



Legislative Post Audit Financial Audit Report Highlights

Highlights

State of Kansas: Federal Compliance (A-133)
Audit of Fiscal Year 2014

Report Highlights

March 2015 • R-15-003

Summary of Legal Requirements

The federal government requires organizations that receive a significant amount of federal funding to undergo a “single audit” in accordance with OMB Circular A-133.

The Single Audit combines the audit of the state’s financial statements with an organization-wide audit of compliance with federal regulations and award agreements. The Single Audit is presented in two parts. The first part was the audit of the state’s basic financial statements for fiscal year 2014 (R-14-018 released in December 2014). This second part is the report on state agencies’ compliance with federal awards requirements.

Background Information

CliftonLarsonAllen, a CPA firm under contract with the Legislative Division of Post Audit, conducted this audit.

Reported federal expenditures for fiscal year 2014 were \$5.1 billion.

AUDIT OBJECTIVES: The federal A-133 audit has three major objectives: (1) evaluate state agencies’ compliance with federal laws, regulations, contracts, and other requirements; (2) evaluate agencies’ internal controls over compliance; and (3) identify any questioned costs associated with non-compliance.

- **The auditors reported that the state was in material compliance with the applicable requirements for all but one of the 20 federal programs audited.** The auditors found material non-compliance existed with the Foster Care program administered by the Department for Children and Families. The auditors found that the department had misclassified two subrecipients in the Foster Care program as contractors. As a result, the department applied its monitoring program for contractors, but did not comply with all requirements regarding subrecipient monitoring.
- **The auditors reported a total of 27 problem findings related to the federal awards including five material weaknesses** (the most significant type of problem finding).
 - The **Department for Children and Families** did not have adequate support documentation from the subrecipient for some of their claims (Foster Care), did not adequately monitor the subrecipients (Foster Care, this is the basis for the qualification above), and did not document and/or meet all eligibility requirements for some beneficiary payments tested (Adoption Assistance).
 - The cash draw reports submitted by the **Department of Health and Environment** did not agree with the Medicaid Management Information Systems reports in two instances (Medicaid).
 - The **Department of Labor** overstated the amount of federal funds spent to the Department of Administration by \$30 million (Unemployment Insurance).
 - All 27 problem findings are listed in the separate document, Summary of Problem Findings from the FY 2014 OMB Circular A-133 Audit.
 - Of the 27 problem findings noted above, five are repeat findings from prior years.
- **The auditors estimated questioned costs as a result of some of the findings at just under \$300,000.** Although the auditors initially identify the questioned costs, the applicable federal agency ultimately decides if the state will have to reimburse the federal government and how much. The questioned costs are listed in the separate document, Summary of Problem Findings from the FY 2014 OMB Circular A-133 Audit.

SUMMARY OF RECOMMENDATIONS:

- The auditors made recommendations to address the problem findings identified.

AGENCY RESPONSE:

- Each agency responded to its respective findings with a corrective action plan.
- The Department for Children and Families provided an additional response addressing some concerns about Finding 2014-008. This additional response should not be considered part of the audit report.

HOW DO I REQUEST AN AUDIT?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

Legislative Division of Post Audit

800 SW Jackson Street
Suite 1200
Topeka, Kansas 66612-2212
Telephone (785) 296-3792
Fax: (785) 296-4482
Website:
<http://www.kslpa.org/>

Scott Frank
Legislative Post Auditor

For more information on this
audit report, please contact
Julie Pennington
(785) 296-3792
Julie.Pennington@lpa.ks.gov

