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STATE OF WISCONSIN
Legislative Audit Bureau

REPORT HIGHLIGHTS

State Auditor
Joe Chrisman

Report 15-2
March 2015

State of Wisconsin
FY 2013-14 Single Audit

As a condition of receiving federal funds, state agencies must meet the audit requirements of the federal Single Audit Act of 1984, as amended, and of federal Office of Management and Budget (OMB) Circular A-133. The Single Audit Act requires there to be one audit of federal grant programs. This audit also incorporates our annual audit of the State's financial statements, which were included in the Comprehensive Annual Financial Report issued by the Department of Administration (DOA).

We performed the single audit for fiscal year (FY) 2013-14 at the request of state agencies that administered federal financial assistance. It also assists us in fulfilling our audit responsibilities under s. 13.94, Wis. Stats.

During FY 2013-14, state agencies administered $12.1 billion in federal financial assistance, including $10.7 billion in cash assistance; $1.2 billion in noncash assistance, such as food commodities; and $218.1 million in outstanding federal loan balances.

During FY 2013-14, 97.3 percent of the State of Wisconsin's federal financial assistance was administered by seven state agencies: the departments of Health Services (DHS), Workforce Development (DWD), Public Instruction (DPI), Transportation (DOT), Children and Families (DCF), and Administration, as well as the University of Wisconsin (UW) System. We audited 19 federal programs that accounted for 65.2 percent of the federal financial assistance administered by state agencies in FY 2013-14.

Federal Assistance

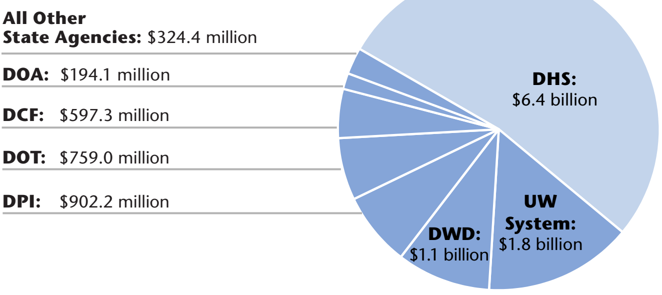
DHS administered $6.4 billion in federal funds, which was the largest share administered by an agency. Of this amount, $4.7 billion was used for Medical Assistance (MA), which provided health care assistance to eligible children and adults and was the largest federal program administered by the State. In addition, $1.2 billion in federal funds and benefits was disbursed by DHS under the Supplemental Nutrition Assistance

Program Cluster for Wisconsin's FoodShare program.

UW System administered $1.8 billion in federal funds, of which $1.7 billion supported student financial assistance or research and development grants. DWD administered $1.1 billion in funds subject to federal rules, and $1.0 billion of this funding was for unemployment insurance benefits.

DPI provided most of its federal funding to local school districts and other entities that provide education and nutrition programs for children. DOT expended most of its federal funding on highway and bridge construction and maintenance projects. DCF used its federal funding primarily to support the Wisconsin Shares child care subsidy program, Wisconsin Works (W-2), and the adoption assistance and foster care programs. DOA spent its federal funding largely on housing and economic development activities and on energy assistance.

Federal Financial Assistance Administered by State Agencies
FY 2013-14



Total amount administered by state agencies: $12.1 billion

Audit Results

We evaluated internal controls, tested for compliance with federal requirements, and followed up on findings from the FY 2012-13 single audit (report 14-6) to determine whether state agencies implemented our recommendations. We provided an unmodified opinion on federal compliance for each of the 19 federal programs we reviewed. However, we questioned more than $224,000 in costs charged to federal programs.

We found state agencies implemented corrective actions to address 10 of the recommendations from report 14-6. Although state agencies generally complied with federal requirements, we made 31 recommendations to improve administration of federal programs. We include 20 new recommendations as well as 11 recommendations to address concerns from the last single audit report that remained unresolved. Included among the 31 recommendations are those related to computer data matches, monitoring subrecipients of federal funds, student financial assistance, and centralized services provided to state agencies.

