

State of Alaska

Audit Guide and Compliance Supplement for State Single Audits

Department of Administration
Division of Finance

May 2022

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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 grantees 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: 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 included in this Guide; and the specific compliance 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

EFFECTIVE DATE

This Guide is effective for audits of fiscal years beginning July 1, 2021 and after, and supersedes the ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits*** issued in May 2021.

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



PURPOSE FOR 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 2 CFR Part 200, the Uniform Grant Guidance, 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.

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 a 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 Findings – include internal control findings, compliance findings, questioned costs, or fraud.

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 the audits to the appropriate state agencies.

Entity (Recipient) - an entity, usually but not limited to non-State Agencies, that receives a State award directly from a State awarding agency. The term recipient does not include subrecipients or individuals that are beneficiaries of the award.

Financial Assistance - State grants, provider agreements, cooperative agreements, certain tax payments, 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 does not include:

- public assistance provided under AS 47;
- goods or services purchased for the direct administration or operation of state government (typically in the form of a contract);
- 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;

- scholarships, loans, or other tuition aid provided to students, but paid to an education institution on their behalf.
- ¹refunds and formulated shared revenue under the following programs:
 - community revenue sharing money provided under AS 29.60.850-;
 - 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;
- money expended for projects that are solely managed, supervised, and controlled by the Alaska Energy Authority under AS 44.83 and turned over to the grantee at the conclusion of the project.

Questioned Costs – a cost that is questioned by the auditor because of an audit finding:

- (1) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a State award;
- (2) Where the costs, at the time of the audit, are not supported by adequate documentation; or
- (3) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
- (4) Questioned costs are not an improper payment until reviewed and confirmed to be improper by the appropriate State Agency performing the required follow-up per 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.

Subrecipient – an entity, usually but not limited to non-State Agencies, that receives a subaward from a pass-through entity to carry out part of a State award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other State awards directly from a State awarding agency.

Vendor/Contractor – 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.

¹ Alaska Statute 2 AAC 45.010(m) is in the process of being repealed and moved to 2 AAC 45.080. These changes are being included in this FY22 State Single Audit Guide under definition of State Financial Assistance and CPA firms are strongly encouraged to exclude these programs from the Schedule of State Financial Assistance effective with this FY22 State Single Audit Guide as these changes are expected to be finalized in calendar year 2022.

FUTURE IMPROVEMENTS OR SUGGESTIONS

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:

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Juneau, AK 99811-0204

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State Single Audit Website: <http://doa.alaska.gov/dof/ssa/index.html>

SECTION 2 - REQUIREMENTS

STATE SINGLE AUDIT AND MAJOR PROGRAM THRESHOLDS

See the definition of **State Financial Assistance** above for which programs and State Funds not included on the Schedule of State Financial Assistance or in this Major Program Determination.

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 \$750,000 during the entity's fiscal year is required to submit an annual single audit. Please refer to the following section.

Audit emphasis must focus on the most important areas. Because it is impractical to audit all programs of every entity and keep the single audit emphasis on materiality and efficiency, auditors are required to evaluate administration of "major programs". **Note** - Programs are grouped by Program Name. Major Program Thresholds:

- (a) Step one: The auditor must use a risk-based approach to determine which State programs are major programs. This risk-based approach must include consideration of: current and prior audit experience, oversight by State agencies and pass-through entities, and the inherent risk of the State program.

- (1) The auditor must identify the larger State programs, which must be labeled Type A programs. Type A programs are defined as State programs with State awards expended during the audit period exceeding the levels outlined in the table below:
- (2) State programs not labeled Type A under paragraph (b)(1) of this section must be labeled Type B programs.
- (3) ²

Total State awards expended	Type A/B Threshold
Equal 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 State award expended times .03
Exceed \$100 million but less than or equal to \$1 billion	\$3 million
Exceed \$1 billion but less than or equal to \$10 billion	Total State award expended times .003
Exceed \$10 billion but less than or equal to \$20 billion	\$30 million
Exceed \$20 billion	Total State award expended times .0015

(b) Step two:

- (1) The auditor must identify Type A programs which are low-risk. In making this determination, the auditor must consider whether the oversight exercised by State agencies and pass-through entities (similar to Federal requirements in [§ 200.519\(c\)](#)), the results of audit follow-up, or any changes in personnel or systems affecting the program indicate significantly increased risk and preclude the program from being low risk. For a Type A program to be considered low-risk, it must have been audited as a major program in at least one of the two most recent audit periods, and, in the most recent audit period, the program must have not had:
 - a. Internal control deficiencies which were identified as material weaknesses in the auditor's report on internal control for major programs;
 - b. A modified opinion on the program in the auditor's report on major programs; or
 - c. Known or likely questioned costs that exceed five percent of the total State awards expended for the program.

² The department is considering lowering the Type A/B Program Threshold in future years. Please send issues or ideas to single.audit@alaska.gov

(c) Step three:

(1) The auditor must identify Type B programs which are high-risk using professional judgment and the Federal criteria in [§ 200.519](#) applied to State programs. However, the auditor is not required to identify more high-risk Type B programs than at least one fourth the number Type A programs identified as low-risk. Except for known material weakness in internal control or compliance problems, a single criterion in risk would seldom cause a Type B program to be considered high-risk. When identifying which Type B programs to risk assess, the auditor is encouraged to use an approach which provides an opportunity for different high-risk Type B programs to be audited as major over a period of time.

(2) The auditor is not expected to perform risk assessments on relatively small State programs. Therefore, the auditor is only required to perform risk assessments on Type B programs that exceed twenty-five percent (0.25) of the Type A threshold determined in Step 1.

(d) Step four: At a minimum, the auditor must audit all of the following as major programs:

(1) All Type A programs not identified as low risk under step two.

(2) All Type B programs identified as high-risk under step three.

(3) Such additional programs as may be necessary to comply with the percentage of coverage rule discussed in [paragraph \(f\)](#) below. This may require the auditor to audit more programs as major programs than the number of Type A and/pr Type B programs.

(f) **Percentage of coverage rule.** If the auditee meets the criteria for a low-risk auditee seen in (i) below, the auditor need only audit the major programs identified in Step 4 and such additional State programs with State awards expended that, in aggregate, all major programs encompass at least 20 percent (0.20) of total State awards expended. Otherwise, the auditor must audit the major programs identified in Step 4 and such additional State programs with State awards expended that, in aggregate, all major programs encompass at least 40 percent (0.40) of total State awards expended.

(g) **Documentation of risk.** The auditor must include in the audit documentation the risk analysis process used in determining major programs.

(h) **Auditor's judgment.** When the major program determination was performed and documented in accordance with this Guide, the auditor's judgment in applying the risk-based approach to determine major programs must be presumed correct. Challenges by State agencies and pass-through entities must only be for clearly improper use of the requirements in this part. However, State agencies and pass-through entities may provide auditors guidance about the risk of a particular State program and the auditor must consider this guidance in determining major programs in audits not yet completed.

