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☞ Details: Legislative Audit Bureau Report 07-4: An Audit: State of Wisconsin 2005-06

(FORM UPDATED: 08/11/2010)

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2007-08

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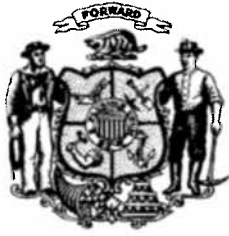
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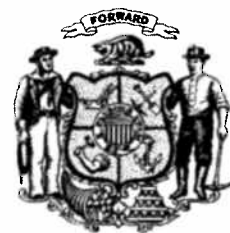


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An Audit

**State of Wisconsin
2005-06**

2007-2008 Joint Legislative Audit Committee Members

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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.wisconsin.gov. Electronic copies of current reports are available on line at www.legis.wisconsin.gov/lab.

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CONTENTS

Letter of Transmittal	1
Introduction	3
Auditor's Report	7
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	
Auditor's Report	11
Independent Auditor's Report on the State of Wisconsin's Compliance with Requirements Applicable to Each Major Program, Internal Control over Compliance, and the Schedule of Expenditures of Federal Awards, in Accordance with OMB Circular A-133	
Statewide Issues	15
Department of Health and Family Services	23
Department of Workforce Development	41
University of Wisconsin System	55
Department of Transportation	81
Department of Public Instruction	85
Department of Commerce	89
Department of Veterans Affairs	93

Elections Board	97
State of Wisconsin Schedule of Findings and Questioned Costs for the Year Ended June 30, 2006	101
State of Wisconsin Summary Schedule of Prior Audit Findings	117
State of Wisconsin Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2006	121
Notes to the State of Wisconsin Schedule of Expenditures of Federal Awards	201

Appendices

- Appendix 1—Federal Expenditures under the Twelve Largest Federal Programs
- Appendix 2—State Agency Contact Information
- Appendix 3—University of Wisconsin Campus Contact Information



STATE OF WISCONSIN
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Janice Mueller
State Auditor

March 30, 2007

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

We have completed our annual financial and compliance audit of the State of Wisconsin. This audit satisfies state agencies' audit requirements under the federal Single Audit Act of 1984, as amended, and the federal Office of Management and Budget Circular A-133. It also assists us in meeting audit requirements under s. 13.94, Wis. Stats.

This audit covers \$9.4 billion in federal financial assistance that state agencies administered in fiscal year (FY) 2005-06. We assessed the propriety of revenues and expenditures and tested internal controls and compliance with laws and regulations for 16 federal programs that were selected for review using risk-based assessment criteria established by the federal government.

Our report contains the auditor's reports on internal control over financial reporting and on compliance with program requirements and our unqualified audit opinion on the State of Wisconsin Schedule of Expenditures of Federal Awards. We also discuss the results of our follow-up to prior audit findings. 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 question \$14,697 in costs charged to the federal programs, in addition to \$4.4 million already returned. The federal government will contact state agencies to resolve the findings and questioned costs included in our 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





STATE OF WISCONSIN

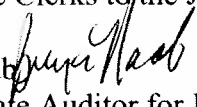
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Janice Mueller
State Auditor

DATE: April 3, 2007

TO: Lewis Rosser and Pamela Matthews
Committee Clerks to the Joint Legislative Audit Committee

FROM: Bryan Naab 
Deputy State Auditor for Financial Audit

SUBJECT: Report 07-4: An Audit of the State of Wisconsin

Enclosed is our fiscal year (FY) 2005-06 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 that resulted in inappropriate charges to federal grants for which state agencies have already returned \$4.4 million to the federal government. We also question \$14,697 in additional costs the State charged to federal grants. The amount already returned to the federal government and the questioned costs represent a very small portion of the \$9.4 billion in federal assistance administered by the State during FY 2005-06.

