

97-16 University of Wisconsin System 1995-96

Summary

The University of Wisconsin (UW) System disbursed \$459 million in federal financial assistance during fiscal year (FY) 1995-96. This amount includes \$254 million for research and development grants, \$134 million in student financial aid, and \$71 million for other federal grants. UW System, as a condition of receiving federal financial assistance, is required to have an independent audit of its financial statements and of its compliance with federal program requirements. We performed this audit at the request of UW System Administration on behalf of the UW campuses that received federal financial assistance, and to help meet our audit requirements under s. 13.94, Wis. Stats. As necessary parts of the audit, we reviewed the internal control structure, assessed the propriety of receipts and disbursements, and tested compliance with federal program requirements at four UW campuses—UW-Madison, UW-Milwaukee, UW-Oshkosh, and UW-Whitewater—as well as at UW-Extension. At all UW campuses, we followed up to determine campuses' efforts to address concerns and recommendations included in our prior single audit report (96-12).

Our unqualified audit opinion on UW System's basic financial statements was included in the UW's Annual Financial Report for the fiscal year ended June 30, 1996. This report, which was issued in February 1997, is available from UW System Administration, Office of Financial Administration.

We found that UW System was in substantial compliance with federal program requirements. We noted several instances of noncompliance with federal grant requirements and, in total, questioned \$2,060 of costs charged to federal programs. These costs represent only a small fraction of the total federal financial assistance disbursed during the year. In addition to audit findings that resulted in questioned costs, our audit report discusses instances of noncompliance that either have no direct effect on the amount of federal financial assistance received or for which we could not readily determine the amount of questioned costs.

Our follow-up to the comments and recommendations included in our prior single audit report shows that UW campuses have made efforts to address our prior concerns. However, as summarized below, we continue to have concerns at several campuses in the areas of preparing the schedule of federal awards, property management, and timely deposit of student financial aid refunds.

Preparation of the Schedule of Federal Awards

UW System Administration Financial Reporting is responsible for the preparation of the UW System Schedule of Federal Awards. To prepare the Schedule, Financial Reporting relies on information provided by the various campuses. However, during our review of federal grant accounts and grant agreements at the UW campuses, we found problems with the information submitted to Financial Reporting and with the preparation of the Schedule of Federal Awards. For example, grants were incorrectly classified as research and development grants or as other, nonmajor grants; Catalog of Federal Domestic Assistance numbers were incorrect for some grants and missing for many others; and the type of entity providing subgrant funds was not always correctly identified. Some of these classification errors and missing catalog numbers occurred because the federal government and subgranting organizations do not always provide campuses with the catalog numbers on the various grant documents.

During the course of our fieldwork, we suggested numerous audit adjustments to the Schedule of Federal Awards. However, the schedule still may not always present the correct amounts for the major research and development program and nonmajor programs and does not provide the catalog number for several grants. We include a recommendation that UW System Administration work with each of the campuses to ensure that information included in the grant schedule is accurate and complete.

Property Management

The federal government prescribes property management standards that UW campuses must follow for equipment acquired with federal funds or otherwise furnished by the federal government. However, at several campuses, including UW-Madison, UW-Milwaukee, UW-La Crosse, UW-Platteville, UW-River Falls, and UW-Extension, we noted various problems with property management. Some of these problems included failure to complete an annual physical inventory of property, as required by federal regulations; lack of reconciling inventory records to the results of the physical inventory; and not maintaining accurate inventory records. Many of these property management concerns have existed for several years, and we note that UW campuses need to place priority on property management in order to comply with federal requirements.

Refunds

UW campuses and UW Colleges administer student financial aid programs and should strive to comply with federal regulations related to these programs. Federal regulations provide specific guidance on how campuses are to handle refunds to students receiving financial aid who withdraw from school during the semester. One of the federal requirements specifies that UW campuses and UW Colleges are to deposit refunds to the financial aid accounts within 30 days of withdrawal and, in the event the student received a Stafford loan, remit the

refund to the lender within 60 days of withdrawal. We found that UW-Green Bay, UW-La Crosse, and UW-Whitewater did not consistently process student aid refunds in a timely manner and, therefore, did not comply with federal regulations.

Findings Resolution

A summary of our findings and questioned costs can be found on pages 111 through 115. UW campus responses to our recommendations and campus corrective action plans are included within the body of the report to assist federal agencies and subgrantor organizations in resolving the findings. The overall UW System response to the audit report is Appendix II. The federal government is to contact the UW campuses regarding resolution of the findings and questioned costs. The audit contact for each UW campus is presented in Appendix I.
