DATE: January 28, 2022

TO: Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee

FROM: Joe Chrisman
State Auditor

SUBJECT: Proposed Audit of the Administration of Supplemental Federal Funding—Background Information

At your request, we have gathered some background information that the Joint Legislative Audit Committee may find helpful in considering an audit of the administration of supplemental federal funding, which includes the funding the State was allocated in response to the public health emergency.

These funds have been provided through several federal acts, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provides funds to support K-12 and higher education, unemployment benefits, and transit, including $2.0 billion provided through the Coronavirus Relief Fund. The Consolidated Appropriations Act provides additional support for state programs that were funded by the CARES Act, as well as the emergency rental assistance and other newly created programs. The American Rescue Plan Act provides funds to support education, health, and transportation, including $2.5 billion allocated to state programs through the Coronavirus State and Local Fiscal Recovery Funds program.

The federal acts provide flexibility in administering a portion of the supplemental federal funds, some of which was advanced before states incurred programmatic expenditures. In some instances, the Department of Administration administered the supplemental federal funds and allocated them to particular state programs.

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, and the Single Audit Act of 1984, as amended. The Single Audit Act requires one comprehensive audit of federal programs, which is performed by the Legislative Audit Bureau. The Single Audit focuses on determining whether state agencies complied with certain federal requirements when spending federal funds, but it does not assess how state agencies performed when administering programs or the results achieved by the programs administered.

Questions have been raised about the allocation of supplemental federal funds among state programs and the amounts allocated to particular programs. In addition, questions have been raised about the
administration of supplemental federal funds and the results achieved by the programs through which state agencies spent these funds.

Auditors use risk-based criteria to determine where to focus audit effort. Such criteria may include, but are not limited to, whether: a new program was created; an existing program received a significant amount of supplemental federal funds; a program served a considerable number of individuals; or a state agency subgranted the supplemental federal funds to other entities.

An audit of the administration of supplemental federal funding could evaluate:

- how the supplemental federal funds were allocated among state programs and how the amounts allocated to particular state programs were determined;
- the policies and procedures that state agencies followed when spending and overseeing supplemental federal funds through the state programs that we select for audit, as well as the extent to which these state agencies consistently complied with their policies and procedures;
- how state agencies spent the supplemental federal funds through the state programs that we select for audit;
- the results attained by the state programs that we select for audit;
- how state agencies ensured that eligible entities had the opportunity to receive supplemental federal funds through the state programs that we select for audit;
- how state agencies implemented program integrity efforts to ensure that only those entities eligible to receive funds actually received them and used them for eligible activities and expenses; and
- how state agencies can improve the administration of supplemental federal funds received in the future.

I hope you find this information helpful. Please contact me with any questions.

JC/DS/ac

cc: Senator Dale Kooyenga, Representative John Macco
    Senator Howard Marklein, Representative Mark Born
    Senator Melissa Agard, Representative Dianne Hesselbein
    Senator Tim Carpenter, Representative Francesca Hong

    Kathy Blumenfeld, Secretary
    Department of Administration