

State of Wisconsin
FY 2018-19 Single Audit

March 2020

Report Highlights ■

State agencies administered \$12.4 billion in federal financial assistance in FY 2018-19.

Our audit focused on 16 federal programs that accounted for 51.2 percent of federal financial assistance administered by state agencies in FY 2018-19.

Although we found state agencies generally complied with federal requirements, we qualified our opinion on compliance related to cash management requirements for three federal programs.

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

We made five 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 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) 2018-19, state agencies administered \$12.4 billion in federal financial assistance including \$11.2 billion in cash assistance; \$945.8 million in noncash assistance, such as food commodities; and \$179.6 million in outstanding federal loan balances.

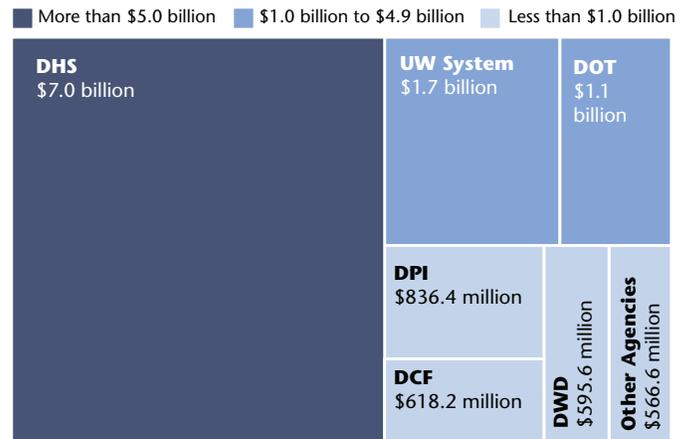
During FY 2018-19, 95.4 percent of the State of Wisconsin's federal financial assistance was administered by six state agencies: the departments of Health Services (DHS), Transportation (DOT), Public Instruction (DPI), Workforce Development (DWD), and Children and Families (DCF), as well as the University of Wisconsin (UW) System.

We audited 16 federal programs that accounted for 51.2 percent of the federal financial assistance administered by state agencies in FY 2018-19.

Federal Assistance

DHS administered \$7.0 billion in federal assistance, which was the largest share administered by a state agency. Of this amount, \$5.5 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, \$857.2 million in federal funds and benefits was disbursed by DHS under the Supplemental Nutrition Assistance Program (SNAP) Cluster for Wisconsin's FoodShare program.

Federal Financial Assistance Administered by State Agencies | FY 2018-19



Total Amount of Assistance: \$12.4 billion

UW System administered \$1.7 billion in federal assistance, of which \$1.6 billion supported student financial assistance and research and development grants. DOT administered \$1.1 billion in federal funding, most of which was for highway and bridge construction and maintenance projects. DPI provided most of its \$836.4 million in 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 administered 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.

Key Facts and Findings

DHS administered the largest federal program, the Medicaid Cluster, under which it disbursed \$5.5 billion during FY 2018-19.

We qualified our opinion on compliance related to cash management requirements for three federal programs at DPI.

DHS did not fully comply with federal regulations and state policies and procedures to ensure the security of IT systems for the MA Program.

We identified \$271,198 in expenditures for which DMA could not demonstrate that an extension request was submitted as required.

DHS had not begun to return provider overpayments to the federal government for 1,208 provider audits it had initiated during the period in which a court's injunction was in place.

DMA and DOA did not have sufficient internal controls related to the preparation of certain federal reports.

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

Audit Results

We evaluated internal controls, tested for compliance with federal requirements, and followed up on findings and recommendations from our FY 2017-18 single audit (report 19-3). We made nine recommendations to four state agencies—DOA, DHS, the Department of Military Affairs (DMA), and DPI—to improve administration of federal programs. In addition, we qualified our opinion on compliance related to cash management requirements for three federal programs.

Cash Management

Most federal programs are administered on a reimbursement basis. For the larger programs, an agreement between the State and the federal government ensures that neither the State nor the federal government earns interest income at the expense of the other.

