

# U.S. Department of Labor

Office of Inspector General—Office of Audit

## SINGLE AUDIT QUALITY CONTROL REVIEW



## QUALITY CONTROL REVIEW SINGLE AUDIT OF AARP FOUNDATION FOR THE YEAR ENDED DECEMBER 31, 2021

Date Issued: September 30, 2022  
Report Number: 24-22-004-50-598



September 30, 2022

## INSPECTOR GENERAL'S REPORT

Patricia D. Shannon  
Chief Financial Officer  
AARP Foundation  
601 E Street NW  
Washington, D.C. 20049

Dear Ms. Shannon:

The purpose of this report is to formally advise you of the results of a Quality Control Review (QCR) the U.S. Department of Labor (DOL), Office of Inspector General (OIG) conducted on the single audit of American Association of Retired Persons (AARP) Foundation, which was completed by Grant Thornton LLP (Firm) under the Office of Management and Budget (OMB) 2 C.F.R. 200 (Uniform Guidance) for the year ended December 31, 2021.

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

We determined that the report and audit work performed generally met the requirements of GAGAS, GAAS, and OMB Uniform Guidance. However, the Firm incorrectly calculated and reported the Type A/B threshold on the SF-SAC form (Data Collection Form for Reporting on Audits of States, Local Governments, Indian Tribes and Tribal Organizations, Institutions of Higher Education, and Non-profit Organizations) and Schedule of Findings and Questioned Costs in the single audit report, and it needs to improve the editing of summary documentation. The Firm incorrectly identified AARP Foundation as a high-risk auditee in the summary documentation, when in fact the organization has met all the criteria to be considered a low-risk auditee.

OMB Uniform Guidance § 200.513 Responsibilities (a)(3)(v), requires us to:

[A]dvice the auditor, Federal awarding agencies, and, where appropriate, the auditee of any deficiencies found in the audits

when the deficiencies require corrective action by the auditor. When advised of deficiencies, the auditee must work with the auditor to take corrective action. If corrective action is not taken, the cognizant agency for audit must notify the auditor, the auditee, and applicable Federal awarding agencies and pass-through entities of the facts and make recommendations for follow-up action.

We have discussed these matters with the Firm's management and they agreed with the observations noted. Details on the results of our review are provided in the Enclosure. We appreciate the cooperation and courtesies the Firm extended to us during this review.

Sincerely,



Carolyn R. Hantz  
Assistant Inspector General  
for Audit

Enclosure

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

Gregory Hitchcock, Special Assistant, ETA

Nicholas Lazzaruolo, Partner, Audit Services, Grant Thornton LLP

Enclosure

**Quality Control Review  
Single Audit of AARP Foundation  
for the Year Ended December 31, 2021  
(24-22-004-50-598)**

The DOL OIG conducted a QCR of the single audit of AARP Foundation for the year ended December 31, 2021. The single audit was completed by Grant Thornton LLP (Firm). Table 1 details the scope of the OIG’s QCR, including the DOL major program we reviewed.

**Table 1: Quality Control Review Scope**

<b>DOL Major Program Reviewed</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>DOL Major Funds Reported as Expended</b>
Senior Community Service Employment Program	17.235	\$76,217,785
<b>Total DOL Major Funds Reported as Expended</b>		<b>\$76,217,785</b>

Source: AARP Foundation Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2021.

A QCR is performed to provide evidence of the reliability of the single audit to the auditors of federal agency financial statements, such as those required by the Chief Financial Officers Act of 1990, those responsible for program administration, and others. For the year ended December 31, 2021, AARP Foundation reported federal expenditures of \$91,532,326, which consisted of DOL funds totaling \$76,217,785 and non-DOL funds totaling \$15,314,541. The single audit conducted by the Firm covered one DOL major program: Senior Community Service Employment Program totaling \$76,217,785. The remaining \$15,314,541 were used for non-major and non-DOL programs which were not tested as part of the single audit.

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

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

2. Compliance audit of federal awards expended during the year as a basis for issuing additional reports on compliance related to major programs and on internal control over compliance.

**RESULTS**

We determined that the report and audit work performed generally met the requirements of GAGAS, GAAS, and OMB Uniform Guidance. However, the Firm incorrectly calculated and reported the Type A/B threshold and needs to improve the editing of summary documentation. The Firm incorrectly identified AARP Foundation as a high-risk auditee in the summary documentation, when in fact the organization has met all the criteria to be considered a low-risk auditee.

**THE FIRM INCORRECTLY CALCULATED AND REPORTED THE TYPE A/B THRESHOLD**

For AARP’s federal awards expended, totaling \$91,532,326, the Firm calculated and reported the Type A/B threshold incorrectly — as \$2,705,516 instead of \$2,745,970 — on the SF-SAC 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 found the incorrect threshold did not affect the major program determination.

Uniform Guidance § 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:

**Table 2: AARP Foundation Type A/B Threshold Formula**

Total Federal Awards Expended	Type A/B Threshold
Exceed \$25 million but less than or equal to \$100 million	Total federal awards expended times .03

Source: Uniform Guidance § 200.518(b)(1).

Total federal awards expended by AARP Foundation of \$91.5 million were in excess of \$25 million but less than or equal to \$100 million. Therefore, the Type A/B threshold should have been \$2,745,970 (\$91,532,326 times .03). The Firm attributed its calculation and reporting of the incorrect threshold to the use of a preliminary Schedule of Expenditures of Federal Awards (SEFA). The Firm explained that AARP Foundation later updated the SEFA to include funds from an IRS tax program.

