

U.S. Department of Labor

Office of Inspector General—Office of Audit

SINGLE AUDIT QUALITY CONTROL REVIEW



QUALITY CONTROL REVIEW SINGLE AUDIT OF SOUTH FLORIDA WORKFORCE INVESTMENT BOARD D/B/A CAREERSOURCE SOUTH FLORIDA FOR THE YEAR ENDED JUNE 30, 2016

Date Issued: August 22, 2017
Report Number: 24-17-001-03-320

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



INSPECTOR GENERAL'S REPORT

August 22, 2017

Mr. Rick Beasley
Executive Director
South Florida Workforce Investment Board
D/B/A CareerSource South Florida
7300 Corporate Center Drive, Suite 500
Miami, FL 33126-1234

The U.S. Department of Labor's (DOL) Office of Inspector General (OIG) conducted a Quality Control Review (QCR) of the single audit of the South Florida Workforce Investment Board, doing business as CareerSource South Florida, for the year ended June 30, 2016. The single audit was completed by BCA Watson Rice (Firm) under the Federal Single Audit Act and the Office of Management and Budget's Uniform Guidance.

A QCR is performed to provide evidence of the reliability of single audits for auditors of federal agency financial statements, such as those required by the Chief Financial Officers Act, those responsible for the programs, and others. For the year ended June 30, 2016, CareerSource South Florida reported expenditures of about \$50 million, of which \$28.5 million is from DOL. The single audit conducted by the Firm covered one major DOL program: Employment Service Cluster, funding totaling \$2.8 million. The remaining \$25.6 million in DOL funds were used for non-major programs and were not tested as part of the single audit.

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

We found the single audit was conducted in accordance with applicable standards, except the Firm did not properly determine CareerSource South Florida had omitted pass-through identifying contract and grant numbers on the Schedule of Expenditures of Federal Awards (SEFA). The omission occurred because CareerSource South Florida was unaware of the level of detail required to be included in the SEFA. The Firm failed

to discover this omission during its audit due to an oversight. The Firm did, however, properly include the pass-through identifying numbers on the data collection form it submitted to the Federal Audit Clearinghouse. Although CareerSource South Florida was responsible for completing the SEFA, the Firm assisted in this effort, and should have identified the missing information during its audit.

We also found the Firm reported the Type A threshold incorrectly to the Federal Audit Clearinghouse, but our review of the audit work papers found the Firm had applied the correct threshold in its testing procedures. The Firm attributed the inaccuracy to a lack of review after it had made changes to the report.

We recommend CareerSource South Florida include the pass-through identifying numbers on the SEFA. We also recommend CareerSource South Florida emphasize Uniform Guidance requirements related to pass-through identifying numbers to those responsible for completing the SEFA. We recommend the Firm correct the Type A threshold on the data collection form and Schedule of Findings and Questioned Costs. In addition, we recommend the Firm comply with its quality control policies when performing single audits to ensure all elements are contained and correctly reported. Lastly, we recommend CareerSource South Florida and the Firm work together to resubmit the reporting package to the Federal Audit Clearinghouse, including the pass-through identifying numbers on the SEFA and the correct Type A threshold.

We have discussed our concerns and observations with CareerSource South Florida and the Firm, both of which agreed with our recommendations and have taken corrective actions.

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

Sincerely,



Elliot P. Lewis
Assistant Inspector General
for Audit

Enclosure

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

Julie Cerruti, Audit Liaison, ETA

Gregory Hitchcock, Special Assistant, ETA

Gustavo Alonso, Assistant Director of Finance, CareerSource South Florida

Ronald Thompkins, Partner, BCA Watson Rice LLP

Carshena Allison, Partner, BCA Watson Rice LLP

Enclosure

**Quality Control Review
Single Audit of South Florida Workforce Investment Board
D/B/A CareerSource South Florida
for the Year Ended June 30, 2016
(24-17-001-03-320)**

The DOL OIG conducted a QCR of the single audit of the South Florida Workforce Investment Board, doing business as CareerSource South Florida, for the year ended June 30, 2016. The single audit was completed by the BCA Watson Rice (Firm) under the Federal Single Audit Act and the Office of Management and Budget’s Uniform Guidance.

