The determination is subject to a variety of exceptions and limitations described in federal OMB Circular A-133.

29. On which schedule should federal pass-through money be shown?

Answer: Only on the Schedule of Expenditures of Federal Awards. Federal funds passed through the State of Alaska should be clearly identified on the federal schedule by both federal and state agencies.

30. A state single audit was not required, but a federal single audit was required. Should the federal single audit be submitted to the single audit coordinator's office?

Answer: Yes, if the recipient expended federal financial assistance passed through the State of Alaska, during the audit period. See page 48, Submitting Single Audits.

31. Does the single audit coordinator's office need a copy of the Data Collection Form SF-SAC?

Answer: No. This is a federal form required to be submitted with audit reporting packages sent directly to the U.S. Bureau of the Census. For further information, go to the federal clearinghouse website:

http://harvester.census.gov/sac

32. How can recipients keep the kind of accounting and other records necessary to comply with the requirements under the single audit regulation and financial assistance agreements?

Answer: Good business practice requires that documentation be created and retained. These extremely important records can demonstrate to an external reviewer/auditor that claimed expenditures complied with the terms of a financial assistance agreement. This documentation could include - but is not limited to - such things as approved timesheets, vendor invoices, canceled checks, periodic financial and program reports, and an accounting system that adequately identifies costs to programs.

Recipients of state financial assistance are responsible for keeping organized records. It is not the responsibility of the auditor to organize the recipient's financial records. Poorly organized financial records increase audit costs.

Experience has shown that one of the most frequent problems reported in state single audits is lack of supporting documentation. When supporting documents cannot be produced, auditors usually report "questioned costs." **State agencies may take actions to recover questioned costs from recipients.**

33. What are "questioned costs?"

Answer: Auditors report expenditures that may not be allowable charges to state programs as "questioned costs." State agencies determine whether charges will be allowed. Questioned costs usually fall in one of five categories:

- **Unallowable** - Costs specifically not allowed under the general and specific requirements or conditions of a program.
- **Ineligible** - Costs which would otherwise be allowable except the amounts involved were paid on behalf of an individual who is not eligible.
- **Undocumented** - Costs for which detailed documentation does not exist.
- **Unapproved** - Costs for which the program requires approval and the auditor cannot find evidence of approval, or costs not provided for in an approved budget.
- **Unreasonable** - Costs incurred that may not reflect the actions of a prudent person, or the assignment of an unreasonably high valuation to in-kind contributions.

SECTION 6 - REPRINT OF 2 AAC 45

Alaska Administrative Code Title 2 Administration
Chapter 45 Grant Administration

2 AAC 45.010. AUDIT REQUIREMENTS.

(a) A state agency that enters into a financial assistance agreement to provide financial assistance to an entity shall, in coordination with any other state agencies providing financial assistance to that entity, require that entity to submit to the department an audit of the recipient entity if that entity is subject to an audit under this section. The audit must be conducted and submitted as described in this section. In order to ensure compliance with this subsection, a state agency must include the audit requirements of this section in any financial assistance agreement subject to this subsection.

(b) An entity that expends financial assistance with a cumulative total of $500,000 or more during the entity's fiscal year shall submit an audit report for the audit period to the department, by

- (1) the earlier of
  - (A) 30 days after the entity receives its audit report for the audit period; or
  - (B) nine months after the end of the audit period; or
- (2) a later date than the date calculated under (1) of this subsection, if
  - (A) the state agency that provides the financial assistance agrees to the change of date; and
  - (B) the agreement under (A) of this paragraph is made in
    - (i) writing; and
    - (ii) advance of the date calculated under (1) of this subsection.

(c) An audit required by this section must be conducted by an independent auditor, according to the following audit standards effective at the time of review for the audit period:

- (1) *Government Auditing Standards*, July 2007 Revision, adopted by the comptroller general of the United States, and adopted by reference;
- (2) generally accepted auditing standards, as accepted by the American Institute of Certified Public Accountants in the *Codification of Statements on Auditing Standards* in effect as of January 1, 2008 for the type of entity being audited, adopted by reference;
- (3) *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, May 2008 revision, prepared by the department, adopted by reference.