(i) **Criteria for a low-risk auditee:**

(a) Single audits were performed on an annual basis in accordance with AAC 245.010 and the State Single Audit Guide, including submitting the reporting package to the department within the specified timeframe; AND/OR

(b) Single audits were performed on an annual basis in accordance with the provisions of this Subpart, including submitting the data collection form and the reporting package to the FAC within the timeframe specified in [§ 200.512](#). A non-Federal entity that has biennial audits does not qualify as a low-risk auditee.

(c) The auditor's opinion on whether the financial statements were prepared in accordance with GAAP, or a basis of accounting required by state law, and the auditor's opinion on the schedule of state financial assistance were unmodified.

(d) There were no deficiencies in internal control which were identified as material weaknesses under the requirements of GAGAS.

(e) The auditor did not report a substantial doubt about the auditee's ability to continue as a going concern.

(f) None of the State and/or Federal programs had audit findings from any of the following in either of the preceding two audit periods in which they were classified as Type A programs:

(1) Internal control deficiencies that were identified as material weaknesses in the auditor's report on internal control for major programs;

(2) A modified opinion on a major program in the auditor's report on major programs; or

(3) Known or likely questioned costs that exceeded five percent of the total State awards expended for a Type A program during the audit period.

NON-CASH STATE FINANCIAL ASSISTANCE

State non-cash financial assistance, such as free rent, donated commodities or property, donated surplus property, etc. 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.

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. Auditor's reports must be consistent with current professional standards for the type of audit the auditor is currently reporting on. Current audit standards are identified below under "**Professional Standards.**"

In instances where the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* conflicts with current generally accepted auditing standards (GAAS) or *Government Auditing Standards*, the auditor should comply with the most current applicable GAAS and *Government Auditing Standards* instead of the outdated or conflicting guidance.

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

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 ***State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

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 to the financial statements that include the appropriate addressee name, statement titles and dates.
- Schedule of State Financial Assistance and notes that describe the significant accounting policies used in preparing the schedule. See example on page 13.
- Auditor's reports - To make the reports understandable and 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 for Each Major State Program and Report on Internal Control over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*
- Schedule of Findings and Questioned Costs. See example on page 18.
- Corrective Action Plan (as applicable). See example on page 20.
- Summary Schedule of Prior Audit Findings (as applicable). See example on page 21.
- Copy of any management letter issued by the auditor (as applicable).

MINIMUM PRINTED FONT SIZE REQUIREMENT

Information contained in the financial statement audit and single audit reports are read by a variety of users to assess, among other things, the financial condition of the organization and make decisions on the allocation of resources. Readability of the audit report is essential for these objectives to be met. Minimum requirements is an easily readable font, with text and numbers no smaller than a font size of 9- point.

SCHEDULE OF STATE FINANCIAL ASSISTANCE

See the definition of **State Financial Assistance** under **Definitions** starting on page 4 for which programs and State Funds not included on the Schedule of State Financial Assistance.

At a minimum, the Schedule of State Financial Assistance (see example on the following page) prepared by the **auditee** must include the following information for **each** financial assistance award:

1. Name of state agency administering the award;
2. Award name and award number;
3. Expenditures for audit period;
4. Amounts passed through to subrecipients either:
 - On the face of the schedule; OR
 - Footnote see example Footnote below – if no passthrough footnote would say “No amounts were passed-through to subrecipients”;
5. Identification of major state programs.

The Schedule of State Financial Assistance must include total overall state expenditures, as well as expenditures subtotaled by each awarding agency (e.g. Alaska Housing Finance Corporation, Department of Public Safety, Department of Fish & Game, etc.).

Notes to the Schedule: Notes to the Schedule of State Financial Assistance that describe the significant accounting policies used in preparing the schedule must be included. When applicable, the notes must also include amounts provided (passed through) to subrecipients, and the value of State non-cash assistance (such as free rent, donated commodities, donated property, etc.).

Optional Information: 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)
- Ending Revenues Receivable (deferred revenue)

Name of Entity
EXAMPLE: SCHEDULE OF STATE FINANCIAL ASSISTANCE
Year Ended June 30, 20x2

STATE AGENCY / PROGRAM TITLE	AWARD NUMBER	TOTAL AWARD AMOUNT	PASSED THROUGH TO SUBRECIPIENTS	STATE EXPENDITURES
<u>DEPARTMENT OF PUBLIC SAFETY</u>				
* VILLAGE PUBLIC SAFETY OFFICER	22-00x	\$ 610,000	\$ 0	\$ 495,000
TOTAL DEPARTMENT OF PUBLIC SAFETY		610,000	0	495,000
<u>DEPARTMENT OF NATURAL RESOURCES</u>				
MARKETING GRANT	HS 22.01.0x	30,000	0	24,084
SNOWMOBILE TRAILS GRANT	GRT 22xx3x	25,000	25,000	25,000
TOTAL DEPARTMENT OF NATURAL RESOURCES		55,000	25,000	49,084
<u>ALASKA HOUSING FINANCE CORPORATION</u>				
* WEATHERIZATION ASSISTANCE PROGRAM	003xxx	481,000	0	416,511
TOTAL ALASKA HOUSING FINANCE CORPORATION		481,000	0	416,511
TOTAL STATE FINANCIAL ASSISTANCE:		\$ 1,146,000	\$ 25,000	\$ 960,595

NOTE 1: MAJOR PROGRAM NOTATION

* denotes a major program.

NOTE 2: BASIS OF PRESENTATION

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of Example Entity under programs of the State of Alaska for the year ended June 30, 20x1. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of Example Entity, it is not intended to and does not present the financial position, changes in net assets or cash flows of Example Entity.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

NOTE 4: AWARDS TO SUBRECIPIENTS (NOTE – NOT REQUIRED SINCE SHOWN ON FINANCIAL STATEMENT)

Of the state expenditures presented in the Schedule, Example Entity passed state awards on to this subrecipient(s):

PROGRAM / AWARD #	NAME OF SUBRECIPIENT	AMOUNT TO SUBRECIPIENT
Regional Trails-GRT 19xx3x	Organization ABC	\$ 25,000

AUDITOR'S REPORTS – MUST INCLUDE THE FOLLOWING:

- 1. Financial Statements.** The auditor must determine and provide an opinion (or disclaimer of opinion) whether the financial statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting principles (or special purpose framework such as cash, modified cash, or regulatory as required by state law). The auditor must also decide whether the Schedule of State Financial Assistance is stated in all material respects to the auditee's financial statements.
- 2.** A report on internal control over financial reporting and compliance with provisions of laws, regulations, contract, and award agreements, noncompliance with which could have a material effect on the financial statements. This report must describe the scope of testing of internal control and compliance and the results of the tests, and, where applicable, it will refer to the separate schedule of findings and questioned costs described below.
- 3.** A report on compliance for each major program and a report on internal control over compliance. This report must describe the scope of testing of internal control over compliance, include an opinion or disclaimer of opinion as to whether the auditee complied with State statutes, regulations, and the terms and conditions of the State award which could have a direct and material effect on each major program and refer to the separate schedule of findings and questioned costs described below.
- 4. Schedule of Findings and Questioned Costs for State awards –**
 - A Schedule of Findings and Questioned Costs, which includes the following three components:
 - A. Summary of the auditor's results, which shall include:
 - 1) The type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP (i.e., unmodified opinion, qualified opinion, adverse opinion or disclaimer of opinion);
 - 2) A statement indicating if any significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements;
 - 3) A statement on whether the audit disclosed any noncompliance that is material to the financial statements;
 - 4) The type of report the auditor issued on compliance for major state programs (i.e., unmodified opinion, qualified opinion, adverse opinion or disclaimer of opinion);
 - 5) A statement indicating if any significant deficiencies or material weaknesses in internal control over state major programs were disclosed by the audit;
 - 6) The dollar threshold used to distinguish between Type A and Type B programs;
 - 7) A statement as to whether the auditee qualified as a low-risk auditee

- B. Findings related to the financial statements that are required to be reported in accordance with GAGAS.
- C. Findings and questioned costs for state awards which must include:
 - 1) Audit findings that relate to the same issue must be presented as a single audit finding. Where practical, audit findings should be organized by State agency (or pass-through entity if applicable)
 - 2) Audit findings that relate to both the financial statements and State awards must 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 detailed reporting in the other section of the Schedule.

AUDIT FINDINGS

- A. **Audit findings reported.** The auditor must report the following as audit findings in the ***schedule of findings and questioned costs for State awards***.
 - 1. Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abusing relating to major programs. The auditor's determination of whether a deficiency in internal controls is a significant deficiency or for the purpose of a material weakness is reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - 2. Material noncompliance with the provisions of State statutes, regulations, or the terms and conditions of State awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of State statutes, regulations, or the terms and conditions of State awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
 - 3. Known questioned costs that are greater than \$5,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$5,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

4. Known questioned costs that are greater than \$5,000 for a State program which is not audited as a major program. Except for audit follow-up, the auditor is not required under this part to perform audit procedures for such a State program; therefore, the auditor will normally not find questioned costs for a program that is not audited as a major program. However, if the auditor does become aware of questioned costs for a State program that is not audited as a major program (e.g., as part of audit follow-up or other audit procedures) and the known questioned costs are greater than \$5,000, then the auditor must report this as an audit finding.
 5. The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the ***schedule of findings and questioned costs for State awards***.
 6. Known or likely fraud affecting a State award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for State awards. This paragraph does not require the auditor to report publicly information which could compromise investigative or legal proceedings or to make an additional reporting when the auditor confirms that the fraud was reported outside the auditor's reports under the direct reporting requirements of GAGAS.
 7. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.
- B. Audit finding detail and clarity.** Audit findings must be presented in sufficient detail and clarity for the auditee to prepare a corrective action plan and take corrective action, and for State agencies and pass-through entities to arrive at a management decision. The following specific information must be included in each audit finding:
1. A ***unique*** reference number³ assigned to each audit finding (financial statement finding or state award finding) using the following standard format: the four-digit audit year, a hyphen and a three-digit sequence number (e.g., 2022-001, 2022-002...2022-999).
 2. State program and specific State award number and year, State agency, and name of the applicable pass-through entity if applicable. The criteria or specific requirement upon which the audit finding is based, including the statutory, regulatory, or other citation.
 3. The criteria or specific requirement upon which the audit finding is based, including the State statutes, regulations, or the terms and conditions of the State awards. Criteria generally identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding findings
 4. The condition found, including facts that support the deficiency identified in the audit finding. Information to provide proper perspective for judging the prevalence and consequences of the audit finding.

³ Financial statement findings and state award findings **may not share the same finding number**. Each finding is expected to have a unique finding number.

5. A statement of cause that identifies the reason or explanation for the condition or the factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria), which may also serve as a basis for recommendations for corrective action.
6. The possible asserted effect to provide sufficient information to the auditee and State agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action. A statement of the effect or potential effect should provide a clear, logical link to establish the impact or potential impact of the difference between the condition and the criteria.
7. Identification of questioned costs and how they were computed. Known questioned costs must be identified by applicable State award.
8. Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represent an isolated instance or a systemic problem. Where appropriate, instances identified must be related to the universe and the number of cases examined and be quantified in terms of dollar value. The auditor should report whether the sampling was a statistically valid sample.
9. Identification of whether the audit finding was a repeat of a finding in the immediately prior audit and if so any applicable prior year audit finding numbers.
10. Recommendations to prevent future occurrences of the deficiency identified in the audit finding.
11. Views of responsible officials of the auditee.

Name of Entity
EXAMPLE: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 20x2

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

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

State Financial Assistance

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

Unmodified

Internal control over major programs:

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

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

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:	20x2-001 Deadline for State Single Audit
State Agency:	Department of Public Safety
Grant Name:	Tactical Equipment for Local Law Enforcement
Grant Number:	22-DPS-9999 Award Year: 20x2
Criteria:	2 AAC 45.010(b) states an entity that expends a cumulative total of \$750,000 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:	The organization did not engage a qualified audit firm within the required timeline to complete and submit the audit in a timely manner.
Questioned Costs:	None noted.
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:	The organization is not in compliance with 2 AAC 45.010 (b)(1).
Cause:	The organization did not have controls in place to identify the requirements of the state single audit threshold.
Repeat Finding:	This is a repeat of finding 20x1-xxx.
Recommendation:	The organization needs to adjust the accounting records timely, arrange for an annual audit and submit the reporting package within the guidelines as outlined in the State of Alaska single audit regulations.

CORRECTIVE ACTION PLAN

The *auditee* is responsible for follow-up and corrective action on all audit findings included in the current year's auditor's report. This extends to findings related to both the state major programs and the financial statements, which are required to be reported in accordance with GAGAS.

The *auditee* is required to prepare and submit, in a document separate from the auditor's Schedule of Findings and Questioned Costs, a corrective action plan that addresses each finding in the current year auditor's reports. The auditee **must** submit the Corrective Action Plan on auditee letterhead.

The Corrective Action Plan will contain adequate information for state agencies to evaluate and monitor the recipient's intended actions. As a part of the review process, state funding agencies may request additional information or clarification of the intended actions.

Corrective action plans must include the following elements:

- **Reference Numbers Required.** The Corrective Action Plan must include the unique reference number the auditor assigned to each audit finding(s) in the Schedule of Findings and Questioned Costs.
- The Name(s) of the contact person(s) responsible for corrective action
- Corrective action planned
- Anticipated completion date
- If auditee does not agree with the audit findings or believes corrective action is not required, then the correction action plan must include an explanation and specific reasons.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The *auditee* must prepare and submit a schedule summarizing the status of all prior audit findings included in the prior audit's Schedule of Findings and Question Costs. This summary must also include the status of findings from any previous audits if *those findings were reported as unresolved or partially resolved in the prior year audit period*. The auditee **must** submit the Schedule of Prior Audit Findings on auditee letterhead.

