

State Audit Update, Spring 2011
CAFR, Single Audit & Accountability

Financial Management Advisory Council
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Topics for Discussion

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



CAFR 2010

- Significant Risks
 - GASB 49 – Pollution Remediation Obligations
 - General Fund cash balance
 - Bond debt limitation
 - Receivable estimations
- Financial statements fairly presented



CAFR 2011

- Significant Risks
 - GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions
 - Restricted funds and transfers
- Approximately 16 agencies with account balances material to state's basic financial statements



SWSA 2010

- Audited 31 major programs covering \$15.5 billion
- Work done at 11 agencies including UW and WSU
- 57 federal findings
 - 43 compliance/questioned cost findings
 - 36 internal control findings with 16 material weaknesses



SWSA 2010

- \$8.2 million in questioned costs
- Qualified Opinions on:
 - State Energy Program
 - Public Health Emergency Preparedness Program
 - National Bioterrorism Hospital Preparedness Program



SWSA 2011

- Preliminary planning done in May
- Focus will be on programs with ARRA expenditures
- Final program selection done when OFM finalizes Schedule of Expenditures of Federal Awards (SEFA) - October/November
- Majority of ARRA funding phasing out in 2011



SWSA 2011

- Increase in compliance requirements
 - Compliance supplement expected in June
 - Anticipated expansion in reporting requirements for all non-ARRA Programs



SWSA 2011

- Increased risks
 - New programs
 - Significant funding increases to existing programs
 - Reduced staffing
 - Position consolidations
- Increased federal finding follow-up



Accountability Audits

- Statewide accountability approach implemented in fiscal year 2011 based on statewide risk assessment
- Accountability work at individual agencies only by agency request
- Statewide audit topics :
 - Payments to client service providers
 - State grants
 - Purchase cards
 - Payroll
 - Finding follow-up



Payments to Client Service Providers

- Audit focuses on four areas:
 - Provider billing patterns
 - Are state agencies paying providers for services not rendered?
 - Are state agencies making duplicate payments to providers?
 - Durable medical equipment (DME) providers
 - Are state agencies being overcharged for durable medical equipment?



Payments to Client Service Providers

- Child Care
 - Are state agencies overcharged by providers for child care services?
 - Do state laws and regulations provide agencies with timely access to attendance records maintained by child care providers?
 - Can state agencies effectively identify child care providers who do not comply with laws, regulations and contract terms?
 - What reporting options are available for those who wish to report suspected improper payments or fraud? Are these referrals effectively evaluated and resolved?



Payments to Client Service Providers

- Payments after a provider's date of death
 - Do state agencies have effective controls in place to inactivate providers' accounts after their death?
 - Are state agencies paying for services rendered after a provider's date of death?
- Audit work focused at DSHS and L&I



State Grants

- Audit focuses on subrecipients' use of grant money
 - In the absence of centralized guidance and criteria, are state agencies effectively managing state grant funds?
 - Are state agencies reimbursing grant recipients for unallowable or unsupported costs?



State Grants

- Audit work focuses on four agencies and 13 grants
 - Administrative Office of the Courts
 - Department of Commerce
 - Recreation and Conservation Office
 - Office of the Superintendent of Public Instruction



Purchase Cards

- Audit to test purchase cards, one cards and corporate cards
- Purchase and one cards
 - Are state agencies paying for unallowable purchases?
- Corporate cards
 - Are state agencies paying the delinquent balances for state card holders?
 - Are state agencies monitoring to ensure purchases are made for allowable uses?



Purchase Cards

- We tested 607 purchase and one card transactions
 - 31 agencies
 - More than \$6.7 million in purchases



Payroll

- To determine if certain high-risk payroll disbursements are authorized, allowable and valid and properly supported
- Tests performed on overtime and benefits paid to terminated employees
- Testing focused on six agencies
 - Social and Health Services
 - Transportation
 - Corrections
 - State Patrol
 - Natural Resources
 - Liquor Control Board



Budget – 2009-11 Biennium

- More than 60 percent reduction in accountability audit
- Moved from agency accountability audits to statewide accountability audits



Budget – 2011-13 Biennium

- Governor's proposal
 - Eliminates Audit Services Revolving Account
 - Requires all state audit work to be done through Performance Audit Account
 - Eliminates funding for school apportionment audits



Budget – 2011-13 Biennium

- House proposal
 - Eliminates Audit Services Revolving Account
 - Requires all state audit work to be done through Performance Audit Account
 - Funds school apportionment audits



Budget – 2011-13 Biennium

- Senate proposal
 - Funds Audit Services Revolving Account
 - Transfers \$3.2 million from Performance Audit Account to Revenue for additional auditors
 - Transfers \$4.8 million from Performance Audit Account to DSHS for investigation unit
 - Provisos State Auditor to use \$500,000 for Fraud Ombudsman audits
 - Funds school apportionment audits



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