(d) The audit required under this section must report on the following:

- (1) the system of internal controls of the entity and the auditor's identification of significant deficiencies and material weaknesses of the entity, using the applicable standards set out in (c) of this section;

(2) the entity's compliance with applicable state statutes and regulations and applicable financial assistance agreements affecting the expenditure of the financial assistance; the report must identify findings and known questioned costs that exceed $5,000 in the aggregate for all transactions of expenditures tested for the financial assistance being audited;
(3) the entity's financial statements;
(4) the schedule of state financial assistance;
(5) the schedule of findings and questioned costs.

(e) As part of the audit report required under this section, the entity must provide
- (1) Written comments on any
  - (A) findings;
  - (B) known questioned costs;
  - (C) significant deficiencies, including material weaknesses; and
  - (D) recommendations contained in the audit report;
- (2) the entity's plan for corrective action, if any findings are identified or any recommendations are made in the audit report;
- (3) the status of the entity's implementation of any plans for corrective actions related to
  - (A) the audit reports required under this section for the fiscal year before the audit period; and
  - (B) unresolved findings of audit reports required by this section for audit periods before those specified in (A) of this paragraph; and
- (4) a written explanation of the reasons why corrective action will not be taken if the entity does not intend to take corrective action on the findings and recommendations in any audit report required by this section.

(f) An audit report required under this section need not evaluate the effectiveness of a program funded by financial assistance. However, a program evaluation or financial monitoring may be conducted by the state agency or requested of the entity by the state agency that entered into the financial assistance agreement.

(g) An audit required by this section must cover the entire operations of the entity.

(h) An entity shall provide the department with sufficient copies of each audit report to allow submission of a copy to each state agency providing financial assistance to the entity. The department will determine if auditing standards have been met and will forward a copy of the audit to the appropriate state agencies. The department will coordinate the assignment of the resolution to one state agency, if the exceptions concern more than one state agency. The applicable state agency providing financial assistance to the entity must meet its responsibilities under other law for ensuring compliance with the audit report.

(i) Unless additional audit requirements are imposed by state or federal law, a state agency that provides financial assistance to an entity shall accept the audit required by this section in satisfaction of any other audit requirement. If additional audit work is necessary to meet the needs of a state agency, the audit work must be based on the audit required by this section. Nothing in this subsection authorizes a state agency to seek payment from the entity for the additional audit work.

(j) A third party that receives financial assistance through an entity, in an amount described in this section, is subject to the applicable requirements of this section. An entity that disburses $500,000 or more in state financial assistance to a third party shall ensure that the third party complies with the requirements of this section. That entity shall also ensure that appropriate corrective action is taken within six months after a third party's noncompliance with an applicable state statute or regulation, or financial assistance agreement, is disclosed.

(k) Repealed 07/01/98.

(l) For purposes of this section, if an entity has not identified its fiscal year, that entity's fiscal year is July 1 through June 30.

(m) Financial assistance in the following form is not included when calculating whether an entity meets the threshold monetary requirement under (b) of this section:

(1) community revenue sharing money provided under AS 29.60.850 – 29.60.879;
(2) repealed 3/31/2008;
(3) aviation fuel tax money provided under AS 43.40.010;
(4) electric and telephone cooperative gross revenue tax refunds provided under AS 10.25.570;
(5) alcoholic beverage license fee refunds provided under AS 04.11.610;
(6) fisheries tax refunds provided under AS 29.60.450, AS 43.75.130, and AS 43.77.060;
(7) PERS/TRS relief funding under money appropriated to pay employer unfunded liability attributable to the entity under AS 14.25 and AS 39.35.

(n) Financial assistance in a form listed in (m) of this section is not exempt from compliance testing if the entity meets the threshold monetary requirement under (b) of this section.

(o) Repealed 7/1/98. (Eff. 8/1/85, Register 95; am 6/29/90, Register 114; am 7/1/98, Register 146; am 3/31/2008, Register 185; am 8/1/2008, Register 187)
Authority: AS 37.05.020 AS 37.05.190

2 AAC 45.060. EXTERNAL QUALITY REVIEW OF AUDIT ORGANIZATION.

Repealed. (Eff. 7/1/98, Register 146; repealed 3/31/2008, Register 185)

2 AAC 45.070. APPLICABILITY.

(a) The amended version of this chapter, effective August 1, 2008, applies to an audit for an audit period that begins or continues after August 1, 2008.
(b) An entity may agree to be subject to the provisions of the amended version of this chapter, effective August 1, 2008, for an audit period beginning on or after July 1, 2007 and ending on or before July 31, 2008, by voluntarily submitting

