



LEGISLATIVE AUDIT

THE PROCESS, APPROVAL, AND RESULTS OF REPORTS

JANUARY 13, 2021



TYPES OF REPORTS

- Idaho Code Section 67-702 provides the authority to complete four main types of reports each year as follows:
 - Financial audit of the Comprehensive Annual Financial Report (CAFR) and corresponding Internal Control Report
 - Annual Single Audit Report
 - Management Review Reports
 - Additional audit services as authorized by Legislative Council

THE PROCESS

- We plan our work in cycles, based on the deadlines for our required audit work
 - CAFR work cycle – July through December
 - Single Audit work cycle – July through March
 - Management Review work cycle – March through December
 - Entity Opinion Audit work cycle – March through January

AUDIT AND REVIEW PROCEDURES

- Preliminary planning to identify the scope for the audit or review
- Assignment and scheduling of staff
- Fieldwork
- Review and report drafting
- Finalize report
- Approval for release from JFAC co-chairs
- Issuance of report to all members and other designated distribution
- Follow-up on findings

SELECTION OF AGENCIES

- CAFR Audit – Agencies are visited based on their contribution to material activity for the state as a whole
- Single Audit – A risk analysis is completed for all programs in which the state receives federal assistance, utilizing a methodology provided in the Uniform Guidance of the Code of Federal Regulations for single audits
- Management Reviews – Tracking schedule of all state agencies to identify what agencies are due for a three-year cyclical review and a discussion of known risk factors that may lead to a review being completed sooner than three years
- Entity Opinion Audits – Agreed upon timing with the entities

ISSUANCE DATES

- CAFR - Idaho Code Section 67-1001(2) requires submission of this report (in compliance with generally accepted accounting principles (GAAP)) to the Governor and Legislature by the first day of January, which requires our audit opinion by December 31
- Single Audit Report – Federal guidelines require that the Single Audit Report be submitted no later than March 31 each year—this year has an extension of 3 months based on CARES Act funding
- Management Review Reports – Our goal is to issue all Management Review Reports by the end of December
- Entity Opinion Audits – Our goal is to issue these reports within 6 months of starting planning, dependent on timing with CAFR and Single Audit work.

CAFR REPORTING

CAFR reporting is a two-step reporting process from the auditors

- First, the Independent Auditor's Report with our opinion on the financial statements, which is included in the CAFR document supplied to the Governor and Legislature
- Second, Government Auditing Standards require an Independent Auditor's Report on Internal Control and Compliance, which must be released within 60 days of the Independent Auditor's Report
 - This contains the findings and we release it as the Internal Control Report

CAFR INTERNAL CONTROL REPORT

- Transmittal letter explaining the purpose of the report
- Independent Auditor's 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
 - References findings that are significant deficiencies or material weakness in internal controls
 - References findings of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts
- Schedules of current and prior findings
- Management's corrective action and follow-up on prior findings
- This report is submitted for approval prior to release by the JFAC co-chairs

SINGLE AUDIT REPORT

- Audit of federal assistance expended by the state
- The “reporting package” includes the following:
 - CAFR with the Independent Auditor’s Report and Internal Control Report
 - Schedules of Expenditures of Federal Assistance (SEFA) by federal agency and also by state agency
 - Auditor’s Results including both CAFR and Single Audit Report findings
 - Management’s Corrective Action
 - Management’s Follow-Up on Prior Findings
 - The report is submitted for approval prior to release by the JFAC co-chairs

MANAGEMENT REVIEW REPORTS

- Idaho Code Section 67-702(c) authorizes us to perform a management review of each executive department of state government at least once in a three (3) year period
- We maintain a schedule to track visits to agencies and plan our audit hours based on complying with this requirement and the best use of the resources we have available
- We completed 27 agency reviews during the 2020 summer for the Fiscal Year 2017-2019 cycle and issued 14 findings
- One review remains to be issued

OPEN FINDINGS

- We provide a spreadsheet of open findings to LSO's Budget and Policy Division for use by JFAC during the budget hearing/setting process
- This year we are also issuing a more detailed Report on Uncorrected Findings discussing 61 open findings related to fiscal year 2017-2019 reports, including 7 related to Health District audits
 - 6 open findings related to the CAFR audits
 - 20 open findings related to the Single Audit Reports
 - 27 open findings related to Management Review Reports

