

State Audit Update, Spring 2012

CAFR, Single Audit & Accountability

Financial Management Advisory Council
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Topics for Discussion

- n Comprehensive Annual Financial Report (CAFR)
- n Statewide Single Audit (SWSA)
- n Accountability Audits



CAFR 2011

- n Significant Risk
 - n Implementation of GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions
- n Financial statements fairly presented
- n Issued CAFR Summary
http://www.sao.wa.gov/EN/Reports/Documents/2011_Annual_Report_CAFR_Summary.pdf



CAFR 2012

- n Significant Risks include:
 - n Proper presentation of governmental fund balances under GASB 54.
 - n DSHS caseload forecast to establish year end accrual for human services expenditures.
- n Approximately 15 agencies with account balances material to state's basic financial statements



SWSA 2011

- n Audited 32 major programs covering \$14.4 billion
- n Work done at 22 agencies, which includes 6 universities and 2 community colleges
- n 51 federal findings
 - n 33 compliance/questioned cost findings
 - n 34 internal control findings with 10 material weaknesses



SWSA 2011

- n \$3.5 million in questioned costs
- n Qualified Opinions on:
 - n Public Health Emergency Preparedness Program
 - n National Bioterrorism Hospital Preparedness Program



SWSA 2012

- n Preliminary planning done in May
- n Focus will be on programs with ARRA expenditures
- n Final program selection done when OFM finalizes Schedule of Expenditures of Federal Awards (SEFA) - October/November



SWSA 2012

- n Majority of ARRA funding phased out in 2011
- n Increase in compliance requirements
 - n Compliance supplement expected in June
 - n Anticipated expansion in reporting requirements for all non-ARRA Programs



SWSA 2012

n Increased risks

- n New programs
- n Significant funding increases to existing programs
- n Reduced staffing
- n Position consolidations



SWSA 2012

- n OMB considering single audit changes
 - n Higher threshold
 - n Tiered approach
 - n Fewer and narrower compliance requirements
 - n Improper payments, fraud, errors, waste
 - n Modified audit finding resolution
 - n Metrics, cross-cutting issues, greater cooperation and transparency



Accountability Audits

- n Statewide accountability approach implemented in fiscal year 2011 based on statewide risk assessment.
- n 2011 Statewide audit topics:
 - n Payments to Client Service Providers
 - n Payments to Child Care Providers
 - n State Grants
 - n Purchase Cards



Payments to Client Service Providers

Audit was designed to determine whether the Medicaid program (HCA) and the Workers' Compensation program (L&I) were overpaying providers of client services.

We focused on:

- n Duplicate payments
- n Payments to providers but no services



Payments to Client Service Providers

We found overpayments of more than \$382,000 were made to providers because of significant internal control deficiencies in three areas:

- n The Department of Labor and Industries' medical payment system lacked adequate internal controls to prevent overpayments to providers of interpretive services and physical and occupational therapy services.
- n Medicaid's payment system lacked adequate internal controls to prevent overpayments to providers of certain durable medical equipment.
- n Untimely data sharing led to duplicate payments between L&I and Medicaid.



Payments to Client Service Providers

- n The audit also identified that from July 1, 2009 to June 30, 2010, L&I paid more than \$1.2 million for client no-shows or late cancellation fees.
- n L&I did not always attempt to collect no-show or late cancellation fees from clients who did not have good cause for missing required exams.
- n State law and administrative rules placed limits on when L&I could recoup these fees.



Payments to Child Care Providers

Audited the Working Connections Child Care program administered by DEL and DSHS with the focus:

- n Providers being overpaid for services.
- n Laws & regulations allow for timely access to attendance records.
- n Agencies effective at identifying noncompliance with laws, regulations and contract terms.
- n Reporting options available for those suspecting improper payments or fraud, and effectiveness of referral evaluation and resolution.



Payments to Child Care Providers

We found:

- n 146 providers were overpaid more than \$2.6 million for child care subsidies.
- n \$241,000 in payments due to questionable documentation.
- n Control weakness put \$3.4 million paid to providers for child care registration fees at risk of being overpaid.



Payments to Child Care Providers

- n Neither DSHS nor DEL had timely access to child care attendance records.
- n Legal obstacles prevented the DSHS Office of Fraud and Accountability from investigating suspected overpayments and fraud.
- n The agencies did not adequately monitor payments to child care providers.
- n The process for those wishing to report suspected billing fraud was spread across many state agencies.



State Grants

- n Audit focused on subrecipients' use of grant money
 - n Agencies' effectiveness at managing state grant funds.
 - n Agencies reimbursing recipients for unallowable or unsupported costs.
- n Audit work focused on four agencies and 13 grants
 - n Administrative Office of the Courts
 - n Department of Commerce
 - n Recreation and Conservation Office
 - n Office of the Superintendent of Public Instruction



State Grants

Audit Results:

- n The state provides no centralized guidance to agencies on how to manage and monitor grants.
- n There were significant differences in four agencies' grant management. Two agencies' practices led to questionable payments while other agencies were using best practices.
- n For most programs reviewed, payments to grant recipients were allowable and supported.



Purchase Cards

- n Audit to test purchase cards, one cards and corporate cards
- n Purchase and one cards focus:
 - n Agencies paying for unallowable purchases.
- n Corporate cards focus:
 - n Agencies reimbursing card users only for non business-related purchases.
 - n Agencies effectiveness at monitoring purchases.



Purchase Cards

- n We tested 607 purchase and one card transactions
 - n 31 agencies
 - n More than \$6.7 million in purchases
- n Audit Results
 - n In the transactions examined, found no payments for non-business related purchases.
 - n Overall, state agencies we reviewed had good controls to prevent and detect unallowable purchases.



Accountability Audits

2012 Statewide audit topics :

- n Payments to Child Care Providers Part 2
- n Tuition Waivers
- n Expected Release – Summer 2012



Payments to Child Care Providers

Part 2

Due to the extent of issues identified in 2011 audit, we expanded testing in 2012 to all providers – licensed and unlicensed.

- n Our audit objectives are:
 - n Calculate how much in state child care subsidies were overpaid and/or questionable in fiscal year 2011.
 - n Determine if licensed family home providers have more children in their home than allowed by state regulations.



Payments to Child Care Providers

Part 2

Audit objectives (continued):

- n Determine if overlap in attendance records exists for parents whose children received subsidized child care, and currently bill as providers.
- n Report on the state's effort to collect overpayments that were identified by our 2011 child care audit.



Tuition Waivers

Our audit objectives are:

- n Do students receiving tuition waivers meet eligibility criteria? If not, why?
- n Are colleges and universities issuing waivers to individual students that exceed the maximum levels established by state law or policy? If so, why?
- n Are the individual four-year college/universities or the community college system waiving a larger percentage of total gross authorized operating fees revenues established by state law? If so, why?



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