- When audit findings were fully corrected, the summary schedule only list the audit findings and state that corrective action was taken.
- When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's reoccurrence and planned corrective action, and any partial corrective action take.

Name of Entity
EXAMPLE: CORRECTIVE ACTION PLAN
Year Ended December 31, 20x2

Financial Statement Findings

Finding: 20x2-001 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: February 1, 20x3

State Award Findings and Questioned Costs

Finding: 20x2-002 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 November 1, 20x3.

Name of Entity
EXAMPLE: SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 20x2

Finding: 20x1-001, Segregation of duties

This finding has been resolved.

Finding: 20x1-002, Failure to reconcile bank accounts

This finding is still unresolved. It is repeated as finding 20x2-001 for the year ended September 30, 20x1.

Finding: 20x1-003, Grant reimbursement not requested on a timely basis

This finding has been resolved.

ILLUSTRATIVE AUDITOR'S REPORTS

Examples of reports in this section are based on reports issued under generally accepted auditing standards, *Government Auditing Standards*, and the AICPA. These templates have been updated to reflect changes as a result of SAS Nos. 134-141.

- **Example 1:** Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information – State or Local Governmental Entity
- **Example 2:** Unmodified Opinion on Consolidated Financial Statements Accompanied by Other Information - Not-For-Profit Entity
- **Example 3:** 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 4:** 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 Identified; Reportable Instances of Noncompliance and Other Matters Identified)
- **Example 5:** Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*
(Unmodified Opinion on Compliance for each Major State Program; No Material Weaknesses or Significant Deficiencies in Internal Control over Compliance Identified)
- **Example 6:** Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*
(Qualified Opinion on Compliance for one Major State Program; Unmodified Opinion on Compliance on Each of the other Major State Programs; Material Weaknesses and Significant Deficiencies in Internal Control over Compliance Identified)

Example 1: Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information, Supplementary Information, and Other Information — State or Local Governmental Entity (includes In-Relation Opinion under Supplemental Information)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Financial Statements

Opinions

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 the [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise the [Entity]'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 [Entity], as of June 30, 20XX, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the [Entity] and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the [Entity]'s

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS and Government Auditing Standards, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the [Entity]'s internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the [Entity]'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the [Entity]'s basic financial statements. The [identify accompanying supplementary information such as the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, *as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and/or schedule of state financial assistance, *as required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits*] are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit

of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. ¹In our opinion, the [identify accompanying supplementary information] is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the [identify other information, such as the introductory and statistical sections] but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated [date of report] on our consideration of the [Entity]'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 solely 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 effectiveness of the [Entity]'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering [Entity]'s internal control over financial reporting and compliance.

[Auditor's signature]

[Auditor's city and state (if not included in Letterhead)]

[Date of the auditor's report]

¹ In-relation to opinion can be included here or in the report on Internal Controls over Financial Reporting.

Example 2: Unmodified Opinion on Consolidated Financial Statements Accompanied by Supplementary Information — Not-for-Profit Entity (includes In-Relation Opinion under Supplemental Information)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Financial Statements

Opinion

We have audited the consolidated financial statements of [Name of NFP Entity (Entity)], which comprise the consolidated statement of financial position as of June 30, 20XX, and the related consolidated statements of activities, [functional expenses (if applicable),] and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of [Name of NFP Entity] as of June 30, 20XX, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the [Entity] and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the [Entity]'s ability to continue as a going concern for [insert the time period set by the applicable financial reporting framework, which for FASB-reporting entities is one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable)]

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statement

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the [Entity]'s internal control.
- Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the [Entity]'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The [identify accompanying supplementary information such as the schedule of expenditures of federal awards,²⁵ as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and/or schedule of state financial assistance, as required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits] is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. ²In our opinion, the [identify accompanying supplementary information] is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standard

In accordance with Government Auditing Standards, we have also issued our report dated [date of report] on our consideration of the [Entity]'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 solely 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 effectiveness of the [Entity]'s internal control over financial reporting or on compliance. That re-port is an integral part of an audit performed in accordance with Government Auditing Standards in considering the [Entity]'s internal control over financial reporting and compliance

[Auditor's signature]

[Auditor's city and state]

[Date of the Auditor's report]

² In-relation to opinion can be included here or in the report on Internal Controls over Financial Reporting.

Example 3: 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 (for a Governmental Entity)

(No Material Weaknesses Identified; No Significant Deficiencies Identified; No Reportable Instances of Noncompliance or Other Matters Identified)

Independent Auditor's Report

[Appropriate Addressee]

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, 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 [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise the [Entity]'s basic financial statements, and have issued our report thereon dated August 15, 20XX.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the [Entity]'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the [Entity]'s internal control. Accordingly, we do not express an opinion on the effectiveness of the [Entity]'s internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the [Entity]'s financial statements are free from 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 financial statements. 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]

Example 4: 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 (for a Governmental Entity)

(Material Weaknesses and Significant Deficiencies Identified; Reportable Instances of Noncompliance and Other Matters Identified)

Independent Auditor's Report

[Appropriate Addressee]

We have audited, 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 issued by the Comptroller General of the United States, 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 the [Name of Governmental Entity (Entity)] as of and for the year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise the [Entity]'s basic financial statements, and have issued our report thereon dated August 15, 20XX.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the [Entity]'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the [Entity]'s internal control. Accordingly, we do not express an opinion on the effectiveness of the [Entity]'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying [include the title of the schedule in which the findings are reported (for example, schedule of findings and responses or schedule of findings and questioned costs)], we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 [include the title of the schedule in which the findings are reported (for example, schedule of findings and responses or schedule of findings and questioned costs)] as items [list the reference numbers of the related findings, for example, 20X1-001, 20X1-003, and 20X1-004] to be material weaknesses.

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 [include the title of the schedule in which the findings are reported (for example schedule of findings and responses or schedule of findings and questioned costs)]as items [list the reference numbers of the related findings, for example, 20X1-002 and 20X1-005] to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the [Entity]'s financial statements are free from 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 financial statements. 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 [include the title of the schedule in which the findings are reported (for example, schedule of findings and responses or schedule of findings and questioned costs)]as items [list the reference numbers of the related findings, for example, 20X1-002 and 20X1-005].

[Entity]'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the [Entity]'s response to the findings identified in our audit and described in the accompanying [include the title of the schedule in which the findings are reported (for example, schedule of findings and responses or schedule of findings and questioned costs) or "previously" if findings and responses are included in the body of the report]. The [Entity]'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Auditor's signature]

[Auditor's city and state (if not included in letterhead)]

[Date of the auditor's report]

Example 5: Report on Compliance for Each Major State Program; Report on Internal Control over Compliance and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* (includes in-relation to opinion)

(Unmodified Opinion on Compliance for each Major State Program; No Material Weaknesses or Significant Deficiencies in Internal Control over Compliance Identified)¹

Independent Auditor's Report

[Appropriate Addressee]

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Example Entity's compliance with the types of compliance requirements identified as subject to audit in State of Alaska Audit Guide and Compliance Supplements that could have a direct and material effect on each of Example Entity's major state programs for the year ended June 30, 20XX. Example Entity's major state programs are identified on the Schedule of State Financial Assistance.

