

# LEGISLATIVE AUDIT DIVISION

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## MEMORANDUM

**TO:** Members of the Legislative Audit Committee

**FROM:** Alexa O'Dell, Manager  
Karen Cohlhepp, Manager  
Courtney Johnson, Supervisor  
Katie Majerus, Supervisor  
Shandell VanDonsel, Supervisor  
Jenna Stamper, Associate

**DATE:** December 16, 2024

**RE:** Financial Audit Model Reform - Annual Single Audit Transition

Since the passage of House Bill 132, the Financial-Compliance Audit Team began the process of strategizing our transition to annual single audits beginning with state fiscal year 2026. We made preliminary decisions regarding how we structure our audit work and when we will begin to complete the work in our new software. Additionally, we believe there may be opportunities to streamline the engagement process, and we will be performing further research in this area, for the last biennial audit covering fiscal years 2024 and 2025.

In the September Legislative Audit Committee meeting, Cindy Jorgenson presented information on audit appropriation estimates for the 2027 biennium. At that time, our estimates were based on an anticipated 30 major federal programs. Since then, we continue to monitor expenditure activity and see the potential for additional, less familiar, major federal programs to require testing in during the next single audit. Overall, the continuous up-tick in the number of major federal programs since the fiscal years 2018 and 2019 Single Audit period, and the associated time needed to complete audit work over them, has contributed to the state not meeting the last single audit deadline. Not meeting the deadline condenses the timeframe available to complete the next audit and condenses our workload into a shorter calendar timeframe. At this time, we envision meeting the March 31, 2027, federal deadline will be a challenge for the state. Our team is brainstorming ideas to help better ensure the state can meet federal reporting deadlines in the future. With this goal in mind, we have identified a few opportunities that we either are pursuing or have already pursued, as discussed below.

- We will be implementing a new tool for the next single audit to help gather preliminary information on policies and procedures from state agencies, including examples of internal controls, for all anticipated major federal programs before beginning our planning work. Having this information in advance will allow us to better understand programs' administration and structure and make better use of our time with agency personnel. We also envision the tool will help agency personnel better understand our audit requirements and what the compliance supplement directs us to audit.

- We will be working more proactively and collaboratively with agencies to identify and agree on timeframes for our team members to be available to complete audit work and agency employees to be available to answer our questions and provide requested documents.
- We partnered with the Governor's Office of Budget and Program Planning to provide training to state agency employees on internal controls over federal compliance and the Single Audit requirements and processes. Participants across state agencies and the universities were invited to attend the training on November 19, 2024. OBPP staff presented on internal control concepts, and LAD staff presented on audit requirements and discussed the items in the two previous bullets. The training was well attended, with over 200 state employees participating online in addition to those attending in person. A minimum of 16 state agencies and universities had staff attend the training.

As we complete the next Single Audit, we hope to identify additional opportunities to introduce efficiencies into the process for the state.