FY 2013-14 Recommendations

Agency	Repeat[1]	New	Total
DCF	5	6	11
DOA	3	7	10
DHS	2	2	4
UW System	0	3	3
DNR	0	1	1
WTCS[2]	1	0	1
DWD	0	1	1
Total	**11**	**20**	**31**

[1] Recommendation for repeat finding from report 14-6.

[2] Wisconsin Technical College System.

Computer Data Matches

We first reported concerns related to computer data matches for the Temporary Assistance for Needy Families (TANF) program and the MA Program in the FY 2003-04 single audit (report 05-5). These data matches verify income and other information used to determine the eligibility of individuals applying for assistance.

The federal government previously assessed a penalty for the State's failure to meet the federal data match requirements for the TANF program for FY 2003-04. Because the State had not taken appropriate corrective actions to address these concerns by September 30, 2007, DCF's TANF award for federal fiscal year (FFY) 2014-15 will be reduced by $4.7 million, and the State must spend an additional $4.7 million in state funds in FFY 2015-16 that cannot be counted toward its TANF maintenance-of-effort requirement.

The federal government may also enforce a $4.8 million penalty for failure to meet federal data match requirements for FY 2007-08, unless DCF takes appropriate corrective actions by April 30, 2016. To monitor DCF's corrective actions, the Joint Committee on Finance directed DCF to report quarterly to the Committee. The first report is to be submitted by April 30, 2015.

Subrecipient Monitoring

State agencies are responsible for monitoring subrecipients of federal funds, such as local governments, to ensure compliance with federal requirements. We continue to report concerns with compliance with subrecipient monitoring requirements for the Community Development Block Grant (CDBG) program and identified new but similar concerns related to the HOME Investment

Partnerships Program (HOME). Because both programs are administered by DOA, we recommend DOA implement comprehensive monitoring plans for both CDBG and HOME. In addition, DOA should ensure subrecipients submit all required information prior to processing reimbursements.

We also found that local units of government were incorrectly informed of the amount of federal funding received under the Capitalization Grants for Clean Water State Revolving Funds program, which is administered jointly by the Department of Natural Resources (DNR) and DOA, due to communication lapses between these agencies. This resulted in some local units of government having a single audit performed when it was not required. We recommend DNR improve its communications with DOA and that DOA take the necessary steps to correctly notify local units of government of the amount of federal financial assistance disbursed to them.

Student Financial Assistance

Federal regulations require exit counseling be provided to a borrower in the Perkins Loan program and contact be made with a borrower during the borrower's initial grace period. UW-Milwaukee contracted with a third-party loan servicer to administer the Federal Perkins Loan Program, including informing borrowers of their responsibilities through entrance and exit counseling, sending grace period notifications, entering borrowers into repayment, and completing billing and collections on the loans.

Timely communication is important to ensure borrowers understand their responsibilities for repayment of student loans. We found that certain borrowers were not receiving communications as required by federal regulations. We recommend UW-Milwaukee review and improve its current procedures to ensure that all appropriate borrowers are identified and that required communications are made in a timely manner.

Centralized Services

DOA charges state agencies for their use of centralized services, such as computer processing. We have previously reported concerns because DOA's billing rates have resulted in the accumulation of excess balances. We have also reported concerns in past audits with the practice of lapsing funds from centralized services balances to the State's General Fund.

Although DOA reduced certain user billing rates for FY 2013-14, it continued to accumulate excess balances and lapse funds. As a result, DOA was required to return $1.6 million to the federal government for the federal share of the accumulated balances and lapsed funds. The State could have retained the $1.6 million for use directly on federal grant programs if DOA had better monitored its centralized services balances and not lapsed funds.

We also questioned $124,300 in funds not returned to the federal government, representing the federal share of a lapse that DOA did not consider when it returned the $1.6 million to the federal government.

Recommendations

In addition to the 31 recommendations related to the administration of federal programs, our report also contains three internal control concerns related to our December 2014 audit of the State's financial statements. Two of these three concerns 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. The federal government will work with state agencies to resolve the concerns we identified. We noted certain additional internal control and compliance matters that we conveyed directly to agency management in separate communications.

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