

State of Wisconsin FY 2012-13 Single Audit

March 2014

Report Highlights ■

State agencies administered \$12.5 billion in federal financial assistance in FY 2012-13.

During fiscal year (FY) 2012-13, state agencies administered \$12.5 billion in federal financial assistance, including \$11.0 billion in cash assistance; \$1.3 billion in noncash assistance, such as food commodities; and \$217.2 million in outstanding federal loan balances.

ARRA-funded expenditures, which reached \$3.5 billion in FY 2009-10, decreased to \$155.1 million in FY 2012-13.

Our audit focused on 28 federal programs that accounted for 67.1 percent of the federal financial assistance administered by state agencies in FY 2012-13. These programs were selected for review based on their size and the risk of noncompliance with federal requirements. We evaluated internal controls, tested for compliance with federal requirements, and followed up on findings from our FY 2011-12 audit (report 13-5) to determine whether state agencies implemented our recommendations.

We provided an unmodified opinion on compliance with federal requirements for each of the 28 programs we reviewed.

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Our report contains recommendations related to the administration of federal programs.

Our audit report contains recommendations related to the administration of federal programs, agency responses, and agency corrective action plans to address the concerns we identified. Our audit report also includes the Schedule of Expenditures of Federal Awards, which provides an inventory of federal programs administered by state agencies.

Key Facts and Findings

Ten federal programs accounted for 83.4 percent of the \$12.5 billion in federal financial assistance administered by state agencies in FY 2012-13.

A total of \$4.4 billion in federal funds was used for Medical Assistance, which was the largest federal program administered by the State.

Seven state agencies administered 97.1 percent of the State's federal financial assistance in FY 2012-13.

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State agencies generally complied with federal requirements and took steps to address prior audit concerns.

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

Federal Assistance

Ten federal programs accounted for 83.4 percent of the \$12.5 billion in federal financial assistance administered by state agencies in FY 2012-13. Seven state agencies—the departments of Health Services (DHS), Workforce Development (DWD), Transportation (DOT), Public Instruction (DPI), Children and Families (DCF), and Administration (DOA), as well as the University of Wisconsin (UW) System—administered 97.1 percent of the State of Wisconsin's federal financial assistance during FY 2012-13.

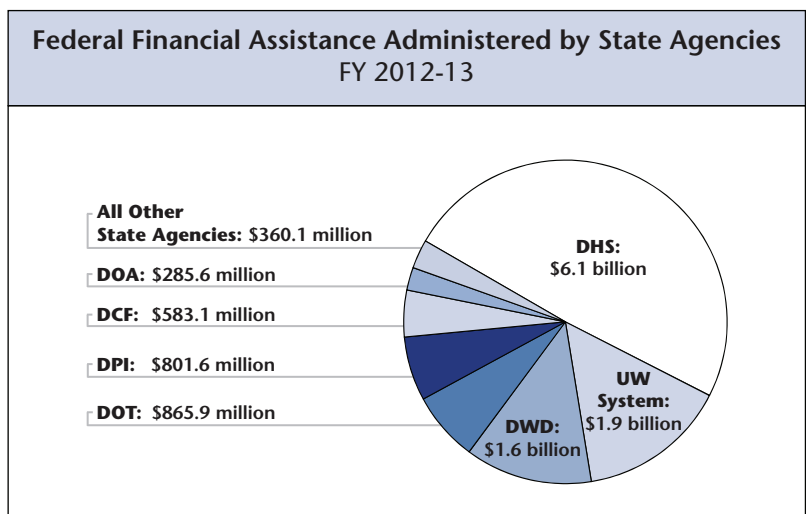
Of the \$6.1 billion in federal funds DHS administered, \$4.4 billion helped to fund Medical Assistance, which provides health care assistance to eligible children and adults and was the largest federal program administered by the State. In addition, \$1.3 billion in federal funds and benefits were disbursed by DHS under the Supplemental Nutrition Assistance

Program Cluster for Wisconsin's FoodShare program.

Of the \$1.9 billion in federal funds administered by UW System, \$1.8 billion supported student financial assistance or research and development grants.

DWD administered \$1.6 billion in funds subject to federal rules, of which \$1.4 billion was for regular and emergency Unemployment Insurance program benefits.

