

ACCOUNTING POLICY

TOPIC: Audit 8.0 Section 16--Audit	EFFECTIVE DATE: 8/7/95
TITLE: Audit Waiver	REVISION DATE: 8/11/95
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BACKGROUND

Under Wisconsin Statute s.46.036(4)(C), the provider agency must furnish the purchaser with an annual audit for purchases exceeding \$25,000 unless waived by the Department. When the total financial assistance received is less than \$25,000, an audit is not required; therefore, the provider does not need a waiver from the Department. Note that all licensed group homes and child caring institutions must submit an audit to the Department, regardless of the contract amount, in order to meet federal reporting requirements. Close-out audits for agencies whose grants have been terminated by DHSS for cause also may not be waived.

POLICY

Uniform procedures are needed for the handling of audit waiver requests received from DHSS grantees. Mechanisms are necessary to ensure that the appropriate personnel in the divisions funding the agency are aware of the audit waiver request so that they have input in the decision making process. The Secretary's Office, Office of Program Review and Audit (OPRA) also needs to be notified of any waiver so that OPRA does not attempt to obtain an audit from an agency where the regional or central office has granted a waiver of the audit.

PROCEDURES

The following procedures must be followed when granting an audit waiver to an agency:

1. Local agencies must request any waiver of the audit requirements from the appropriate office (regional office in the case of agencies contracting with the Divisions of Community Services and Economic Support, or the appropriate central office unit, as designated by each division's own policy, in the case of agencies contracting with any other division(s)).
2. The appropriate regional office or central office must contact OPRA prior to granting a waiver. The contact with OPRA must be appropriately

coordinated within the division and must follow established division procedures for processing requests for granting audit waivers.

OPRA will determine which divisions provided funding to the agency. If only one division provided funding, OPRA will notify the division, and the division will decide if a waiver is justified. If more than one division provided funding, OPRA will ensure that all divisions funding the agency are notified in writing of the request to obtain an audit waiver.

3. Requests for waivers will be evaluated, individually, against the following general criteria:
 - a. If the cost of an audit exceeds five percent (5%) of the total contract (as verified by written bid), an alternate year audit schedule that covers both years may be approved.
 - b. If it is determined that an audit would not be cost effective, or would otherwise place an undue burden upon the agency, staff of the appropriate regional or central office may waive the audit requirement. Staff must document the specific circumstances which support the granting of a waiver and indicate an alternate form of financial monitoring which will be substituted for an audit.
 - c. The audit requirement for county contracts with the Department of Industry, Labor, and Human Relations (DILHR) has been waived since the DILHR single audit is performed by the Legislative Audit Bureau. There is no need to require a separate copy of the audit report from DILHR when a county contracts with DILHR to operate an employment-related program. (Note that Private Industry Council Administrative Entities and Community Action Agencies are not exempt. They are subject to the Federal Single Audit Act and should be required to furnish a copy of the single audit).
 - d. In instances where a division is reluctant to grant a full waiver, other considerations may justify granting a limited waiver. For example, for large corporations for which the local agency business constitutes only a small part of the business of the parent corporation, a current corporate certified audit report and a statement of revenues and expenses for the contracted services may be accepted in lieu of a certified audit of the contracted services.
4. For agencies receiving funding from only one division, after the appropriate regional or central office has made a decision as to whether or not granting the waiver is warranted, the regional or central office must: (a) notify the agency in writing of the decision to either grant or deny the waiver; and (b) include in this correspondence the reason for the division's audit waiver decision. The appropriate regional or central office must send OPRA a copy of this written notice.
5. For agencies receiving funding from more than one division, after being notified by OPRA of the waiver request under step #2, each division affected by the waiver request will notify OPRA in writing of its decision as to whether or not a waiver request should be granted. The

reason for granting or denying the audit waiver must be included in the correspondence to OPRA. If any one division disagrees with granting an audit waiver, the waiver will not be granted. If all affected divisions agree with granting a waiver, a waiver will be granted.

6. For agencies receiving funding from more than one division, OPRA will:
(a) be responsible for notifying the agency in writing of the Department's decision on whether or not to grant the request to waive the audit requirement; and (b) provide each affected division with a copy of this written notice.

REFERENCE

Wisconsin Statute s.46.036(4)(C)
DHSS Financial Management Manual
CONTRACT ADMINISTRATION 2.0 (Required Standard Contract Language)
DHSS contract with the agency

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