

State of Wisconsin FY 2015-16 Single Audit

March 2017

Report Highlights ■

State agencies administered \$11.6 billion in federal financial assistance in FY 2015-16.

Our audit focused on 14 federal programs that accounted for 48.1 percent of federal financial assistance administered by state agencies in FY 2015-16.

We found state agencies generally had complied with federal requirements, and we provided an unmodified opinion on compliance with federal requirements for those programs we reviewed.

We made nine recommendations to improve the administration of federal programs.

We made seven recommendations related to internal controls over financial reporting.

As a condition of receiving federal funds, state agencies must meet the audit requirements of the federal Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Single Audit Act of 1984, as amended. The Single Audit Act requires there to be one comprehensive audit of federal grant programs. This single audit also incorporates our annual audit of the State's financial statements, which were included in the Comprehensive Annual Financial Report (CAFR) issued by the Department of Administration (DOA).

During fiscal year (FY) 2015-16, state agencies administered \$11.6 billion in federal financial assistance, including \$10.4 billion in cash assistance; \$1.0 billion in noncash assistance, such as food commodities; and \$200.6 million in outstanding federal loan balances.

During FY 2015-16, 96.1 percent of the State of Wisconsin's federal financial assistance was administered by six state agencies: the departments of Health Services (DHS), Transportation (DOT), Public Instruction (DPI), Workforce Development (DWD), Children and Families (DCF), as well as the University of Wisconsin (UW) System.

FY 2015-16 was the first year for which Uniform Guidance was in effect, and its application affected both auditing and reporting. For example, grants typically selected for audit annually in the past no longer met the requirements to be selected. In addition, changes to the format of this report were necessary in order to make explicit certain information required to be reported under Uniform Guidance.

We audited 14 federal programs that accounted for 48.1 percent of the federal financial assistance administered by state agencies in FY 2015-16.

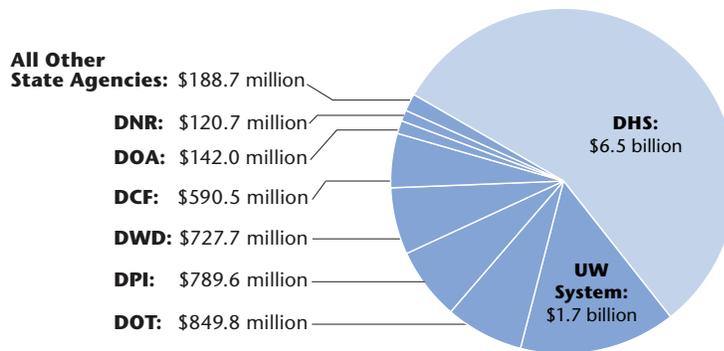
Federal Assistance

DHS administered \$6.5 billion in federal assistance, which was the largest share administered by a state agency. Of this amount, \$4.9 billion was provided for the Medicaid Cluster, which includes funding for Medical Assistance (MA), also known as Medicaid, the largest federal program administered by the State. In addition, \$1.0 billion in federal funds and benefits was disbursed by DHS under the Supplemental Nutrition Assistance Program Cluster for Wisconsin's FoodShare program.

UW System administered \$1.7 billion in federal assistance, of which \$1.6 billion supported student financial assistance or research and development grants. DOT administered \$849.8 million in federal funding, most of which was for highway and bridge construction and maintenance projects.

DPI provided most of its federal funding to local school districts and other entities that provide education and nutrition programs for children. DWD used funds subject to federal rules primarily for unemployment insurance benefits. DCF used its federal funding primarily to support the Wisconsin Shares child care subsidy program, Wisconsin Works (W-2), and the adoption assistance and foster care programs.

Federal Financial Assistance Administered by State Agencies FY 2015-16



Total Amount Administered: \$11.6 billion

Audit Results

We evaluated internal controls, tested for compliance with federal requirements, and followed up on findings and recommendations from the FY 2014-15 single audit (report 16-5). Although we found state agencies generally complied with federal requirements, we made nine recommendations to improve administration of federal programs, including by DHS, the Department of Natural Resources (DNR), and UW System.

DHS Programs

DHS receives funding from the federal Department of Health and Human Services to administer the MA Program, which provides financial assistance to states for medical payments on behalf of adults, children, pregnant women, and the aged who meet income and resource requirements, and other categorically eligible groups. In report 16-5, we recommended that DHS continue its efforts to ensure local agency caseworkers follow up in a timely manner and document the resolution of discrepancies resulting from computer data matches used to verify eligibility determinations.

Although we noted overall improvements in timeliness, we continue to identify timeliness concerns for specific cases we reviewed. Because caseworkers were not consistently following up in a timely manner on the identified data match discrepancies, it is unknown whether the most accurate information available was used to make eligibility determinations.

