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☞ Details: Legislative Audit Bureau Report 06-4: An Audit: State of Wisconsin 2004-05

(FORM UPDATED: 08/11/2010)

## WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

### 2005-06

(session year)

### Joint

(Assembly, Senate or Joint)

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(**sb** = Senate Bill)                              (**sr** = Senate Resolution)                              (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

\* Contents organized for archiving by: Stefanie Rose (LRB) (October 2012)



STATE OF WISCONSIN

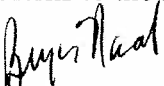
Legislative Audit Bureau

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Janice Mueller  
State Auditor

DATE: March 30, 2006

TO: Karen Asbjornson and Pamela Matthews  
Committee Clerks to the Joint Legislative Audit Committee

FROM: Bryan Naab   
Financial Audit Director

SUBJECT: Report 06-4: An Audit of the State of Wisconsin (Single Audit)

Enclosed is our fiscal year (FY) 2004-05 federal compliance audit report for the State of Wisconsin. As a condition of receiving federal funds, the State's federal grants are subject to the audit requirements included in the federal Single Audit Act of 1984, as amended, and in Office of Management and Budget Circular A-133. We performed this federally required audit at the request of the various state agencies that administer federal funds, including the University of Wisconsin System.

State agencies generally complied with the various federal rules. However, we do report a variety of findings including internal control and compliance concerns. For example, while the Department of Health and Family Services (DHFS) has taken steps to improve procedures for determining eligibility under the Adoption Assistance program, we are concerned that some determinations made prior to these improvements may have been inaccurate. In our testing, we identified errors in four cases, which will result in the need to return funds to the federal government. DHFS plans to review other adoption assistance cases to ensure they are, in fact, eligible for federal reimbursement.

In total, we question a minimum of \$354,531 in costs the State charged to federal grants. The questioned costs represent a very small portion of the \$9.2 billion in federal assistance administered by the State during FY 2004-05.

Typically, our audit identifies questionable expenditures that may have to be repaid to the federal government. However, during our prior audit (report 05-5), we had identified several instances where state agencies were not maximizing federal reimbursement. We followed up on the prior-year findings and found that generally the agencies had taken steps to address our concerns and will be able to increase federal funding by \$3.2 million as follows:

- DHFS addressed errors in quarterly reports related to the Foster Care—Title IV-E and Adoption Assistance grant programs that resulted in DHFS being able to claim an additional \$1.5 million in federal funds. We also identified another \$210,000 in eligible expenditures under the Adoption Assistance program that DHFS recently claimed for reimbursement from the federal government.

- DHFS plans to seek an additional \$374,000 under Foster Care—Title IV-E and \$327,000 under Medical Assistance after reviewing certain previously submitted claims.
- The Department of Workforce Development (DWD) took the necessary steps to ensure it was claiming federal reimbursement for all vocational rehabilitation services provided to clients who are also eligible for disability benefits from the federal Social Security Administration. As a result, DWD was able to claim \$773,000 in federal reimbursements for eligible disability benefits related to cases closed during FY 2003-04 and prior years.

While the State was able to increase federal revenues, we do report that the State needed to repay the federal government to resolve concerns identified in prior audits related to certain lapses to the General Fund that were funded, in part, by charges to federal grant programs. The Department of Administration (DOA) returned \$12.9 million to the federal government in March 2005 and an additional \$2.8 million in December 2005 to settle this finding. However, the State continued to lapse excess balances in the internal service funds to the General Fund during FY 2004-05, when an additional \$1.6 million was lapsed. Included in the \$354,531 of currently questioned costs is \$203,345, which represents our estimate of the federal share of the amounts lapsed during FY 2004-05.

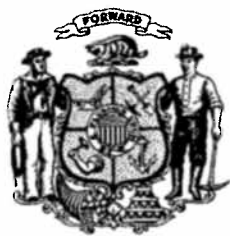
Enclosed is a copy of the report and the report highlights. The report highlights will be sent to each legislator. The highlights summarize the nature of federal funding the State receives and issues included in our report that may be of legislative interest. The federal government will resolve the findings in the report directly with the affected state agencies.