The Firm was aware of the Type A/B threshold requirements, as demonstrated by its calculation in the audit work papers based upon the preliminary SEFA. The Firm stated the increase in the SEFA amount did not impact any assessment of Type A to Type B. Any program that does not meet the quantitative threshold for a Type A program is considered a Type B program which is smaller in size. Although the inaccuracy had no effect on the Firm's major program determination and audit work, it resulted in incorrect information being maintained on the federal database that is used to analyze information from all single audits.

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### **THE FIRM NEEDS TO IMPROVE THE EDITING OF SUMMARY DOCUMENTATION**

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The Firm incorrectly identified AARP Foundation as a high-risk auditee in the summary documentation when in fact, the organization has met all the criteria to be considered a low-risk auditee.

Uniform Guidance § 200.520, sets requirements that an auditee must meet to be considered low risk, including the following:

- Single audits have been performed on an annual basis in prior years;
- The auditor's opinion on the financial statements and SEFA were unmodified;
- There were no deficiencies in internal control which were identified as material weaknesses in prior audits;
- The auditor did not report a substantial doubt about the auditee's ability to continue as a going concern; and
- None of the federal programs previously audited had findings in the preceding two audit periods.

According to the AICPA's Statement on Auditing Standards, AU-C 230.08 Audit Documentation, the auditor should prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:

- a. the nature, timing, and extent of the audit procedures performed to comply with GAAS and applicable legal and regulatory requirements;
- b. the results of the audit procedures performed, and the audit evidence obtained; and
- c. significant findings or issues arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.

The Firm incorrectly stated "no" for low-risk auditee in the summary documentation. While being aware of the error, the Firm was unable to edit the

PDF file for the summary documentation. The Firm explained the audit documentation supported the low-risk auditee status and the report correctly indicated AARP Foundation was a low-risk auditee. We are concerned about the inconsistency regarding the low-risk auditee status because it may prevent users from effectively understanding the conclusions contained in the audit documentation. Such an inconsistency could lead to misinterpretation if users were to rely on the summary documentation which indicate the erroneous high-risk auditee status.

## **OIG RECOMMENDATIONS**

We recommend the Firm:

1. Correctly calculate and report the Type A/B threshold on the SF-SAC form and Schedule of Findings and Questioned Costs in the single audit report.
2. Edit summary documentation to ensure it supports the results of the audit work performed and the conclusions reached on low-risk auditee status.

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## **FIRM'S RESPONSE**

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The Firm agreed with the observations noted. The Firm explained when threshold calculations were evaluated, the difference totaled \$40,454, which was immaterial and had no impact on the major program selection. The Firm also explained within the summary document, the evaluation performed was in accordance with Uniform Guidance 2 CFR § 200.520 and indicated AARP Foundation was low-risk auditee for the year ended December 31, 2021. In addition, the Firm stated the audit was performed based upon the correct evaluation of AARP Foundation as a low-risk auditee. Furthermore, the Firm stated the Schedule of Findings and Questioned Costs for the year ended December 31, 2021, reported AARP Foundation as a low-risk auditee.

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## **OIG'S CONCLUSION**

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Although the threshold inaccuracy had no effect on the Firm's major program determination and audit work, it resulted in incorrect information being maintained on the federal database that is used to analyze information from all single audits. We were also concerned about the low-risk auditee status inconsistency because it may prevent users from effectively understanding the conclusions contained in the audit documentation. The Firm should notify us once these corrective actions have been implemented.

## Appendices

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## **APPENDIX A: OBJECTIVE, SCOPE, METHODOLOGY, & CRITERIA**

### **OBJECTIVE**

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

### **SCOPE**

We performed a QCR of Grant Thornton LLP's single audit of AARP Foundation's financial statements, SEFA, reports required by GAGAS, and OMB Uniform Guidance for the year ended December 31, 2021. Our QCR of Grant Thornton LLP covered \$76,217,785 in federal expenditures for one DOL major program: Senior Community Service Employment Program. We performed our work remotely due to COVID-19.

### **METHODOLOGY**

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

Specifically, we reviewed:

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

- Direct and Material Compliance Requirements

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

**CRITERIA**

- 2 C.F.R 200, OMB Uniform Guidance
- 2021 Compliance Supplement
- AICPA Audit Guide on “Government Auditing Standards and Single Audits”
- AU Clarified Statements
- GAGAS, 2018 Revision

**APPENDIX B: FIRM'S RESPONSE**



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September 27, 2022

Ms. Carolyn R. Hantz  
Assistant Inspector General for Audit  
U.S Department of Labor  
Office of the Inspector General  
Washington, D.C. 20210

Dear Ms. Hantz,

Grant Thornton LLP is providing this response to the findings noted within the "Quality Control Review Single Audit of AARP Foundation for the year ended December 31, 2021 (Report Number: 24-22-004-50-598)".

**Finding #1 – The Firm Incorrectly Calculated and Reported the Type A/B Threshold**

**Grant Thornton LLP Response**

We agree with the observation noted. When the difference between the type A threshold calculations were evaluated, the difference totaled \$40,454 which was immaterial and had no impact on the major program selection.

**Finding #2 – The Firm Needs to Improve the Editing of Audit Documentation**

**Grant Thornton LLP Response**

We agree with the observation noted. Within the summary document, the evaluation in accordance with Uniform Guidance § 2 CFR 200.520 was performed and indicated AARP Foundation was a low-risk auditee for the year ended December 31, 2021. The audit was performed based upon the correct evaluation of AARP Foundation as a low-risk auditee. Furthermore, the Schedule of Findings of Questioned Costs for the year ended December 31, 2021, reported AARP Foundation as a low-risk auditee.

Sincerely,

Grant Thornton LLP  
Nicholas Lazzaruolo  
Partner

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## **APPENDIX C: ACKNOWLEDGEMENTS**

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