Federal financial participation (FFP) rates for the MA Program are determined by the federal government for specific activities. DHS staff create account codes to designate MA Program activities in the State's accounting system, STAR, and establish accounting rules for these activities using FFP rates applicable to each activity. We reviewed 56 of the 514 accounting rules established by DHS. For one rule, we found DHS staff had entered a 90.0 FFP rate instead of the authorized FFP rate of 50.0 percent and \$26,224 in unallowable costs were charged to federal funds.

We again identified concerns with reports DHS prepared for the Money Follows the Person Rebalancing Demonstration program, including errors totaling \$990,466.

DHS also receives federal funding to administer the Immunization Cooperative Agreements program, which funds planning, organizing, and conducting immunization programs for vaccine-preventable diseases and purchasing vaccines. We found DHS had not submitted a required federal financial report for one Immunization program award and had not notified the federal government that it had not submitted the report as required.

DNR License Certification Report

DNR receives funding from the U.S. Fish and Wildlife Service to administer federal funds that are used for DNR fish and wildlife management activities. DNR expended \$26.8 million under the Fish and Wildlife Cluster in FY 2015-16. The majority of program and project grant funds are apportioned through a formula that is based on an annual report to the federal government in which DNR certifies the number of paid fishing and hunting license holders.

We tested the certification filed for the license year ended March 31, 2013, because this information would be used by the federal government to apportion funding to DNR for FY 2015-16. We were unable to substantiate the information DNR included in the certification because DNR did not retain adequate documentation to support the information it reported.

DNR relied upon its vendor for recreational licensing to compile the certification. However, DNR severed its relationship with this vendor, which, in turn, terminated DNR's access to its data warehouse. We reviewed the certifications for the license years ended March 31, 2014, and March 31, 2015, and noted a similar lack of supporting documentation.

Key Facts and Findings

A total of \$4.9 billion in federal funds was used for Medical Assistance, also known as Medicaid, the largest federal program administered by the State.

We continued to identify timeliness concerns for resolving computer data match discrepancies for the MA Program at DHS.

We found DNR did not retain adequate documentation to support certain information it reported to the U.S. Fish and Wildlife Service.

Some UW institutions did not comply with federal requirements for the TRIO—Cluster programs.

The federal government will work with state agencies to resolve the concerns we identified.

UW TRIO Cluster Programs

UW institutions expended \$11.6 million under TRIO Cluster programs in FY 2015-16 to help first-generation college students and economically disadvantaged students achieve success at the postsecondary level by facilitating high school completion and postsecondary education entry, retention, and completion.

Grant aid is available under the TRIO—Student Support Services program to assist students who have a need for additional financial support. Our audit of this program found that at least two UW institutions had not complied with the federal requirements for matching the grant aid provided to students. We are concerned that a third UW institution may not be appropriately considering the use of state match funds since it is identifying, after the fact, the amounts to be used as state match. Our audit of the TRIO—McNair Post-Baccalaureate Achievement program, which helps low-income, first-generation college students or students who are members of groups underrepresented in graduate education with preparation for doctoral study through research and other activities, found that two UW institutions did not consistently maintain documentation to support the eligibility of students in the program. These UW institutions were not in compliance with program eligibility requirements and, as a result, students may have been admitted to the program who were not eligible.

For the TRIO—Student Support Services program, the TRIO—Upward Bound program, and the TRIO—McNair Post-Baccalaureate Achievement program, we also identified concerns with time and effort reporting, annual performance reporting, and earmarking.

State Financial Statements

Our opinion on the State's FY 2015-16 financial statements, which is a required component of this single audit, was included in the CAFR issued by DOA in March 2017. We identified one material weakness in internal control over financial reporting that relates to security concerns at DOA involving the State's new enterprise resource planning system called STAR. We also identified six significant deficiencies in internal control over financial reporting in several areas, including IT controls at DOA, IT controls at UW System, bank account reconciliations at DOA, financial reporting for the Capital Improvement Fund at DOA, the allocation of expenditures to the correct fiscal year at DOT, and the financial reporting process for the Injured Patients and Families Compensation Fund at the Office of the Commissioner of Insurance. These findings are described on page 57 of this report, and additional information related to our audit of the State's CAFR is available in report 17-4.

Recommendations

We made nine recommendations related to the administration of federal programs and an additional seven recommendations related to internal control concerns from our FY 2015-16 audit of the State's financial statements (report 17-4).

Agency responses and corrective action plans are also included in our report. The federal government will work with state agencies to resolve the concerns we identified. We also noted certain additional internal control and compliance matters that we conveyed directly to agency management in separate communications.



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