However, for other programs for which payment disbursements are scheduled into the future in the State's accounting system, DOA and state agency procedures did not always minimize the time between when the State requested and received federal funds and when the State disbursed funds for program purposes. During FY 2018-19, we identified that federal funds were received before payment disbursements were made for three programs we audited at DHS and three programs we audited at DPI.

We recommend DHS and DPI take steps to minimize the time between requests for federal reimbursement and the disbursement of funds for program purposes. Due to the significance of this finding to three programs administered by DPI, we qualified our opinion on compliance related to cash management requirements for those three programs.

MA Program

DHS administers the MA Program, which is used to assist states in maintaining and expanding health care services to certain categories of low-income individuals. We found DHS did not fully comply with federal regulations and state policies and procedures to ensure the security of information technology (IT) systems for the MA Program. We recommend DHS ensure that it adequately safeguards IT systems used in administering the MA Program.

In addition, DHS had not begun to return the federal share of provider overpayments identified in 1,208 provider audits that had accumulated during the period of time in which a court's injunction was in place. The circuit court ruled in favor of DHS in July 2019, but the plaintiffs petitioned the Supreme Court for review of the case in December 2019. We recommend DHS comply with the federal regulations and return to the federal government its share of MA Program provider overpayment amounts DHS has identified and communicated to providers.

National Guard Military O&M Projects Extensions

DMA administers the National Guard Military Operations and Maintenance (O&M) Projects program, which provides funding for construction and maintenance of facilities. DMA is required to submit extension requests to expend any remaining grant funds 90 days or more after the close of the federal fiscal year. For 10 of the 50 expenditures we reviewed, we question a total of \$271,198 for which DMA could not demonstrate that an extension request had been submitted as required. We recommend DMA develop and implement procedures to ensure extension requests are submitted.

Other Internal Control Concerns

State agencies are responsible for implementing internal controls to ensure compliance with federal requirements. We identified concerns at DMA and DOA related to the preparation of federal reports. DMA did not have sufficient internal controls to ensure the accuracy of a query it uses to summarize and report expenditures to the federal government for the Disaster Grants—Public Assistance (Presidentially Declared Disasters) program.

DOA did not have sufficient internal controls related to a query it uses to report information to the federal government for the Low-Income Home Energy Assistance and the Weatherization Assistance for Low-Income Persons programs. We also identified concerns at DHS related to internal controls over the monitoring of subrecipients for the Public Health Emergency Preparedness program.

State Financial Statements

Our opinion on the State's FY 2018-19 financial statements, which is a required component of this single audit, was included in the State's CAFR issued by DOA in December 2019. We identified an internal control deficiency that we consider to be a material weakness related to financial reporting requirements for the Injured Patients and Families Compensation Fund, which is administered by the Office of the Commissioner of Insurance.

We also identified four significant deficiencies in internal control over financial reporting, including IT controls at DOA, and financial reporting controls at DOT. These findings are described beginning on page 57 of report 20-3, and additional information related to our audit of the State's CAFR is available in report 19-30.

Prior Audit Recommendations

Under Uniform Guidance, management is required to report on the status of efforts to address recommendations we made in prior single audit reports related to our federal compliance and financial reporting findings. The Summary Schedule of Prior Audit Findings, which includes

information provided by 10 state agencies, including UW System, begins on page 75. State agencies, including UW System, indicated that corrective action was taken to address 20 of the 33 recommendations made in prior reports. These agencies also report having only partially corrected 10 recommendations, including one finding at DHS related to computer data matches that has been reported in each of the last 15 years. DHS also reported having taken no corrective action to address three of the recommendations, one of which related to provider overpayments with which DHS disagreed.

FY 2018-19 Audit Recommendations

We made 14 recommendations, including 9 recommendations related to the administration of federal programs and 5 recommendations related to internal control concerns over financial reporting from our audit of the State's FY 2018-19 financial statements (report 19-30).

Agency responses and corrective action plans are also included in the auditee section of 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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