DOT expended most of its federal funding on 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. DCF used its federal funding primarily to support Wisconsin Shares, Wisconsin Works (W-2), and adoption and foster care services. DOA spent its federal funding largely on housing and economic development activities and energy assistance.



ARRA Funding

Total federal financial assistance declined from \$12.9 billion in FY 2011-12 to \$12.5 billion in FY 2012-13. In FY 2008-09, the State began to expend funds under the American Recovery and Reinvestment Act (ARRA) of 2009.



ARRA funding was intended to stimulate the economy and create or retain jobs, as well as support families and workers. ARRA-funded expenditures reached \$3.5 billion in FY 2009-10 and decreased to \$155.1 million in FY 2012-13.

Prior Audit Concerns

In report 13-5, we qualified our FY 2011-12 opinion on the State's compliance with federal

requirements for Adoption Assistance, the Transit Services Programs Cluster, and the Community Development Block Grants (CDBG) Cluster. Although we make recommendations for further improvements, we found that the agencies administering these programs took steps to address many prior audit concerns.

To address prior audit concerns related to its rate-setting practices for maintenance payments funded with federal Adoption Assistance funds, DCF provided training to staff, implemented system enhancements, and began completing certain centralized reviews. DCF is currently reviewing rates for a sample of adoption cases. The results of this review will help to determine the amount of funds DCF will need to return to the federal government.

Although DOT took steps to address prior audit concerns related to equipment management and procurement requirements for the Transit Services Programs Cluster, it has not fully addressed prior audit concerns related to the preparation of certain reports and monitoring of subrecipient audit reports. We recommend DOT maintain supporting documentation and improve monitoring for the Transit Services Programs Cluster.

DOA's transition of the administration of programs funded by the CDBG Cluster from the Wisconsin Economic Development Corporation to DOA addressed, in part,

prior audit concerns. However, we again recommend DOA improve its oversight of subrecipient monitoring, allowable costs and activities, program income, and reporting.

Student Financial Assistance

When students who received financial assistance withdraw from school, or when students unofficially withdraw from school by stopping class attendance without providing official notification, institutions of higher education must calculate the student financial assistance that should be returned to the federal government.

For example, we identified 129 students at UW-Whitewater who received student financial assistance and who likely should have been considered unofficially withdrawn. However, no funds were returned to the federal government. We questioned \$365,457 and recommend UW-Whitewater implement procedures to ensure all unofficially withdrawn students are identified and appropriate calculations are completed in order to return student financial assistance to the federal government.

Work-Effort Reporting

Under federal requirements, salaries and wages charged to federal grant programs must be adequately documented and supported. We identified concerns at both DPI

and the Wisconsin Technical College System (WTCS) related to charging payroll-related costs to the Statewide Data Systems Cluster.

We questioned a minimum of \$149,769 in payroll-related costs that were charged to this Cluster by DPI during FY 2012-13. We recommend DPI ensure employee work effort is appropriately charged to federal programs and correct any additional payroll-related costs inappropriately charged to the Statewide Data Systems Cluster in FY 2012-13 and prior years.

Because we found payroll-related costs charged to the program that were not supported by personnel activity reports, we also questioned an undetermined amount of payroll-related costs charged to Statewide Data Systems Cluster funds administered by WTCS. WTCS indicated that new work-effort reporting policies were implemented near the end of FY 2012-13 that should address these concerns in the future.

Recommendations

Our report contains 22 recommendations related to the administration of federal programs. Our report also contains six internal control concerns related to our December 2013 audit of the State's financial statements, of which two also related to federal program administration, including security weaknesses we identified with the Human Resource System at UW System.

Agency responses and corrective action plans are also included in our report. In addition to these findings, we noted certain additional internal control and compliance matters that we conveyed directly to agency management in separate communications.

Additional Information

For a copy of report 14-6, call (608) 266-2818 or visit our website:



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Address questions regarding this report to:

Bryan Naab
(608) 266-2818

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Legislative Audit Bureau

22 East Mifflin Street
Suite 500
Madison, WI 53703
(608) 266-2818

Toll-free hotline:
1-877-FRAUD-17

Joe Chrisman
State Auditor