ISSUANCE, FINDINGS, AND OPEN FINDINGS FISCAL YEARS 2019-2017

Report Type	2019			2018			2017		
	Number of Reports Issued	Findings Issued	Open Findings	Number of Reports Issued	Findings Issued	Open Findings	Number of Reports Issued	Findings Issued	Open Findings
Management Review	26	14	12	24	14	9	18	21	6
Agreed-Upon Procedures	2	0	0	2	0	0	2	0	0
Individual Entity Opinion Audit	3	0	0	5	2	2	5	6	5
Comprehensive Annual Financial Report	1	5	5*	1	6	1	1	2	0
Single Audit Report	1	18	18**	1	13	1	1	15	1
Total	33	37	36	33	35	13	27	44	12

*Follow-up work will be completed and reported in the Internal Control Report for fiscal year 2020 issued in February 2021

**Follow-up work will be completed and reported in the Single Audit Report for fiscal year 2020 issued in spring 2021

CAFR FINDING EXAMPLE

- Agency: Idaho State Tax Commission
- Finding: 2019-104--Evidence of review for sales tax distributions and reversal reconciliations was not maintained
- Type of Finding: Significant Deficiency in Internal Controls
- Risk: Errors in sales tax distributions or reversals could go undetected and uncorrected
- Recommendation: We recommended that the Commission ensure that internal control procedures are in place and consistently applied and that documentation of control activities is improved to ensure segregation of duties
- Corrective Action Plan: The Commission provided detailed review procedures that once implemented should address the concern
- Next Review: The Office of the State Controller will provide a review of completion of the Commission's corrective action plan, and a determination if it adequately corrects the finding that will be included in the Fiscal Year 2020 Internal Control Report

SINGLE AUDIT FINDING EXAMPLE

- Agency: Idaho Department of Health and Welfare
- Finding: 2019-204--The Department did not meet the minimum earmarking requirements for the Crime Victim Assistance grant that was finalized during State fiscal year 2019 grant
- Type of finding: Material weakness, material noncompliance
- Risk: The Department was not in compliance with grant requirements and risks the federal grantor requesting repayment or imposing penalties
- Recommendation: We recommended that the Department develop and implement internal control procedures to ensure the correct allocation of funds to priority victim categories in compliance with federal grant requirements
- Corrective Action Plan: The Department provided detailed review procedures that once implemented should address the concern
- Next Review: The Office of the State Controller will provide a review of completion of the Department's corrective action plan, and a determination if it adequately corrects the finding that will be included in the Fiscal Year 2020 Single Audit Report

MANAGEMENT REVIEW FINDING EXAMPLE

- Agency: Idaho Brand Board
- Finding I, repeated from the prior report: Procedures and controls over the proceeds collected under hold orders on the sale of livestock continue to be inadequate to prevent or detect errors or the misappropriation of funds
- Reason for Repeat: The Board originally provided a corrective action plan that was not adequately designed or implemented and did not reduce the risk which resulted in repeating the finding
- Risk: The lack of adequate procedures and controls over funds held and submitted by stockyards creates an opportunity for the misappropriation of funds and noncompliance with state laws
- Recommendation: We recommended that the Board implement procedures and internal controls to ensure that money held as the result of hold orders is adequately tracked and reconciled to release orders and to ensure unclaimed funds are submitted within 60 days of the sale
- Corrective Action Plan: The Board provided a modified corrective action plan utilizing manual entry and electronic tracking of hold orders along with implementing additional new control procedures
- Auditor's Concluding Remarks: We indicated that if the corrective action plan were fully implemented and that it includes clearly identifying and tracking hold orders with adequate documentation, the concerns identified should be corrected
- Next Review: This finding was included in the Management Review issued December 10, 2020 and we will complete follow-up procedures after March 31, 2021

ACCESS TO REPORTS

- All of our reports are emailed to the members and available on our website at www.legislature.idaho.gov
 - Idaho Code Section 67-435(2) provides the procedures for release of audit reports by the joint finance-appropriations committee
 - Reports are delivered to the co-chairs for review and approval prior to release
 - Hearings are allowed at the discretion of the co-chairs
- The Report on Uncorrected Findings that includes all fiscal year 2017-2019 uncorrected findings will be released soon, and be available on our website
- Reports, and our workpapers, are public documents once the report is released