In our opinion, Example Entity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 20XX.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements in the State of Alaska Audit Guide. Our responsibilities under those standards and the State of Alaska Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of Example Entity's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

¹ Examples 5 and 6 in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits (Guide)* are intended to provide illustrations for various situations. Auditors, using professional judgment, may adapt these examples to other situations not specifically addressed within the illustrations.

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Example Entity's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Example Entity's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and State of Alaska Audit Guide requirements will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Example Entity's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the State of Alaska Audit Guide, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Example Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Example Entity's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of Alaska requirements, but not for the purpose of expressing an opinion on the effectiveness of Example Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the State of Alaska Audit Guide 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, 20X1-001 and 20X1-002]. Our opinion on each major state program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not

subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a 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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Alaska. Accordingly, this report is not suitable for any other purpose.

²Report on Schedule of State Financial Assistance Required by the State of Alaska

³We have audited the financial statements of Example Entity as of and for the year ended June 30, 20XX, and have issued our report thereon dated August 15, 20XX, which contained an

² Include if in-relation opinion is not included in the Financial Statement Report.

³ If Governmental Entity use:

unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the State of Alaska and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

[Auditor's signature]

[Auditor's city and state (if not included in the letterhead)]

[Date of the auditor's report]

Report on Schedule of State Financial Assistance Required by the State of Alaska

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, 20XX, and the related notes to the financial statements, which collectively comprise Example Entity's basic financial statements. We issued our report thereon, dated August 15, 20XX, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the State of Alaska and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Example 6: Report on Compliance for Each Major State Program; Report on Internal Control over Compliance and Report on the Schedule of State Financial Assistance Required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits (includes in-relation to opinion)

(Qualified Opinion on Compliance for one Major State Program; Unmodified Opinion on Compliance on Each of the Other Major State Programs; Material Weaknesses and Significant Deficiencies in Internal Control over Compliance Identified)

Independent Auditor's Report

[Appropriate Addressee]

Report on Compliance for Each Major State Program

Qualified and Unmodified Opinions

We have audited Example Entity's compliance with the types of compliance requirements identified as subject to audit in the State of Alaska Audit Guide and Compliance Supplements that could have a direct and material effect on each of Example Entity's major state programs for the year ended June 30, 20XX. Example Entity's major state programs are identified on the Schedule of State Financial Assistance.

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Example Entity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on [identify the major state program] for the year ended June 30, 20XX.

Unmodified Opinion on Each of the Other Major State Programs

In our opinion, Example Entity complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major state programs identified on the Schedule of State Financial Assistance for the year ended June 30, 20XX.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of the State of Alaska Audit Guide. Our responsibilities under those standards and the State of Alaska are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our

opinion on compliance for each major state program. Our audit does not provide a determination of Example Entity's compliance with the compliance requirements referred to above.

Matter(s) Giving Rise to Qualified Opinion on [Identify Major State Program]

As described in the accompanying schedule of findings and questioned costs, Example Entity did not comply with requirements regarding [identify the major state program and associated finding number(s) matched to the type(s) of compliance requirements; ⁴for example, Head Start as described in finding numbers 20X2-001 for Eligibility and 20X2-002 for Reporting]. Compliance with such requirements is necessary, in our opinion, for Example Entity to comply with the requirements applicable to that program.
legal

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective in-ternal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Example Entity's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Example Entity's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the State of Alaska Audit Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Example Entity's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the State of Alaska Audit Guide, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Example Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Example Entity's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of Alaska requirements, but not for the purpose of expressing an opinion on the effectiveness

⁴ Audit may also consider adding a table to more clearly communicate the basis for the qualified opinion.

of Example Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the State of Alaska Audit Guide 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, 20X1-003 and 20X1-004]. Our opinion on each major state program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. 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 20X1-005 and 20X1-006] 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 20X1-007 and 20X1-008] to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Example Entity's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Alaska Audit Guide. Accordingly, this report is not suitable for any other purpose.

⁵Report on Schedule of State Financial Assistance Required by the State of Alaska

⁶We have audited the financial statements of Example Entity as of and for the year ended June 30, 20XX, and have issued our report thereon dated August 15, 20XX, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the State of Alaska and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

[Auditor's signature]

[Auditor's city and state (if not included in the Letterhead)]

[Date of the auditor's report]

⁵ Include if in-relation opinion is not included in the Financial Statement Report.

⁶ See footnote 3.

SECTION 4 - SUBMITTING SINGLE AUDITS

WHERE TO SEND AUDITS

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

Email Audit Packages to: single.audit@alaska.gov

For dual certification purposes, the auditee must email in the audit package and copy the CPA firm. The audit firm should respond to the email confirming the report attached is the final agreed-upon version. No response will be considered concurrence. Audits will also be accepted if received directly from the CPA firm, if the auditee is copied on the email.

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 under Reporting Package above. See the following page for a list of state agencies that would be included on the Schedule of State Financial Assistance.

State Single Audit Only (No Federal Single Audit was done)	Federal Single Audit (No State Single Audit was done)	Federal and State Single Audit both performed
<ul style="list-style-type: none">• Email copy to the State Single Audit Coordinator following dual certification directions provided above	<ul style="list-style-type: none">• In most cases, for audits after 12/31/2015, we can obtain the audit copy from the Federal Audit Clearinghouse;• Otherwise, email copy• If <i>Auditee</i> is not located in the State of Alaska, then email copy	<ul style="list-style-type: none">• If all reports are uploaded to the Federal Audit Clearinghouse, we can obtain a copy from there• Otherwise email copy• If <i>Auditee</i> is not located in the State of Alaska, then email copy

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 funding agencies.

Centralized Monitoring of State of Alaska Agencies

State assistance from **all** state agencies – including component units - is subject to the single audit requirements of 2 AAC 45, unless excluded by 2 AAC 45.010(m) or exempt under 2 AAC 45.080. The following is a listing of State of Alaska agencies that receive centralized single audit monitoring services from the State of Alaska's Single Audit Coordinator's office. Please refer to the compliance supplements in this **Guide** for more detailed information on individual programs and their audit requirements.

- Alaska Court System (ACS)
- Alaska Energy Authority (AEA)
- Alaska Housing Finance Corporation (AHFC)
- Alaska Mental Health Trust Authority (AMHTA)
- Alaska State Council on the Arts (ASCA)
- Department of Administration (DOA)
- Department of Commerce, Community, and 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 Law (LAW)
- 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 (DOTPF)
- Surplus Property (Department of Administration, Shared Services of Alaska)

Any component unit **not on this list** will perform its own single audit monitoring. Questions regarding their assistance programs should be addressed directly to that component unit.

Questions regarding state assistance and the application or interpretation of 2 AAC 45 should be directed to the Single Audit Coordinator at (907) 465-4666 or single.audit@alaska.gov.

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 both Federal and State Single Audits as potentially applicable. Then, if it becomes clear that an audit is not necessary, the money can be used however the entity determines.