(1) an audit that complies with those provisions; or
(2) a statement that an audit is not required under the provisions of 2 AAC 45.010(b). (Eff. 7/1/98, Register 146; am 3/31/2008, Register 185; am 8/1/2008, Register 187)

Authority: AS 37.05.020 AS 37.05.190

2 AAC 45.080. EXEMPTIONS FROM FINANCIAL ASSISTANCE.

(a) For purposes of this chapter, “financial assistance” does not include the following:

(1) public assistance provided under AS 47;

(2) goods or services purchased for the direct administration or operation of state government;

(3) moneys advanced to an entity under one or more state loan programs;

(4) power cost equalization payments made to an electric cooperative on behalf of its customers;

(5) scholarships, loans, or other tuition aid provided to students, but paid to an education institution on their behalf.

(b) In addition to the exemptions set out in (a) of this section, for a third party, “financial assistance” does not include goods purchased from the third party for direct administration or operation of the entity that received financial assistance. (Eff. 7/1/98, Register 146)

Authority: AS 37.05.020 AS 37.05.190

2 AAC 45.090. DEFINITIONS.

For purposes of this chapter, unless the context otherwise requires,

(1) “audit period” means the entity’s fiscal year in which the entity expended financial assistance;

(2) “entity” does not include

(a) the University of Alaska or any other state agency;

(b) a for-profit entity; and

(c) a non United States based entity;

(3) “financial assistance” means state grants, contracts, provider agreements, cooperative agreements, and all forms of state financial assistance to an entity; “financial assistance” includes all forms of state financial assistance provided through an entity to a third party;

(4) “known questioned costs” means those questioned costs specifically identified by the auditor in the audit conducted under this chapter;

(5) repealed 3/31/2008;

(6) “department” means the Department of Administration;

(7) “significant deficiencies” has the meaning given in Section 5.11a. of the *Government Auditing Standards* adopted by reference in 2 AAC 45.010(c). (Eff. 7/1/98, Register 146; am 3/31/2008, Register 185)

Authority: AS 37.05.020 AS 37.05.190

SECTION 7 - COMPLIANCE SUPPLEMENT

COMPLIANCE SUPPLEMENT OVERVIEW

This section describes general and specific compliance requirements, which if not met, could have a material effect on the auditee's combined financial statements and/or state programs.

Each requirement is accompanied by suggested audit procedures for testing compliance. These are intended to be suggestions and are not the only or necessarily the best audit procedures, nor are they mandatory. Auditors should apply professional judgment in determining the audit procedures that are necessary to adequately measure an entity's compliance.

General Requirements: Some constitutional or statutory requirements are applicable to all or most state assistance programs and should be considered in all financial and compliance audits.

Specific Requirements: These requirements are applicable to specific state programs. Specific Requirements are organized in five categories:

- Types of service allowed or unallowed
- Eligibility
- Matching, level of effort, or earmarking requirements
- Reporting requirements
- Special tests and provisions

Auditors are not relieved of responsibility for compliance testing of programs not included in specific requirements or compliance supplement sections. Auditors should review the award, grant agreement, regulations, or enabling legislation to determine whether there are special conditions that need to be considered.

GRANTING AGENCY CONTACT LIST

Questions regarding specific requirements for a program should be directed to the granting agency's contact person. See the following page for a list of the current Single Audit Contacts.

SINGLE AUDIT CONTACTS

SINGLE AUDIT COORDINATOR: COLLEEN CAMPBELL
Department of Administration, Division of Finance, P.O. Box 110204, Juneau, AK 99811-0204
Phone: 465-4666 Fax 465-2169 E-mail: single.audit@alaska.gov **(MS 0204)**