Our review included the following DOL major program:

DOL Major Program Reviewed	Catalog of Federal Domestic Assistance Numbers	DOL Major Funds Reported as Expended
Employment Service Cluster	17.207 17.801	\$2,869,133

BACKGROUND

The Single Audit Act Amendments of 1996 (Single Audit Act) were enacted to streamline and improve the effectiveness of audits of federal awards expended by states, local governments, and not-for-profit entities (referred to as non-federal entities), as well as to reduce audit burden. The Single Audit Act requires these audits, referred to as “single audits” to be conducted by an independent auditor. Single audits have a significant public interest component as they are relied on by federal agencies as part of their administrative responsibilities for determining compliance with requirements of federal awards by non-federal entities.

The Single Audit Act gives the Director of the Office of Management and Budget (OMB) the authority to develop government-wide guidelines and policy on performing audits to comply with the Act. The most recent OMB regulation issued for this purpose is Title 2, U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). It includes uniform cost principles and audit requirements for federal awards to nonfederal entities and administrative requirements for all federal grants and cooperative agreements. The previous OMB regulation containing requirements for single audits was OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

The single audit is an organization-wide audit or examination of a non-federal entity that expends \$750,000 or more of Federal assistance received for its operations. Usually performed annually, a single audit has two main objectives:

- a. Audit of the entity's financial statements and reporting on a separate SEFA in relation to those financial statements.
- b. Compliance audit of federal awards expended during the year as a basis for issuing additional reports on compliance related to major programs and on internal control over compliance.

The single audit must be submitted to the Federal Audit Clearinghouse along with a data collection form. The data collection form (Form SF-SAC) provides information about the auditee, its Federal programs, and the results of the audit. The Federal Audit Clearinghouse is designated by OMB as the repository of record where non-Federal entities are required to transmit the reporting packages including the data collection form.

The auditee must also prepare a SEFA for the period covered by the financial statements which must include the total Federal awards expended. All expenditures of Federal funds must be accounted for in the annual SEFA whether funds are received directly from a Federal agency or indirectly from a pass-through entity. Indirect funding occurs when a non-federal entity receives and passes federal dollars to a subrecipient. A subrecipient is a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program. At a minimum, the schedule must:

- List individual Federal programs by Federal agency.
- For Federal awards received as a subrecipient, include the name of the pass-through entity and identifying number assigned by the pass-through entity.
- Provide total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number.
- Include the total amount provided to subrecipients from each Federal program.
- Identify balances outstanding at the end of the audit period for loan or loan guarantee programs
- Include notes that describe that significant accounting policies used in preparing the schedule.

The auditor must use a risk-based approach to determine which Federal programs are major programs. As part of this risk-based approach, the auditor must identify the larger Federal programs, which must be labeled as Type A programs. The Type A threshold determination for entities expending over \$25 million follows a sliding scale based on percentage of the total expenditures. Federal programs not labeled Type A must be labeled Type B programs. Type B programs are smaller federal programs.

RESULTS

CAREERSOURCE SOUTH FLORIDA’S SEFA DID NOT INCLUDE PASS-THROUGH IDENTIFYING NUMBERS

On the SEFA contained in the single audit report submitted to the Federal Audit Clearinghouse, CareerSource South Florida did not provide the identifying contract and grant numbers that were assigned by the pass-through entities. However, the Firm did properly include the pass-through identifying numbers on the data collection form it submitted to the Federal Audit Clearinghouse.

Uniform Guidance, 2 CFR, §200.510(b)(2), states, “For Federal awards received as a subrecipient, the identifying number assigned by the pass-through entity must be included.”

The Firm’s quality control policies and procedures require reviewers to exam all reports, financial statements, and documentation of the audit work performed and conclusions reached to obtain reasonable assurance the work has been performed in accordance with professional standards, regulations, and legal requirements.

The omission occurred because CareerSource South Florida was unaware of the level of detail required to be included in the SEFA. Although CareerSource South Florida was responsible for completing the SEFA, the Firm assisted in this effort, but did not identify the missing information during its audit due to an oversight. Without this information, federal users and the public have no referenced source to identify and locate the grant or contract number for CareerSource South Florida’s indirect funding.¹

THE FIRM REPORTED THE TYPE A THRESHOLD INCORRECTLY

For CareerSource South Florida’s federal awards expended, totaling \$50,091,445, the Firm reported the Type A threshold incorrectly — as \$750,000 instead of \$1,502,743 — on the data collection form and in the single audit report it submitted to the Federal Audit Clearinghouse. This threshold is used to determine the major programs to be audited. However, our review of the audit work papers found the Firm had applied the correct threshold in its testing procedures, but reported it incorrectly.

