

AUDIT MEMORANDUM OF UNDERSTANDING

The Service Provider _____

is contracted to receive public funds from Central Ohio workforce Investment Corporation (COWIC) therefore; this Memorandum of Understanding sets forth the responsibilities of the parties regarding the audit requirements of the Service Provider's contract consistent with COWIC's policy and procedures. The Service Provider, depending on the level of Federal Funding, shall secure an audit that meets the requirements listed below in Scope of Audit. Furthermore, the purpose of this memorandum is to ensure complete audits as required by law. Failure to meet the requirements of OMB Circular A-133 or other referenced audit circulars referenced in this Memorandum of Understanding could result in withholding of current funds or the denial of future awards.

A. Duties of the Audit Contractor

1. General Duties

- a. The Audit Contractor shall complete all duties in accordance with requirements of this Memorandum of Understanding.
- b. The Audit Contractor shall make audit work papers available to the COWIC unconditionally and retain work papers for a minimum of six (6) years.
- c. The Audit Contractor affirms that they are properly licensed in the State of Ohio as a certified public accountant and in good standing.
- d. The Audit Contractor affirms that they meet the independence standards of the Government Auditing Standards, issued by the Comptroller General of the United States, and can maintain this independence through the engagement period.
- e. The Audit Contractor affirms that the audit will be completed and delivered within 9 months of the close of the Service Provider's fiscal year.

2. Scope of Audit

- a. The Audit Contractor shall complete financial and compliance audits in accordance with **generally accepted government auditing standards** (contained in Government Auditing Standards, issued by the U.S. Comptroller General); the Single Audit Act Amendments of 1996; and the provisions of the Office of the Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
- b. Type I- If the Service Provider expended \$500,000 or more in a year in federal awards, a single audit shall be performed in accordance with provisions of OMB, Circular A-133. The determination of when an award is expended should be based on when the activity related to the award occurs, as described in OMB Circular A-133 Subpart B- Audits §.205.
- c. Type II-Service Providers that expend less than \$500,000 a year in federal awards shall have a program-specific-audit performed in accordance with GAGAS, generally accepted government auditing standards along with the COWIC Agreed Upon Procedures listed in the Duties of the Audit Contractor # 4.
- d. When conducting the audits, the standards adopted by the American Institute of Certified Public Accountants (AICPA), specifically the *AICPA Audit and Accounting Guide for Not-for-Profit Organizations*, shall be utilized.
- e. In addition to the guidelines listed above, auditors should be familiar with the publications listed below:
 - i. Generally Accepted Auditing Standards (AICPA)
 - ii. Generally accepted Government Auditing Standards (referred to as the Yellow Book)
 - iii. OMB Circular A-133 "Audit of States, Local Governments, Nonprofit Organization"

- iv. OMB Circular A-133 Compliance Supplement
- v. Universities: administrative requirements 2 Code of Federal Regulations (CFR) 215 (formerly A-110) and cost principles 2 CFR 220 (formerly A-21).
- vi. State, local, Indian tribal governments: administrative requirements under OMB Circular A-102 - Grants and Cooperative Agreements with State and Local Governments and cost principles 2 CFR 225 (formerly A-87).
- vii. Non-profit entities: administrative requirements 2 CFR 215 and cost principles 2 CFR 230 (formerly A-122).
- viii. Hospitals: administrative requirements CFR 215 (formerly A-110) and cost principles 45 CFR 74 (HHS regulations).
- ix. For-profit entities: administrative requirements 2 CFR 215 and cost principles 48 CFR 31.2.
- x. AICPA pronouncements and publications
- xi. SAS 74 "Compliance Auditing Consideration in Audits of Governmental Entities and Recipients of Governmental Assistance."
- xii. Statement of Standards for Attestation Engagement.
- xiii. The following AICPA audit and accounting guides:
 - a) Audits of Colleges and Universities
 - b) Audits of State and Local Governmental Units
 - c) Audits of certain nonprofit organizations

3. Service Provider Exit Interview

The Audit Contractor shall schedule an Exit Interview with the Executive Director of the Service Provider, and representative. **The Audit Contractor shall prepare a draft audit and shall submit such report to the Service Provider and to COWIC at least five working days prior to the exit interview.** COWIC reserves the right to attend the Exit Interview. The purpose of the meeting shall be to review the draft audit report of the Audit Contractor and to agree to changes before the completion of the final audit report.

- a. The final audit report must be completed and submitted within Nine (9) months of the close of the Service Providers fiscal period.
- b. Audit reports shall include:
 - i. Report of Independent Auditors
 - ii. Audit reports required under Single Audit Act Amendments of 1996 and OMB A-133 as applicable.
 - iii. Audit reports required under government auditing standards:
 - iv. The Audit Contractor and the Service Provider must complete the required audits consistent with any applicable provisions of the Service Provider contract and consistent with the policy and procedures of the COWIC (i.e. non-discrimination, conflict of interest, etc.).

4. Type II - COWIC Agreed Upon Procedures

- a. Obtain the most recent WIA Contract close out reconciliation report that was completed by the Service Provider and submitted to the COWIC.
 - i. Make inquiries to management regarding the methods used to prepare the following budgetary items:
 - a) Overall budget
 - b) Allocation of non-personnel expenses and administrative overhead to each service.