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: You may contact the single audit coordinator prior to the nine-month due date to request an extension. The single audit coordinator will review the request, the 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 engaging an audit firm, that the prospective firm has a current CPA license and satisfies the peer review requirements.

8. How do I submit a state single audit?

Answer: For submission information, see – Submitting Single Audits.

9. Must the corrective action plan address financial statement findings required to be reported by Government Auditing Standards?

Answer: Yes. State single audit regulations require that written comments be provided on all findings contained in the audit report.

10. 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.

11. 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.

12. Do school districts reports have any special submission requirements?

Answer: Yes. School districts should follow the guidelines on page 42, for submitting single audits; with the ***additional*** requirement of sending a copy of the reporting package to the Commissioner of the Department 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: Alenita Danner

801 West 10th Street, Suite 200

P.O. Box 110500

Juneau, AK 99811-0500

E-mail: alenita.danner@alaska.gov

13. 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; and timely completion. Audit reports will be forwarded to each state agency that granted financial assistance, for review to ensure all awards were included; findings are clear and understandable; planned corrective actions appear adequate and management decision letters are issued.

14. 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 grantee (copy to the auditor and applicable granting agencies) of a deficient reporting package. 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 grantee and applicable granting agencies. The auditor will have 30 days to submit revised reports or other requested information.

For small updates the single Audit coordinator may choose to call or email the CPA firm and try to resolve quickly.

Audits are not in compliance with the timely submission requirement of the single audit regulation until deficiencies are resolved. The grantee should maintain contact with the state funding 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, grantee, and the state funding agency(s).

15. 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.

16. Are auditors required to evaluate the entity's system for monitoring subrecipient compliance with 2 AAC 45.010?

Answer: Yes.

17. Are private firms contracted to provide products such as office furnishings considered third party subrecipients subject to the single requirements?

Answer: No.

18. What is the difference between a subrecipient and a vendor/contractor?

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/contractor** 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.

19. What is the determining factor in deciding whether a third party is a subrecipient or a vendor/contractor?

Answer: The test for a subrecipient relationship is whether the organization receives state financial assistance to carry out a program. See 2 CFR 200.331 for a checklist.

20. Are contracts or agreements negotiated between the state and local governments, such as Transfer of Responsibility Agreements, included under single audit requirements?

Answer: Typically yes, the determination if the agreement meets a recipient/subrecipient or contractor relationships using guidance found in 2 CFR 200.331.

21. 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. Only Loan Subsidy or Forgiveness is considered State Financial Assistance.

22. How do entities determine state major programs when their fiscal year has a different year-end than the state?

Answer: Major program and audit thresholds are based on the entity's fiscal year.

23. When an entity changes its year-end, 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 six months or longer, 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.

24. If the compliance supplement does not contain requirements for a 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 under, Single Audit Contacts.

25. 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 the *Uniform Grant Guidance, 2 CFR Part 200*.

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

Answer: *The Uniform Grant Guidance, 2 CFR Part 200* changed the federal audit threshold for fiscal years beginning on or after December 26, 2014 as follows:

- **Audit Threshold** - A recipient of federal awards that expends a cumulative total equal to or greater than \$750,000 during the entity's fiscal year is required to submit a federal single audit
- **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 the inherent risk of the federal program. The determination is subject to a variety of exceptions and limitations described in 2 CFR Part 200.

27. 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 and comply with 2 CFR Part 200.

If the State provided State funds to be used as Federal match, these funds should be included on the Schedule of State Financial Assistance and the Auditors should use the applicable Federal Requirements for their audit.

28. 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, *and* a federal single audit was performed (no state single audit was necessary), a copy of the audit must be provided to the single audit coordinator's office. This can be accomplished either through the Federal Single Audit Clearinghouse, when a copy of the entire audit is made publicly available; or by emailing a copy of the audit report to the State. See- Submitting Single Audits.

29. 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: <https://harvester.census.gov/facweb/>

30. 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: Sound business practices require 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.

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.**

SECTION 6 - REPRINT OF 2 AAC 45

Alaska Administrative Code Title 2 Administration Chapter 45. Grant Administration

<u>Section</u>	<u>Section</u>
10. Audit requirements	80. Exemptions from financial assistance
60. (Repealed)	85. Waiver of audit requirements
70. Applicability	90. Definitions

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 \$750,000 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*, 2011 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*, January 2017 revision for the type of entity being audited, adopted by reference;
 - (3) *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, May 2017 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 \$750,000 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) ¹Financial 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.
- (8) money expended for projects that are solely managed, supervised, and controlled by the Alaska Energy Authority under AS 44.83 and turned over to the grantee at the conclusion of the project.

(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.

History: 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; am 1/1/2011, Register 196; am 9/25/2013, Register 207; am 4/1/2017, Register 221; am 11/22/2017 Register 224
Authority: AS 37.05.020 AS 37.05.190

2 AAC 45.060. EXTERNAL QUALITY REVIEW OF AUDIT ORGANIZATION.

Repealed.

History: Eff. 7/1/98, Register 146; repealed 3/31/2008, Register 185

2 AAC 45.070. APPLICABILITY.

¹ Alaska Statute 2 AAC 45.010(m) is in the process of being repealed and moved to 2 AAC 45.080. These changes are being included in this FY22 State Single Audit Guide under definition of State Financial Assistance and CPA firms are strongly encouraged to exclude these programs from the Schedule of State Financial Assistance effective with this FY22 State Single Audit Guide as these changes are expected to be finalized in calendar year 2022.

(a) The amended version of this chapter, effective November 22, 2017, applies to an audit for an audit period that begins or continues after November 22, 2017.

(b) An entity may agree to be subject to the provisions of the amended version of this chapter, effective November 22, 2017, for an audit period beginning on or after July 1, 2017 and ending on or before November 21, 2017, 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).

History Eff. 7/1/98, Register 146; am 3/31/2008, Register 185; am 8/1/2008, Register 187; am 1/1/2011, Register 196; am 9/25/2013, Register 207, am 4/1/2017, Register 221; am 11/22/2017, Register 224

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.

History: Eff. 7/1/98, Register 146

Authority: AS 37.05.020 AS 37.05.190

2 AAC 45.085. WAIVER OF AUDIT REQUIREMENTS.

(a) No later than 30 days after the due date of an entity’s audit, the entity may submit a written request to the commissioner under this section for a waiver of the requirements for an audit under 2 AAC 45.010 for good cause.

(b) A written request submitted under this section must state the reasons for the request for waiver and good cause. Good cause exists under this section if

- (1) the financial assistance expended by the entity was under close state agency management and supervision;
- (2) an audit will not likely promote the public interest because
 - (A) the audit will be duplicative of existing audited information;
 - (B) an alternative source of externally verified information from an independent source provides sufficient assurance that the financial assistance was expended properly.

(c) For the purposes of this section, an entity’s lack of funding to purchase an audit is not good cause for waiver of an audit under this section.