Administration Cheri Lowenstein -- 465-5653 / Fax 465-2194 Division of Administrative Services P.O. Box 110208, Juneau, AK 99811 cheryl.lowenstein@alaska.gov **(MS 0208)**	**Labor and Workforce Development** Bill Endicott -- 465-5982 / Fax 465-2107 Office of the Commissioner P.O. Box 21149, Juneau, AK 99802-1149 william.endicott@alaska.gov **(MS 0700)**
Administration, Surplus Property Jim Jobkar – 257-9632/ Fax 279-4976 Dept of Admin, Division of General Services 2400 Viking Drive, Anchorage, AK 99501-1778 jim.jobkar@alaska.gov	**Law** John Seagren -- 465-3676 / Fax 465-5419 Division of Administrative Services P.O. Box 110300, Juneau, AK 99811 john.seagren@alaska.gov **(MS 0300)**
Alaska Court System Rhonda McLeod -- 264-8215 / Fax 264-8292 Office of the Administration Director 820 W 4th Ave, Anchorage, AK 99501-2005 rmcleod@courts.state.ak.us	**Military & Veteran's Affairs** Stephanie Church -- 465-4736 / Fax 465-4605 Division of Administrative Services P.O. Box 110900, Juneau, AK 99811 stephanie.church@alaska.gov **(MS 0900)**
Commerce, Community & Economic Development Karmen Bowman -- 465-5445 / Fax 465-5863 Division of Administrative Services P.O. Box 110803, Juneau, AK 99811 karmen.bowman@alaska.gov **(MS 0800)**	**Natural Resources** Bill Andrews -- 465-3503 / Fax 465-2102 Division of Support Services 400 Willoughby Ave., Juneau, AK 99801-1724 bill.andrews@alaska.gov **(MS 1000)**
Corrections Kevin Worley -- 465-4641 / Fax 465-3253 Division of Administrative Services P.O. Box 112000, Juneau, AK 99811 kevin.worley@alaska.gov **(MS 2000)**	**Public Safety** Chyenne Schmidt -- 465-5501 / Fax 463-5039 Division of Administrative Services P.O. Box 111200, Juneau, AK 99811 chyenne.schmidt@alaska.gov **(MS 1200)**
Education and Early Development Heidi Reichl -- 465-8682 / Fax 463-5279 Division of Education Support Services P.O. Box 110500 Juneau, AK 99811 heidi.reichl@alaska.gov **(MS 0500)**	**Revenue** Brook Larson -- 465-3671 / Fax-465-1685 Division of Administrative Services P.O. Box 110410, Juneau, AK 99811 brook.larson@alaska.gov **(MS 0410)**
Environmental Conservation Joanna McDowell -- 465-5289 / Fax 465-5097 Division of Administrative Services 410 Willoughby Ave. #105 Juneau, AK 99801-1795 joanna.mcdowell@alaska.gov **(MS 1800)**	**Transportation & Public Facilities** Bob Janes -- 465-2080 / Fax 586-8365 Office of the Commissioner / Internal Review 3132 Channel Drive, Juneau, AK 99801-7898 bob.janes@alaska.gov **(MS 2500)**
Fish & Game Matt vanSteenwyk -- 465-6069 / Fax 465-6078 Division of Administrative Services P.O. Box 22526, Juneau, AK 99811-5526 matt.vansteenwyk@alaska.gov **(MS 1100)**	**Alaska Energy Authority** Amy Adler -- 771-3013 / Fax 771-3044 Finance Department 813 West Northern Lights Blvd, Anchorage, AK 99503 aadler@aidea.org
Health & Social Services Bob Wright -- 465-3121 / Fax 463-5149 Finance and Management Services P.O. Box 110602, Juneau, AK 99811 robert.wright@alaska.gov **(MS 0650)**	**Alaska Housing Finance Corporation** Christie George -- 330-8270 / Fax 338-2585 Planning and Program Development Department P.O. Box 101020, Anchorage, AK 99510-1020 cgeorge@ahfc.state.ak.us

GENERAL COMPLIANCE REQUIREMENTS

Public Purpose Compliance Requirement: Article IX, Section 6 of the Alaska Constitution requires all appropriations of public money or transfer of public property to accomplish a public purpose.
Suggested Audit Procedures: Evaluate expenditures to determine that they accomplish a public purpose.

Civil Rights Compliance Requirement: Alaska Statute 18.80.200 and federal civil rights laws prohibit discrimination against a person because of race, religion, color, national origin, sex, age, physical or mental disability, marital status, change in marital status, pregnancy, or parenthood.
Suggested Audit Procedures:
1. Obtain representation and/or attorney letters to determine whether any civil rights suits have been adjudicated or are pending.
2. During the fiscal year for each program, determine the:
   a) Number of complaints filed with federal, state and/or local agencies responsible for ensuring nondiscrimination.
   b) Status of unresolved complaints or investigations.
   c) Actions taken on resolved complaints or completed investigations.