- 1) WIA law and OMB Circulars require Service Providers to have an internally certified cost allocation plan or an approved indirect cost rate. As such the Audit Contractor should obtain and review these documents to determine the reasonableness of the methodologies adopted by the Service Provider.
 - ii. Document budgetary procedures used, evaluate the adequacy of procedures, and make recommendations as needed.
 - iii. Verify that all methods were consistently applied.
 - iv. Make inquiries regarding the Service Provider's method for separately recording expenditures against the contract.
 - v. Document procedures used for recording expenditures against the contract, evaluate the adequacy of procedures, and make recommendations as needed.
 - vi. Read the agreement relating to the Service Provider's contract.
 - vii. Compare the Service Provider's listing of expense items charged to the contract to the contract agreement.
 - viii. Select Expenditure Reports for the audit period, and trace expenditures to the statement of revenues and expenses generated by the Service Provider's accounting system.
 - ix. Examine actual costs to ensure that no unallowable costs have been included (as indicated in OMB Circular A-122 and A-110).
 - x. Quantify results related to the accuracy and completeness of Service Provider's invoice reports.
 - xi. Report finding as required by appropriate auditing standards.
- b. COWIC revenue and accounts receivable must be clearly identified in the financial statements as a separate line item or as a note to the financial statements.

B. Duties of the Service Provider

1. General Duties

- a. **The Service Provider shall provide the COWIC a complete copy of the fully executed contract entered between the Service Provider and the Auditor Contractor or the engagement letter.** If the Auditor Contractor provides other services to the Service Provider, in addition to the audit services, a list of additional services must be provided to the COWIC with the audit contract.
- b. **The Service Provider affirms that they have evaluated the Audit Contractor, for the appropriateness and adequacy of audit procedures (i.e. timelines), technical experience of the firm, qualification of staff, including recent pertinent continuing education and size and structure of the Audit Contractor.**
- c. The Service Provider shall provide the COWIC with copies (2) copies of the final audit and management letter, if applicable within 30 days of the completion of the audit engagement.
- d. The Service Provider shall permit access by representatives of the Audit Contractor and the COWIC to all information, including, but not limited to, financial, program, staff and other data, which is, in the sole discretion of such representatives of the Audit Contractor or the COWIC, necessary to complete the audits and agreed-upon procedures described in this Memorandum of Understanding.
- e. The Service Provider shall have all documents available in the form and time specified by the Audit Contractor to allow timely completion of the audit.
- f. The management comments shall include a response to each exception noted in the audit report and shall specify the corrective action the Service Provider shall perform to correct the condition noted in each exception.
- g. The Service Provider shall attend the audit exit meeting held pursuant to Section A.4.

2. Auditor Selection

If the audit fails to meet the standards set forth in this Memorandum of Understanding, then:

- a. In accordance with OMB A-133, auditing cost may not be charged to the Federal Award as outlined in Circular A-133 §-----.225 Sanctions.
- b. COWIC reserves the right to contract with an approved auditor to complete the audit in conformance with the standards set forth in this Memorandum of Understanding;
- c. The additional audit will be done at the Service Provider's expense; and
- d. The costs of such additional audit procedures are unallowable as program-related expenses for the Service Provider.

3. Corrective Action Plan Submission

Corrective Action Plan (CAP) submission is as follows:

- a. If a Service Provider's audit contains findings in the Schedule of Findings and Questioned Costs section of the audit/engagement report, Service Providers are required to provide COWIC/JOBLeaders with a CAP addressing those findings. For type I audit engagement reports, the CAP should address all findings and questioned costs reported by the auditor. For Type II audit reports, the CAP should address all material and reportable findings and questioned costs as required under §___315 of OMB Circular A-133. The Service Provider may seek the assistance of the auditor in preparing a CAP that address the weaknesses cited in the audit report.
- b. Service Providers should submit the CAP with their audit report to the COWIC. The CAP submitted by Service Providers should be prepared and submitted with written approval of the Service Provider's Executive Committee or designee representing the Board of Trustees/Directors.
- c. A CAP shall be prepared to address any qualified opinions and findings reported in the audit report.
- d. The Service Provider must provide quarterly updates of progress made toward implementation of CAP until full implementation is achieved.

4. Corrective Action Plan Content

- a. The CAP should include Service Provider responses indicating corrective actions already taken, additional actions to be taken or a statement supporting the Service Provider's belief that the corrective action is not necessary. The Board of Trustees/Directors of the Service Provider should acknowledge and signify approval of the comments and CAP's by signature before submitting the final CAP to COWIC.
- b. The content of the CAP must include at a minimum the following:
 - i. A citation of each audit or audit/engagement finding describing the weakness or the adverse findings.
 - ii. A description of the activities that will take place to correct the situation(s) for each finding.
 - iii. The time-frames for completion of the corrective activities.
 - iv. The name(s) of contact person(s) responsible for corrective action(s).
 - v. A statement signed by the Board's/Service Provider's Executive Director and a written resolution by the responsible Board of Directors/Trustees that the CAP is acceptable and its implementation will be monitored to assure correction of cited conditions during the subsequent fiscal year.

Central Ohio Workforce Investment Corporation
Audit Memorandum of Understanding

IN WITNESS WHEREOF, the parties below enter into this Memorandum of Understanding this ____ day of _____, 2010.

Suzanne Coleman Tolbert
President/CEO, COWIC

Witness

Executive Director

Witness

Service Provider Name (Please print)

Audit Contractor

Witness

(Please print name and firm's name, if applicable, on the line above.)