

Independent Public Accountant Response To Draft Report



November 14, 2008

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

On June 6, 2008 the U.S. Department of Labor, Office of Inspector General (OIG), completed a Quality Control Review (QCR) of the following audit completed by Eide Bailly, LLP under the Federal Single Audit Act and Office of Management and Budget (OMB) Circular A-133 (A-133):

Single Audit of the Job Service North Dakota Financial Report for the Years Ended June 30, 2005 and 2004

The results of the Quality Control Review identified seven items for our Firm's attention. Our responses to those items are as follows:

1. The firm did not maintain audit documentation as required by GAGAS.

We agree that the documentation prepared by information technology staff was incomplete. We organized the necessary documentation for this engagement to provide a clear link to the findings, conclusions, and recommendations. We advised staff, including information technology staff, of the applicable documentation requirements.

2. The Firm did not use an available tool to test revenues and expenditures.

We appreciate being informed of the availability of this tool, and communicated its existence and availability to staff assigned to applicable engagements. The use of this tool, however, is not a Single Audit Requirement, and we assert that the audit procedures performed with respect to revenue support our conclusions and our opinion expressed on the financial statements. It is also our understanding that the Quality Control Review has not suggested that the procedures performed were not considered to be sufficient.

3. The Firm did not report internal control weaknesses as required.

We agree with this comment, and specifically, that the two items noted should have been reported as material weaknesses. We reissued our report on November 20, 2008, with appropriate identification of the material adjusting entries as material weaknesses. In future GAGAS engagements, we will report internal control deficiencies in accordance with GAGAS.

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4. The Firm did not document conclusion on internal control deficiencies.

We agree with the comment and have appropriately modified our documentation to evaluate and appropriately classify the noted deficiencies as control deficiencies, reportable conditions, material weaknesses, or best practices, and to document the related basis for our conclusions. We also reissued our letter to management to remove the items that are not required to be communicated in writing on November 20, 2008. For future audits, we will verify the existence of the conclusions during reviews of audit documentation.

5. The Firm did not follow GAGAS for reporting deficiencies in internal control.

We agree with the finding that we failed to disclose all the required elements of certain findings due to an oversight. We have reissued our management letter and included all required elements. We have communicated to the applicable professional staff the reporting requirements.

6. The Firm misreported coverage of a Federal program.

We agree with the finding that we incorrectly identified a program as a major program, which resulted in errors in reporting. As noted in the report, the related amount of federal dollars received was negligible. We communicated to professional staff involved in these engagements the importance of accurate identification of major programs. Our reissued report correctly identified the major programs that were tested.

7. The Firm did not adequately document its understanding and testing of internal controls and compliance requirements for major programs.

We agree that the documentation was unclear with respect to our understanding of internal controls and compliance requirements of major programs. We revised our documentation to clearly reflect the procedures that were performed and our conclusions relating to understanding of internal controls and compliance requirements for the major programs tested. We also communicated to professional how to clearly document their understanding and testing of internal controls and compliance. For future A-133 engagements, we will review the identification of CFDA numbers during reviews of audit documentation.

In addition to reissuing our report and adding the necessary documentation for this engagement, we have communicated these findings via an email to the Firm's professional staff that are involved in GAGAS engagements. We will also include these items in appropriate future trainings.

Sincerely,



Barb Aasen, CPA
Partner