



April 2002

State of Wisconsin Single Audit

We have completed a financial and compliance audit of the State of Wisconsin, as requested by state agencies to meet the audit requirements of the federal Single Audit Act of 1984, as amended, and the provisions of federal Office of Management and Budget Circular A-133. In addition, the audit assists us in meeting state audit requirements under s. 13.94, Wis. Stats. The audit covers the period from July 1, 2000 through June 30, 2001.

Federal funds administered by the State have been steadily increasing over the past five years. During fiscal year (FY) 2000-01, state agencies, including the University of Wisconsin (UW) System, administered \$7.2 billion in cash and non-cash federal assistance. This is \$1.9 billion, or 35.8 percent, more than the \$5.3 billion in federal assistance state agencies administered in FY 1996-97. Five large agencies—the Department of Health and Family Services (DHFS), the Department of Workforce Development (DWD), UW System, the Department of Transportation, and the Department of Public Instruction—administered 88.1 percent of the federal financial assistance and 22 of the State's 29 major federal grant programs.

Most state agencies have complied with federal grant requirements and have taken steps to address concerns raised in prior years. We question a total of \$124,829 in costs that were inappropriately charged to federal grants and in interest earnings lost to the federal government because of delays in returning unspent federal funds. These questioned costs represent a very small portion of total federal financial assistance and are significantly less than the \$1,027,571 we questioned in our FY 1999-2000 audit.

DHFS administers some of the largest and most complex programs funded with federal funds. One such program, Foster Care, is typically operated by counties. However, DHFS both administers and operates the program in Milwaukee County. Milwaukee County performed foster care provider licensing services under a contract with DHFS during our audit period.

Our review identified serious internal control concerns with Milwaukee County provider licensing, payment documentation and eligibility, and other matters. For example, 3 of 11 licensing files we reviewed contained no evidence that required criminal records checks had been performed, and 7 files had missing, incomplete, or otherwise deficient materials related to licensing. We also found exceptions in 19 of the 49 Milwaukee County case files that we reviewed for documentation of payments to providers. In total, we questioned \$33,075 in foster care payments. DHFS has already repaid the federal government for these exceptions. However, it is likely that a large portion of the approximately 6,700 other Milwaukee County case files also contain undocumented payments and other deficiencies. Because some of our findings represent a continuation of previously noted problems, and because of both an increased rate of exceptions and the potential for material questioned costs had all of the cases been tested, we consider these issues to be the most serious internal control weaknesses identified during our audit.

DHFS recognizes the importance of these issues and is taking steps to resolve them. It has already contracted with a new licensing agency and has reassigned responsibility for managing foster care cases at two case-management sites.

In our FY 1999-2000 single audit report, we noted serious concerns with DWD's administration of the Vocational Rehabilitation program, including issues with third-party contracts and direct payments to clients. DWD is making progress in addressing these deficiencies. For example, it has ceased its questionable practice of requiring certain third-party contractors to bill for costs before they are incurred. In addition, DWD has developed reasonable policies to restrict direct payments to clients and is establishing a central unit to process these payments. For the current audit period, we question just \$786 in direct payments that did not meet documentation requirements.

We also questioned \$10,000 in interest the State earned at the expense of the federal government because DWD delayed returning unspent Vocational Rehabilitation program funds, and \$45,741 the State received because of errors DWD made in calculating transfers from the Temporary Assistance for Needy Families grant to the Social Services Block Grant. Other questioned costs include \$5,412 in charges and lost interest related to the student financial aid programs at UW System, and \$29,815 in excess reimbursements to school districts under the School Breakfast Program, which is administered by the Department of Public Instruction.

[full report, PDF file \(837KB\)](#)