



May 2001

### 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, 1999 through June 30, 2000. During this period, state agencies, including the University of Wisconsin System, administered \$6.3 billion in cash and non-cash federal assistance.

While, overall, we found that state agencies complied with federal grant requirements, we question \$1,027,571 in costs the State charged to federal grants and in lost interest earnings to the federal government because of various delays. The amount the State may be required to repay the federal government is likely to be less than the amount questioned because the federal government may allow the State to substitute qualified expenditures for the expenditures that we question. However, the amount questioned is significantly greater than the \$688,051 we questioned in our fiscal year (FY) 1998-99 audit and the \$293,474 we questioned in our FY 1997-98 audit.

We continue to have concerns at the Department of Workforce Development (DWD), which administers some of the larger and more complex federal programs. In total, we question \$934,137 that DWD charged to federal grant programs or that was lost interest earnings to the federal government because of various delays. Two of the more significant concerns relate to contracts and direct payments to clients for the Vocational Rehabilitation program.

DWD contracted with the Department of Commerce to provide funds to businesses that agreed to expand their operations and reserve newly created jobs for Vocational Rehabilitation clients. In a highly questionable practice, on September 29, 1999, the day before the grant period expired, DWD amended its contract and prepaid Commerce for services. We found the manipulation of contracts and payment procedures was done to avoid the lapsing of federal funds. We consider this issue to be a material violation of federal regulations and, therefore, qualified our opinion on compliance with federal regulations and questioned \$248,732.

We also continue to have concerns with unsupported payments to Vocational Rehabilitation clients, which were previously discussed in other financial and program evaluation reports. During FY 1999-2000, DWD made over 17,000 payments, totaling over \$5 million, directly to Vocational Rehabilitation clients. We tested 56 payments made during FY 1999-2000 and found payments totaling \$12,137 were not supported by receipts or other documentation. To assess remedial action taken by DWD in August 2000, we tested an additional 22 direct payments made in October and November 2000 and found payments totaling \$8,583 were not supported. Because of the large number of direct payments made during our audit period, and the likelihood of additional unsupported payments, we believe this area to be a material weakness in DWD's internal controls.

We question a variety of other costs charged to grant programs by DWD and other state agencies. For example, we question:

- \$329,107 because non-federal matching expenditures may have been applied to incorrect Vocational Rehabilitation award years by DWD;
- \$200,896 in costs DWD inappropriately charged to prior-year awards under the Temporary Assistance for Needy Families (TANF) program, and an additional \$98,964 because of errors it made in calculating the amount of TANF funds to transfer to the Social Services Block Grant;
- \$35,718 in questioned costs for other federal programs administered by DWD;

- \$57,750 in program income that a nonprofit corporation under contract with the Department of Administration collected but did not report to the Department;
- \$22,791 in salary and fringe benefit costs the Department of Military Affairs charged to a federal grant for two employees who did not document their work effort in accordance with federal regulations; and
- \$12,640 in costs incurred by the University of Wisconsin, and \$253 by the Department of Health and Family Services.

We also reviewed cash management at the Department of Transportation (DOT). We determined that DOT did not review and liquidate encumbrances related to highway construction projects in a timely manner, resulting in up to \$811,000 in state funds being used to subsidize federal funds during FY 1999-2000, and up to \$40,000 in lost interest earnings to the State. We also note that during FY 1999-2000, DOT did not perform all of the federally required tests to verify that the materials used in highway projects meet minimum quality standards.

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[full report, PDF file \(835KB\)](#)