

# Single Audits and Internal Control Systems

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June 8, 2021

# Introduction/Overview

What is a single audit?

When do you need a single audit?

What does the federal government expect from all recipients, including subrecipients?

# Single Audits – What? When?

What is a Single Audit?

- An audit of compliance with grant requirements and internal controls over those requirements?

When do you NEED a “Single Audit”?

- \$750,000 + in federal funding in a fiscal year

What does the Federal Government expect of grant recipients, including subrecipients?

# Single Audits – Expectations

## § 200.303 Internal controls.

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

# Baseline Assessment

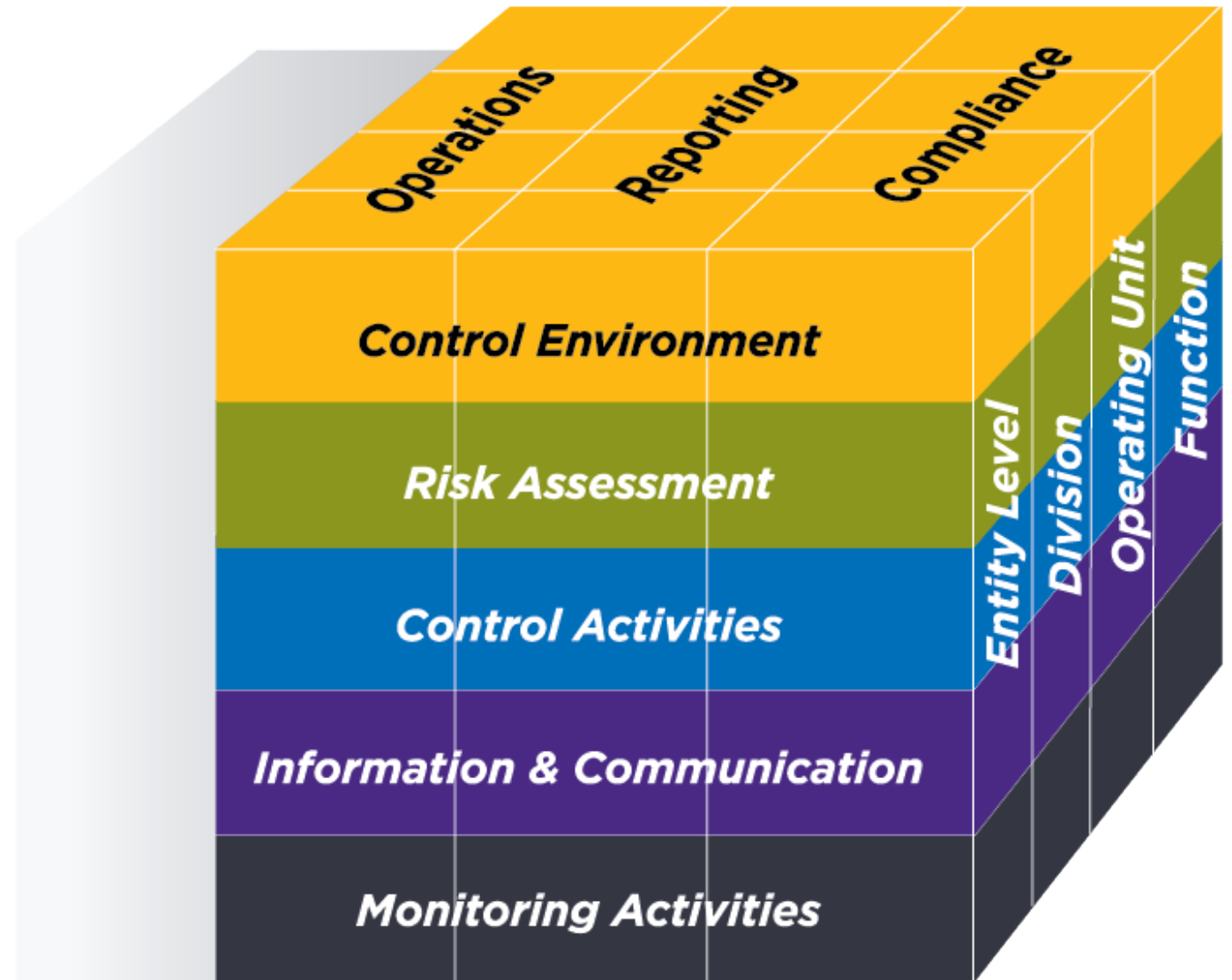
[bit.ly/icbaseline](https://bit.ly/icbaseline)

# Results

[bit.ly/baselinereports](https://bit.ly/baselinereports)

# Fundamental Concepts

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# Internal Control System Components:

## Control Environment

“The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.”



# Internal Control System Components:

## Risk Assessment

“Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.”

# Internal Control System Components:

## Information and Communication

“The quality information management and personnel communicate and use to support the internal control system.”




# Internal Control System Components:



## Monitoring

“Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.”



# Internal Control System Components:

## Control Activities

“The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system.”

# Application



Photo courtesy of Google Maps

# Why did this happen?

“Although the Board did have an audit committee, district officials informed us that the committee did not report regularly to the Board on financial matters.”

(Page 11, Anatomy of a Scandal)

# Why did this happen?

“The District did not establish written policies and procedures for the following specific items/functions:

- Cash receipts and revenue collection,
- Cash disbursements and accounts payable,
- Payroll,
- etc.

(Page 12, Anatomy of a Scandal)

# Why did this happen?

“[The internal claims auditor] did not perform his duties in the best interest of the District if at all. For example, ...District checks were processed and mailed prior to [him] reviewing and approving the claims.”

(Page 13, Anatomy of a Scandal)



# Why did this happen?

“[The Superintendent’s secretary] signed the District’s checks.”

(Page 14, Anatomy of a Scandal)

# Why did this happen?

“District checks were paid directly to vendors without the use of purchase orders”

(Page 18, Anatomy of a Scandal)

# Why did this happen?

“Changes were made to the District’s computerized accounting records to conceal fraudulent purchases totaling more than \$6 million.”

(Page 20, Anatomy of a Scandal)

# Why did this happen?

“...provisions of the Superintendent’s contract lacked specificity, creating the potential for misunderstanding and abuse.”

(Page 24, Anatomy of a Scandal)

# Why did this happen?

“The majority of documentation for claims that [the Superintendent] submitted was missing or incomplete.”

(Page 19, Anatomy of a Scandal)

# Why did this happen?

“The annual audit of the District did not meet 9 of 22 required professional standards for such an audit.”

(Page 6, Independent Audit Services)

# Why did this happen?

“...the District had not prepared a written RFP for [its professional services contract for the audit].”

(Page 12, Independent Audit Services)



Q&A



# Additional Questions?

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