(d) No later than 30 days after receiving a written request for a waiver under this section, the commissioner will issue a written decision regarding the request for waiver. The written decision will document the basis for any grant or denial of waiver under this section. The commissioner's decision will be mailed or delivered to the entity and will constitute the final administrative decision on the request.

(e) In this section, "commissioner" means the commissioner of administration.

History: Eff. 1/1/2011, Register 196

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 the *Codification of Statements of Auditing Standards* adopted by reference in 2 AAC 45.010(c).

History: Eff. 7/1/98, Register 146; am 3/31/2008, Register 185; am 4/1/2017, Register 221

Authority: AS 37.05.020 AS 37.05.190

SECTION 7 - COMPLIANCE SUPPLEMENTS

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.

Note - If State funds are used as match for a Federal award, Federal requirements apply to those funds and the auditor should use these for audit purposes.

WHO TO CONTACT FOR ADDITIONAL ASSISTANCE

Questions regarding state assistance and the application or interpretation of 2 AAC 45 should be directed to the Single Audit Coordinator at (907) 465-4666 or single.audit@alaska.gov.

Questions regarding a specific compliance supplement should be directed to the funding agency's single audit contact. A list of the Single Audit Contacts for state agencies and component units who receive centralized single audit monitoring services from the State of Alaska's Single Audit Coordinator's office is on the following page and can also be found at http://doa.alaska.gov/dof/ssa/resource/sa_contacts.pdf.

LIST OF SINGLE AUDIT CONTACTS

SINGLE AUDIT COORDINATOR FOR THE STATE OF ALASKA: ELIZABETH (BUFFY) PEDERSON 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 Sara Phillips -- 465-5653 / Fax 465-2194 Division of Administrative Services P.O. Box 110208, Juneau, AK 99811 sara.phillips@alaska.gov	ENVIRONMENTAL CONSERVATION Heidi Thomerson -- 465-5041 / Fax 465-5070 Division of Administrative Services P.O. Box 111800, Juneau, AK 99811-1800 Heidi.thomerson@alaska.gov
ADMINISTRATION, SURPLUS PROPERTY ALI PETERSHOARE -- 465-1474/ Fax 465-2189 Dept. of Administration, Division of Shared Services P.O. Box 110210, Juneau AK 99811-0210 Ali.petershoare@alaska.gov	FISH & GAME Thane Kelly -- 465-6069 / Fax 465-6430 Division of Administrative Services P.O. Box 22526, Juneau, AK 99811-5526 THANE.KELLY@ALASKA.GOV
ALASKA COURT SYSTEM Rhonda McLeod -- 264-8215 / Fax 264-8292 Office of the Administration Director 820 W 4 th Ave, Anchorage, AK 99501-2005 rmcleod@courts.state.ak.us	HEALTH & SOCIAL SERVICES Linnea Osborne -- 465-3120 / Fax 465-2499 Finance and Management Services P.O. Box 110602, Juneau, AK 99811 linnea.osborne@alaska.gov
ALASKA ENERGY AUTHORITY Dona Keppers -- 771-3031 / Fax 771-3044 Finance Department 813 West Northern Lights Blvd, Anchorage, AK 99503 dkeppers@aidea.org	LABOR AND WORKFORCE DEVELOPMENT Erika Klawonn -- 465-5982 / Fax 465-2107 Office of the Commissioner P.O. Box 21149, Juneau, AK 99802-1149 Erika.klawonn@alaska.gov
ALASKA HOUSING FINANCE CORPORATION Christie Wilcheck -- 330-8270 / Fax 338-2585 Planning and Program Development Department P.O. Box 101020, Anchorage, AK 99510-1020 cwilcheck@ahfc.us	LAW JoAnn Pelayo -- 465-5427 / Fax 465-5419 Division of Administrative Services P.O. Box 110300, Juneau, AK 99811 joann.pelayo@alaska.gov
ALASKA MENTAL HEALTH TRUST AUTHORITY Lucas Lind -- 269-7999 / Fax 269-7966 3745 Community Park Loop, Ste 200, Anchorage, AK 99508 lucas.lind@alaska.gov	MILITARY & VETERAN'S AFFAIRS Tim Kelly -- 428-7250 / Fax 428-7269 Division of Administrative Services P.O. Box 5800, JBER, AK 99505 tim.kelly@alaska.gov
ALASKA STATE COUNCIL ON THE ARTS Erica Cuzzort -- 465-8655 / Fax 463-5279 Division of Education Support Services P.O. Box 110500 Juneau, AK 99811 erica.cuzzort@alaska.gov	NATURAL RESOURCES Shonda Belknap -- 465-3771 / Fax 465-3886 Division of Support Services 400 Willoughby Ave., Ste 500 Juneau, AK 99801 shonda.belknap@alaska.gov
COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT Jesyca Ellenbecker -- 465-5541 / Fax 465-4761 Division of Community & Regional Affairs P.O. Box 110800, Juneau, AK 99811-0800 Jesyca.ellenbecker@alaska.gov	PUBLIC SAFETY Rick Wolverton (Silaj) -- 465-5501 / Fax 463-3769 Division of Administrative Services P.O. Box 111200, Juneau, AK 99811 Rick.wolverton@alaska.gov
CORRECTIONS Casey Bluhm -- 465-8168 / Fax 465-3253 Division of Administrative Services P.O. Box 112000, Juneau, AK 99811 casey.bluhm@alaska.gov	REVENUE Robert Doremus -- 465-2336 / Fax-465-2037 Division of Administrative Services P.O. Box 110410, Juneau, AK 99811-0410 Robert.doremus@alaska.gov
EDUCATION AND EARLY DEVELOPMENT Erica Cuzzort -- 465-8655 / Fax 463-5279 Division of Education Support Services P.O. Box 110500 Juneau, AK 99811 erica.cuzzort@alaska.gov	TRANSPORTATION & PUBLIC FACILITIES Elizabeth Dunayski -- 465-8445 / Fax 465-3124 Division of Administrative Services P.O. Box 112500, Juneau, AL 99811-2500 elizabeth.dunayski@alaska.gov

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: If Payroll is being reviewed, verify 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. 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: If testing for Types of service allowed or unallowed during payroll or expenditure test of controls, check if any of the employees charging to that grant award are involved in these unallowed activities and verify positive timekeeping is occurring.

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.

Responsibility for Third Parties Compliance Requirement

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.

Audit Requirements Compliance Requirement

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.