Uniform Guidance, 2 CFR, §200.518(b)(1), states the auditor must identify the larger Federal programs, which must be labeled Type A programs. Type A programs are defined as Federal programs with Federal awards during the audit period exceeding the levels outlined in the table below:

¹ Indirect funding occurs when a non-federal entity receives and passes federal dollars to a subrecipient.

Total Federal awards expended	Type A threshold
Equal to or exceed \$750,000 but less than or equal to \$25 million	\$750,000.
Exceed \$25 million but less than or equal to \$100 million	Total Federal awards expended times .03.

Total federal awards expended by CareerSource South Florida of \$50 million were in excess of \$25 million but less than or equal to \$100 million. Therefore, the Type A threshold should have been \$1,502,743 (\$50,091,445 times .03). The Firm’s quality control policies and procedures require a review to be completed before it releases an audit report. The Firm attributed its reporting of the incorrect threshold to a lack of review after it made changes to the report. The Firm was aware of the Type A threshold requirements, as demonstrated by its correct calculation in the audit work papers. Although the reporting inaccuracy had no effect on the Firm’s audit work, it resulted in incorrect information being maintained on the federal database that is used to analyze information from all single audits.

OIG RECOMMENDATIONS

We recommend CareerSource South Florida:

1. Include the pass-through identifying numbers on the SEFA.
2. Emphasize Uniform Guidance requirements related to pass-through identifying numbers to those responsible for completing the SEFA.

We recommend the Firm:

3. Correct the Type A threshold on the data collection form and Schedule of Findings and Questioned Costs.
4. Comply with its quality control policies and procedures when performing single audits to ensure all elements are contained and correctly reported.

We recommend CareerSource South Florida and the Firm:

5. Work together to resubmit the reporting package to the Federal Audit Clearinghouse including the pass-through identifying numbers on the SEFA and the correct Type A threshold.

CAREERSOURCE SOUTH FLORIDA’S RESPONSE

CareerSource South Florida agreed with our recommendations and has taken the necessary corrective actions. CareerSource South Florida added the pass-through identifying numbers on the SEFA, and provided its financial staff with our draft report to make them aware of the requirement to do so when completing the SEFA. Together with the Firm, CareerSource South Florida resubmitted the reporting package to the Federal Audit Clearinghouse. CareerSource South Florida’s response to our draft report is included in its entirety in Appendix B.

FIRM’S RESPONSE

The Firm agreed with our recommendations and has taken the necessary corrective actions. It corrected the Type A threshold on the data collection form and Schedule of Findings and Questioned Costs. The Firm also stressed to all partners and managers the importance of complying with its quality control document (which requires a concurring review on all Uniform Guidance engagements) to minimize a reoccurrence of this finding. The Firm’s response to our draft report is included in its entirety in Appendix C.

Appendices

APPENDIX A

**OBJECTIVE, SCOPE, METHODOLOGY, AND
CRITERIA**

OBJECTIVE

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

SCOPE

We performed a QCR of the Firm's single audit of CareerSource South Florida's financial statements, SEFA, and reports required by GAGAS and Uniform Guidance, for the year ended June 30, 2016. We performed our work via remote internet connection.

METHODOLOGY

We reviewed the audit report using the Council of Inspectors General on Integrity and Efficiency (CIGIE) Guide for Desk Reviews of Single Audit Reports (Desk Guide). The Desk Guide was developed to ensure compliance with the requirements of Uniform Guidance. We reviewed the financial statements, compliance, and internal control reporting; SEFA; and Schedule of Findings and Questioned Costs.

Using the CIGIE Uniform Guide for QCRs of Single Audits (QCR Guide), we reviewed audit documentation and held discussions with the Firm to accomplish the required steps. The QCR Guide was developed to test for compliance with GAGAS and GAAS, and met the requirements of Uniform Guidance.