Minimum Wages Compliance Requirement: Alaska Statute 23.10.065 requires employers to meet minimum wage requirements.
Suggested Audit Procedure: Review payroll records for compliance.

Prevailing Wages Compliance Requirement: Alaska Statute 36.05.010 requires certain projects meet the provisions of AS 36 Public Contracts. To the extent that such provisions apply to the project that is the subject of an assistance agreement, the recipient shall pay the current prevailing rates of wage to employees.
Suggested Audit Procedures:
1. Identify the programs involving construction activities.
2. Review construction contracts and subcontracts and determine whether they contain provisions requiring the payment of prevailing wages.
3. For the selected construction contracts and subcontracts, determine whether the audited entity immediately notified the Alaska Department of Labor & Workforce Development under AS 36.05.035 of the:
   a) Amount and effective date of the contract
   b) Identity of the contractor and all subcontractors
   c) Site or sites of construction
   d) Project description

Workers' Compensation Compliance Requirement: As required by AS 23.30, recipients of state financial assistance and their contractors shall provide and maintain workers' compensation insurance.

Suggested Audit Procedures:

1. Examine project records to determine whether workers' compensation insurance was provided as required.
2. Determine whether any Department of Labor & Workforce Development actions regarding insufficiency of workers' compensation are proposed or pending.
3. Examine insurance policy to determine whether it provides Alaska benefits for employees hired in Alaska.

Contractors' Bonds Compliance Requirements: Alaska Statute 36.25.010 specifies that except as provided in AS 44.33.300, before a contract exceeds $100,000 for the construction, alteration, or repair of a public building; or public work of the state or political subdivision of the state is awarded, the contractor shall furnish performance and payment bonds.

Suggested Audit Procedures:

1. Review the recipient's system designed to ensure that contractors meet bonding requirements.
2. Review project records for evidence that contractors met bonding requirements.

Political Activity Compliance Requirement: Alaska Statute 37.05.321 states grant funds may not be used for influencing legislative action. A grant or earnings from a grant made under AS 37.05.315 - .317 (grants to municipalities, grants to named recipients, and grants to unincorporated communities), may not be used for the purpose of influencing legislative actions; or for travel in connection with influencing legislative action unless pursuant to a specific request from a legislator or legislative committee.

Suggested Audit Procedures:

1. Test the expenditures and related records for indications of lobbying activities, publications, or other materials intended for influencing legislation, or similar type costs.
2. Test whether the above costs, if any exist, are charged directly or indirectly to state-assisted programs.
3. Test the personnel and payroll records, and identify persons whose responsibilities or activities include political activity.

Retention and Inspection of Records Compliance Requirements: A recipient of state financial assistance shall maintain and make available records of expenditure for those funds. As a minimum, the expenditure records shall be maintained until audits required under 2 AAC 45.010 are completed and noncompliance findings are resolved.

Suggested Audit Procedure: Determine whether prior audit recommendations were resolved and if not; determine that pertinent records are still available for inspection.

<u>Responsibility for Third Parties Compliance Requirement</u>: Per 2 AAC 45.010, a recipient of state financial assistance that disburses financial assistance to a third party(s) in an amount equal to or greater than the audit threshold is required to ensure that the third party(s) complies with audit requirements. The recipient entity must also ensure that appropriate corrective action is taken within six months after disclosure of a third party's noncompliance with state statute or regulation, or financial assistance agreement.

Suggested Audit Procedures:

1. Determine whether the recipient entity has established a system for notifying third parties of their responsibilities, and that the system is being used.
2. Determine that the recipient entity has established a system to ensure third party compliance.
3. Determine whether the recipient entity has established a system to ensure that appropriate corrective action is taken within six months after a third party's noncompliance is disclosed.

<u>Audit Requirements Compliance Requirement</u>: Per 2 AAC 45.010, recipients of state financial assistance that meet the audit threshold are required to submit an audit to the single audit coordinator's office. See section 2 of this *Guide*, Requirements - State Single Audit and Major Program Thresholds.

Suggested Audit Procedure: Refer to information in the "Audit Guide" section of this publication.