STATE PROGRAM COMPLIANCE SUPPLEMENTS

See below for a listing of State Programs with Compliance Supplements to be used for the program audit. If a program is State Funds being used as Federal Match, the Auditors should conduct Audit the same as a Federal Single Audit for the respective Assistance Listing Number (ALN). The Compliance Supplements can be found on DOF's website: http://doa.alaska.gov/dof/ssa/audit_guide.html

State of Alaska
Index to Single Audit Compliance Supplements
State Single Audit Guide May 2022

Program Name	State Agency	Program Number	Last Revised or Federal ALN
Rural Energy Programs	AEA	01	05/2020
Energy Development Program	AEA	02	05/2020
Senior Citizens Housing Development	AHFC	01	05/2021
Supplemental Housing Development	AHFC	02	05/2022
Weatherization Assistance for Low	AHFC	03	05/2021
Grants Match Program	AHFC	04	05/2022
Basic Homeless Assistance Program	AHFC	05	05/2022
Special Needs Housing Grant Program	AHFC	06	05/2022
Teacher, Health Professional and Public Safety Officials Grant Program	AHFC	07	05/2022
Trust Authority Grant Program	AMHTA	01	05/2012
Alaska State Council on the Arts Grant	ASCA	01	05/2018
Salmon Enhancement Tax	DCCED	01	05/2016
Capital Project Matching Grants	DCCED	02	05/2016
Grants to Named Recipients	DCCED	03	05/2015
Grants to Unincorporated Communities	DCCED	04	05/2015
Rural Development Assistance	DCCED	05	05/2016
Shared Fisheries Tax Program	DCCED	06	05/2007
Community Assistance Program	DCCED	07	05/2019
Alaska Regional Economic Assistance	DCCED	08	05/2013
Rural Utility Business Advisor (RUBA)	DCCED	09	05/2014
Grants to Municipalities	DCCED	10	05/2015
Village Safe Water Program (VSW)	DEC	01	05/2022
Remote Maintenance Worker Program	DEC	02	05/2022
Clean Water State Revolving Fund	DEC	03	05/2022
Drinking Water State Revolving Fund	DEC	04	05/2022
Alaska Clean Water Actions - State Match	DEC	05	ALN 66.460; 66.472
Beach Monitoring - State Match	DEC	06	ALN 66.472
Boarding Home Program	DEED	01	05/2020
Debt Retirement Program	DEED	02	05/2022
School Broadband Assistance	DEED	03	05/2022
Capital Improvement Projects for School	DEED	04	05/2021
Public School Funding Program	DEED	05	05/2022
Pupil Transportation	DEED	06	05/2021
District-Operated Residential Schools	DEED	07	05/2016
Alaska School for the Deaf	DEED	08	05/2022
Providence Heights School	DEED	09	05/2022

Interlibrary Cooperation Grant	DEED	10	05/2018
Low Incidence Disabilities (Special Education Service Agency - SESA)	DEED	11	05/2022
Public Library Assistance	DEED	12	05/2022
Youth in Detention Program	DEED	13	05/2020
State Head Start Program	DEED	14	05/2022
Capital Improvement Projects for School Districts Funded with State G.O. Bonds	DEED	15	05/2021
Comprehensive Behavioral Health – Prevention and Early Intervention	DHSS	01	05/2016
Comprehensive Behavioral Health – Treatment and Recovery Programs	DHSS	02	05/2022
Alcohol Safety Action Program	DHSS	03	05/2017
Senior and Disabilities Services – Community Based Grants	DHSS	04	05/2022
Independent Living Rehabilitation – Statewide Centers	DHSS	05	05/2019
Public Health Nursing	DHSS	06	05/2021
Capital Grant-In-Aid Program	DHSS	07	05/2014
Emergency Medical Services	DHSS	08	05/2019
Early Intervention/Infant Learning	DHSS	09	05/2021
Residential Child Care Program	DHSS	10	05/2022
Tobacco Prevention and Control Grant	DHSS	11	05/2022
Rural Human Services Systems	DHSS	12	05/2018
Human Services Community Matching	DHSS	13	05/2014
Medicare Counseling and Outreach	DHSS	14	05/2022
Aging & Disability Resource Centers and Developmental Disability Resource Connection Program	DHSS	15	05/2021
Children’s Advocacy Centers	DHSS	16	05/2022
Senior and Disabilities Services – Community Based Grants-Title III	DHSS	17	05/2019
Senior Residential Services Program	DHSS	18	05/2022
Youth Courts/Community Panels	DHSS	19	05/2016
Community Initiative Matching Grants	DHSS	20	05/2018
Trauma System	DHSS	21	05/2013
Positive Youth Development Afterschool	DHSS	22	05/2020
Health Promotion and Disease Prevention – State Match	DHSS	23	ALN 93.043
National Family Caregiver Support – State	DHSS	24	ALN 93.052
Family Reunification – State Match	DHSS	25	ALN 93.556
Native Family Assistance – State Match	DHSS	26	ALN 93.558
Child Care Licensing – State Match	DHSS	27	ALN 93.575
Child Care Resource and Referral – State	DHSS	28	ALN 93.596

Services for Adoption Support – State	DHSS	29	ALN 93.659
Statewide Coordination of Parenting and Prevention Services – State Match	DHSS	30	ALN 93.659
Emergency Shelter Services for Youth –	DHSS	31	ALN 93.669
Mentorship for Independent Living –	DHSS	32	ALN 93.674
HIV Care – State Match	DHSS	33	ALN 93.674
Adult Rural Peer Support – State Match	DHSS	34	ALN 93.917
Independent Case Management and Flexible Supports – State Match	DHSS	35	ALN 93.958
Permanent Supportive Housing- ACT –	DHSS	36	ALN 93.958
Recidivism Reduction – State Match	DHSS	37	ALN 93.958
Supported Employment – State Match	DHSS	38	ALN 93.958
Therapeutic Court – State Match	DHSS	39	ALN 93.958
Bethel Community Service Patrol and Sobering Center – State Match	DHSS	40	ALN 93.958
Pregnant and Parenting Women SUD Services – State Match	DHSS	41	ALN 93.959
Sobering Center, Withdrawal Management and Residential SUD	DHSS	42	ALN 93.959
Family Support – State Match	DHSS	43	ALN 93.959
Nutrition, Transportation and Support Services – State Match	DHSS	44	ALN 93.990
Parent Navigation – State Match	DHSS	45	ALN 93.044, 93.045
Child Care Assistance – State Match	DHSS	46	ALN 93.251, 93.994
Circles of Support – State Match	DHSS	47	ALN 93.575, 93.596
Alaska Adult Education Program	DLWD	01	05/2022
State Training and Employment Program	DLWD	02	05/2019
Technical and Vocational Education	DLWD	03	05/2019
Alaska Construction Academies Grant	DLWD	04	05/2021
Emergency Management Program	DMVA	01	05/2016
Public Assistance Program	DMVA	02	05/2016
Hazard Mitigation Grant Program	DMVA	03	05/2018
Pre-Disaster Mitigation Program	DMVA	04	05/2018
Snowmachine Trail Program	DNR	01	05/2022
Alaska Public Broadcasting Commission	DOA	01	05/2013
Shared Taxes – Commercial Passenger Vessel Excise Taxes	DOR	01	05/2022
Grant Program	DOT&PF	01	05/2019
Municipal Harbor Facility Grant	DOT&PF	02	05/2019
Edward Byrne Memorial Justice Assistance (JAG) Program Sub-Grants	DPS	01	05/2021
Council on Domestic Violence and Sexual Assault (CDVSA) Grants	DPS	02	05/2021
Village Public Safety Officer Program	DPS	03	05/2021