Specifically, we reviewed:

- Auditor Qualifications
- Independence
- Due Professional Care
- Quality Control
- Planning and Supervision
- Management Representations
- Litigation, Claims and Assessments
- Possible Fraud or Illegal Acts
- Determination of Major Programs
- Internal Control Over Major Programs
- Direct and Material Compliance Requirements

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

CRITERIA

- Uniform Guidance
- GAGAS, December 2011 Revision
- GAAS
- Single Audit Act of 1984
- Single Audit Act Amendments of 1996

CAREERSOURCE SOUTH FLORIDA'S RESPONSE



July 10, 2017

careersourcesfl.com

Elliot P. Lewis
Assistant Inspector General for Audit
U.S. Department of Labor
Office of Inspector General
200 Constitution Ave., N.W., Room S-5512 Washington, DC 20210

Re: Draft Report 24-17-001-03-320

The South Florida Workforce Investment Board (dba CareerSource South Florida) has reviewed the draft of the inspector general's report. The draft report was received on June 23, 2017. The management of the South Florida Workforce Investment Board (SFWIB) is in agreement with the observations and recommendations contained within the report. SFWIB has outlined our responses for each of the recommendations as follow:

Recommendation #1: Include the pass-through identifying number on the SEFA

Response: SFWIB Management agrees with the recommendation and have implemented the necessary processes to include the pass-through identifying number on the SEFA.

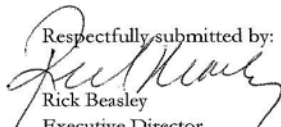
Recommendation #2: Emphasize Uniform Guidance requirements related to pass-through identifying numbers to those responsible for completing the SEFA.

Response: SFWIB Management agrees with the recommendation and have implemented the necessary processes to include the pass-through identifying number on the SEFA. All SFWIB financial staff have been provided a copy of the OIG report and are made aware of the importance of including the pass-through identifying number on the SEFA.

Recommendation #5: Work together to resubmit the reporting package to the Federal Audit Clearinghouse including the pass-through identifying numbers on the SEFA and the correct Type A threshold.

Response: Agree. The reporting package has been resubmitted.

Should you have any questions and/or need additional information, please do not hesitate to contact my office.

Respectfully submitted by:

Rick Beasley
Executive Director
South Florida Workforce Investment Board
d/b/a CareerSource South Florida

cc: Ronald Thompkins, CPA, CGMA, CVA
Carshena Allison, CPA, MBA

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7300 Corporate Center Drive, Suite 500
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APPENDIX C

FIRM'S RESPONSE



June 30, 2017

Elliot P. Lewis
Assistant Inspector General for Audit
U.S. Department of Labor
Office of Inspector General
200 Constitution Ave., N.W., Room S-5512
Washington, DC 20210

Re: Draft Report 24-17-001-03-320

BCA Watson Rice LLP (Watson Rice) has reviewed the draft of the inspector general's report which was received on June 23, 2017. Watson Rice agrees with the observations and recommendations contained in the report. Specific responses to each of the recommendations follow:

Recommendation #3: Correct the Type A threshold on the data collection form and Schedule of Findings and Questioned Costs.

Response: We agree with your finding. We have subsequently modified our report on internal control and compliance based on the Uniform Guidance; with the assistance of CSSF's staff, we have resubmitted an updated report to the Federal Audit Clearinghouse; and we have stressed to all our partners and managers the importance of complying with our quality control document (which requires a concurring review on all Uniform Guidance engagements) to minimize a reoccurrence of this finding.

Recommendation #4: Comply with its quality control policies and procedures when performing single audits to ensure all elements are contained and correctly reported.

Response: We agree with your finding. We have stressed the importance of complying with our quality control document (which requires a concurring review on all Uniform Guidance engagements) to all our partners and managers to minimize a reoccurrence of this finding.

Recommendation #5: Work together to resubmit the reporting package to the Federal Audit Clearinghouse including the pass-through identifying numbers on the SEFA and the correct Type A threshold.

Response: We agree with your finding. The reporting package has been resubmitted.

We want to thank you and your team for your comments and professionalism during the review.

If you have questions or desire additional information do not hesitate to contact us,

Sincerely,

BCA WATSON RICE LLP

A handwritten signature in blue ink, appearing to read "Ron Thompkins".

Ronald Thompkins, CPA, CGMA, CVA
Partner

cc: Rick Beasley, CSSF
Carshena Allison, CPA, MBA
Bennie Hadnott, CPA, MBA

APPENDIX D

ACKNOWLEDGEMENTS

Key contributors to this report were Melvin Reid (Director), Grover Fowler Jr., Mark Lemke, and Christine Allen.

TO REPORT FRAUD, WASTE OR ABUSE, PLEASE CONTACT:

Online: <http://www.oig.dol.gov/hotlineform.htm>

Email: hotline@oig.dol.gov

Telephone: 1-800-347-3756
202-693-6999

Fax: 202-693-7020

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