Also included in the single audit report are internal control and compliance findings related to our audit of the State's Comprehensive Annual Financial Report. In that section of the report, we include several serious findings related to the Department of Revenue's tax accounting errors and DOA's failure to make all of the legislatively directed transfers from the General Fund to the Medical Assistance Trust Fund. These issues were reported to the co-chairs of the Legislature's Joint Legislative Audit Committee and Joint Committee on Finance in our letter dated October 18, 2005. However, auditing standards require that we also summarize these findings in our single audit report. These accounting issues are included in the Schedule of Findings and Questioned Costs (see page 86 of report 06-4).

The report will be released on March 31<sup>st</sup> at 9:00 a.m. Please contact us if you have any questions regarding the report.

BN/bm

Enclosures

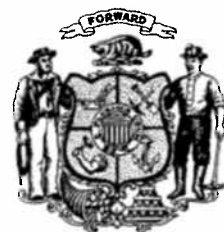


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State of Wisconsin - Legislative Reference Bureau  
1 East Main Street, Suite 200  
Madison, WI 53703



**Report 06-4  
March 2006**

An Audit

**State of Wisconsin  
2004-05**

**2005-2006 Joint Legislative Audit Committee Members**

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Carol A. Roessler, Co-chairperson  
Robert Cowles  
Scott Fitzgerald  
Mark Miller  
Julie Lassa

Assembly Members:

Suzanne Jeskewitz, Co-chairperson  
Samantha Kerkman  
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## LEGISLATIVE AUDIT BUREAU

The Bureau is a nonpartisan legislative service agency responsible for conducting financial and program evaluation audits of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau. For more information, write the Bureau at 22 E. Mifflin Street, Suite 500, Madison, WI 53703, call (608) 266-2818, or send e-mail to [leg.audit.info@legis.state.wi.us](mailto:leg.audit.info@legis.state.wi.us). Electronic copies of current reports are available on line at [www.legis.state.wi.us/lab](http://www.legis.state.wi.us/lab).

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State Auditor – Janice Mueller

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Appendix 3—University of Wisconsin Campus Contact Information





**STATE OF WISCONSIN**  
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Janice Mueller  
State Auditor

March 31, 2006

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

We have completed our financial and compliance audit of the State of Wisconsin, as requested by state agencies to meet the audit requirements of the federal Single Audit Act of 1984, as amended, and the provisions of federal Office of Management and Budget Circular A-133. Our audit covers fiscal year (FY) 2004-05 and, in addition to satisfying federal audit requirements, assists us in meeting state audit requirements under s. 13.94, Wis. Stats. During the period we audited, state agencies administered \$9.2 billion in federal financial assistance.

Audit procedures performed at the larger state agencies that administer federal financial assistance programs, including the University of Wisconsin System, consisted of assessing the propriety of revenues and expenditures and of testing internal controls and compliance with laws and regulations related to federal grant programs. For the smaller agencies and selected University of Wisconsin campuses, our audit procedures were limited to verifying information included in the federally required State of Wisconsin Schedule of Expenditures of Federal Awards and following up on prior-year audit findings. Our audit focused on the 26 federal grant programs that either exceeded the \$24.7 million threshold used to define major programs or were below this threshold but were selected for review based on the risk-based assessment criteria established by the federal government.

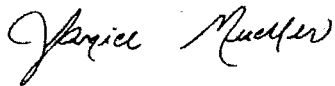
Our report contains the auditor's reports on compliance and internal control and our unqualified audit opinion on the State of Wisconsin Schedule of Expenditures of Federal Awards. The agency narratives include our comments on internal control deficiencies related to the administration of federal grant programs, findings of noncompliance, and the results of our follow-up to prior audit findings. A summary schedule of findings and questioned costs for FY 2004-05 is also provided, as well as a summary of the status of findings included in our single audit report for FY 2003-04 (report 05-5). We note that, overall, state agencies have complied with federal grant requirements and have taken steps to address findings included in last year's single audit report; however, we report internal control deficiencies and several areas of federal noncompliance, and we identified \$354,531 in questioned costs in addition to amounts that have already been returned to the federal government. We also identified opportunities for state agencies to increase their federal funding by \$3.2 million.

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz  
Page 2  
March 31, 2006

The federal government will contact state agencies to resolve the findings and questioned costs included in our report. To assist federal officials in their efforts, state agency contact information is provided in appendices to this report.

We appreciate the courtesy and cooperation extended to us by state agency staff during our audit. Agencies' comments on individual findings, along with their corrective action plans to address our concerns, are included within the agency narratives.

Respectfully submitted,



Janice Mueller  
State Auditor

JM/BN/ss