



State of Wisconsin
Department of Health and Family Services

Tommy G. Thompson, Governor
Joe Leraan, Secretary

DHFS Support for AB 498—Audit Requirements

The Department of Health and Family Services supports Assembly Bill 498 which raises the current statutorily set threshold that triggers audit requirements for agencies that receive funds for care and services purchased by the department of health and family services or by a county department from \$25,000 to \$50,000. This bill further specifies that providers above this new audit threshold are required to submit audited reports on an annual basis as is current practice and deletes references to federal law which are inconsistent with state practice.

DHFS supports this legislation because it strikes a better balance between the need for human service providers to be accountable, with the cost of doing so through the purchase of annual audits. The Legislature has long recognized a needed balance between the costs and benefits of audits and amended Chapter 46 in 1989 to establish the current threshold of \$25,000.

Inflation alone could be a reason to raise the threshold – \$25,000 is worth less now than it was ten years ago. But other reasons also prompt this policy change. The revised threshold will enable DHFS and county department staff to focus on the audits of providers that receive more human services funding. Perhaps most importantly, this change will allow small non-profit providers of care and services to reduce their administrative costs and direct more of the public funds they receive to care and services.

Nevertheless, to retain accountability when needed, DHFS and the county departments still retain the authority to require an audit for a contract that is less than the threshold when the provider is new and has no established track record, or when the provider is known to have experienced financial management difficulties.

In sum, AB 498 maintains accountability when and where needed while eliminating unnecessary audits that do not add value, but absorb public funds more appropriately directed to care and services. Please join DHFS, the Wisconsin Counties Association, county financial managers, the Provider Agency Audit Guide Group, and the Co-chairs of the Legislature's Joint Committee on Audit in this bi-partisan effort to pass AB 498. Thank you.