Our report includes 28 recommendations related to state agencies' administration of federal grant programs. Typically, our audit identifies questionable expenditures that may have to be repaid to the federal government. However, our recommendations also resulted in several instances where state agencies either have or may be able to increase federal reimbursement by up to \$3.5 million as follows:

- The Department of Health and Family Services (DHFS) implemented our prior audit recommendation and addressed errors in quarterly financial reports related to the Foster Care—Title IV-E and Adoption Assistance grant programs that resulted in DHFS being able to claim an additional \$3.0 million in federal funds.
- DHFS continued efforts to address concerns identified in prior audits to reconcile federal financial reports for the State Children's Insurance Program to State's records and identified a net \$96,000 that will be claimed for federal reimbursement.

- In response to a new concern identified in this audit, the Department of Workforce Development (DWD) has submitted a claim for \$408,510 related to services provided to 19 vocational rehabilitation clients who are also eligible for disability benefits from the federal Social Security Administration. However, because the claim was submitted after the submission deadline, it is unclear if DWD will receive federal reimbursement.

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. Through February 2007, The Department of Administration has returned a total of \$19.8 million to the federal government to settle this finding, including \$15.5 million identified in prior reports and \$4.3 million included in this year's report. Further, the federal government issued final determinations concluding that an additional \$23.6 million must be returned to the federal government, representing the federal government's share of cash balances that have accumulated in two internal service funds. However, the State has appealed these decisions and the final amount to be repaid, if any, is currently unknown.

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. These concerns are technical in nature, such as concerns with programmer access to various computer systems, and are included in Section II of the Schedule of Findings and Questioned Costs.

The audit report will be released on April 4 at 9:00 a.m. Please contact us with any questions regarding the report.

BN/kc

Enclosures





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:
State Senator Jim Sullivan
State Representative Suzanne Jeskewitz

For Immediate Release

April 4, 2007

For More Information Contact:

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Representative Suzanne Jeskewitz

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(608) 266-3796

Single Audit Analyzes \$9.4 Billion in Federal Funding

(Madison) The nonpartisan Legislative Audit Bureau (LAB) today released its annual Single Audit report (report 07-4), which details the expenditure of funds awarded to the State by the federal government. Senator Jim Sullivan (D-Wauwatosa) and Representative Suzanne Jeskewitz (R-Menomonee Falls), co-chairpersons of the Joint Legislative Audit Committee, acknowledge that the Single Audit is an essential tool for maintaining accountability, ensuring the State's effective stewardship of taxpayer dollars, and maximizing the State's federal funding.

The Single Audit reported that the State administered \$9.4 billion in federal financial assistance in fiscal year (FY) 2005-06. Ninety-five percent of the federal cash and non-cash assistance received by the State was administered by five state agencies, including the Department of Health and Family Services (DHFS), the Department of Workforce Development (DWD), the University of Wisconsin System, the Department of Transportation, and the Department of Public Instruction.

The report released today notes that, in response to LAB's recommendations, state agencies were able to claim \$3.5 million in additional federal funds. This includes an additional \$3.0 million that DHFS was able to claim for federal reimbursement under the Foster Care—Title IV-E and Adoption Assistance programs and \$408,510 claimed by DWD for vocational rehabilitation services.

However, LAB reported internal control deficiencies, several areas of federal noncompliance, and questioned \$14,697 in costs charged to federal programs, in addition to \$4.4 million already returned to the federal government by state agencies. These questioned costs represent a very small portion of the \$9.4 billion in federal financial assistance administered by the State in FY 2005-06, which allowed the Bureau to conclude that, in general, state agencies properly administered federal grant programs and complied with federal requirements.

The Single Audit includes 28 recommendations to improve state agency administration of federal grant programs. Agency compliance with these recommendations will be assessed by both LAB and the federal government when conducting the Single Audit for FY 2006-07. Copies of the audit report may be obtained from the LAB's Web site at www.legis.wisconsin.gov/lab or by calling (608) 266-2818 to request a copy of report 07-4.

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