**Summary of Problem Findings
from the
OMB Circular A-133 Audit
Year Ended June 30, 2014**

DEPARTMENT FOR CHILDREN AND FAMILIES

Description of Problem Findings	Classification	Questioned Costs	Year Originally Reported	Summary of Recommendation
US Department of Health and Human Services (Child Care and Development Fund)				
Did not have adequate documentation for the family share deduction in two of the 60 files tested.	Significant Deficiency	\$ -	2014	Improve the internal control design to include better supporting documentation and a verification process of amounts paid to program participants.
Did not have adequate support documentation for eligibility or benefits in three of the 60 cases tested.	Significant Deficiency	2,060	2014	Expand the internal control design to include a review process and/or computerized edit checks to mitigate data entry errors.
US Department of Health and Human Services (Foster Care)				
Did not have adequate support documentation from the contractor (subrecipient) for three of 40 claims tested.	Material Weakness	1,047	2014	Emphasize documentation requirements to the contractor and develop an oversight program to monitor the contractors' compliance.
The A-133 report from the subrecipient that was available during the audit period did not contain the federal funds passed to the subrecipient from the State of Kansas and therefore had not been subject to audit.	Material Weakness	-	2014	Incorporate the subrecipient monitoring framework that is in place for other DCF programs.
Two subrecipients did not submit Federal Funding Accountability and Transparency Act (FFATA) reports.	Significant Deficiency	-	2014	Incorporate FFATA reporting requirements and information in the subrecipient agreements, and consider monitor procedures to ensure compliance with FFATA reporting.
US Department of Health and Human Services (Adoption Assistance)				
Did not document and/or meet all eligibility requirements in four of the 40 beneficiary payments tested.	Material Weakness	11,330	2014	Design additional internal controls that monitor the workflow of adoption processing and maintain documentation, and provide training to staff.
Department of Education (Vocational Rehabilitation)				
Did not determine eligibility within 60 days in three of the 40 cases tested.	Significant Deficiency	-	2014	Develop a more robust internal control to monitor the workflow of application processing.
Did not verify that contractors were not suspended or debarred for one of the 11 contracts examined.	Significant Deficiency	-	2014	Develop a more robust internal control that monitors the tracking of all purchases and related suspension and debarment verification.
Total Questioned Costs		\$ 14,437		

DEPARTMENT OF COMMERCE

Description of Problem Findings	Classification	Questioned Costs	Year Originally Reported	Summary of Recommendation
US Department of Health and Human Services (Program of Competitive grants for Worker Training and Placement in High Growth and Emerging Industry Sectors)				
Did not adequately monitor the subrecipients. (Repeat finding)	Significant Deficiency	\$ -	2012	Continue to use the process and related controls to effectively monitor subrecipients.
Did not provide identifying award information at the time of award to any of the four subrecipients tested. (Repeat finding)	Significant Deficiency	-	2013	Continue to use the process and related controls to effectively monitor subrecipients.
Total Questioned Costs		\$ -		

DEPARTMENT OF EDUCATION

Description of Problem Findings	Classification	Questioned Costs	Year Originally Reported	Summary of Recommendation
US Department of Education (School Improvement Grants Cluster)				
Did not submit the Federal Funding Accountability and Transparency Act (FFATA) report timely. (Repeat finding)	Significant Deficiency	\$ -	2013	Implement processes and controls to ensure that all required FFATA reports are submitted timely.
Total Questioned Costs		\$ -		

DEPARTMENT OF HEALTH AND ENVIRONMENT

Description of Problem Findings	Classification	Questioned Costs	Year Originally Reported	Summary of Recommendation
US Department of Health and Human Services (Medicaid Cluster)				
The cash draws submitted for two of the 14 reports tested did not agree with the Medicaid Management Information Systems reports.	Material Weakness	\$ -	2014	Strengthen the preparation and review process over cash draws.
Did not document review of either of the two financial reports tested for the State Survey and Certification of Health Care Providers and Suppliers program.	Significant Deficiency	-	2014	Continue to develop cross-training.
Did not submit either of the two quarterly expense reports tested timely.	Significant Deficiency	-	2014	Get written approval from the federal granting agency for any delays in submission of reports.
One of 60 files tested did not contain an application.	Significant Deficiency	-	2014	Provide training and consider additional cross-checks for documentation in case files.
US Department of Health and Human Services (State Grants to Promote Health Information Technology)				
Did not provide identifying award information at the time of award and did not receive a copy of the subrecipient's A-133 audit. (Repeat finding)	Significant Deficiency	-	2013	Continue to use the process and controls to monitor all subrecipients of federal grants.
Total Questioned Costs		\$ -		

DEPARTMENT OF LABOR

Description of Problem Findings	Classification	Questioned Costs	Year Originally Reported	Summary of Recommendation
US Department of Labor (Unemployment Insurance)				
The amount of federal funds spent reported to the Department of Administration was overstated by \$30 million.	Material Weakness	\$ -	2014	Conduct additional training for the agencies involved with the federal expenditure reporting process.
Did not obtain approval from the US Department of Labor for some purchases and contractor payments.	Significant Deficiency	275,404	2014	Strengthen control process over disbursements to ensure that costs incurred are allowed by the federal awarding agency.
Did not document review of two of the five cash draws tested.	Significant Deficiency	-	2014	Continue to develop cross-training.
Seven of the 40 cases tested were not reviewed by the Benefits Accuracy Measurement program within the required timeframe.	Significant Deficiency	-	2014	Conduct training for all investigators, and include compliance with deadline requirements in the investigators' evaluation.
Did not properly classify three of the 40 overpayments tested.	Significant Deficiency	-	2014	Provide additional training and develop a checklist for all situations to consider.
Did not include payroll expenditures payable in four of the seven program and administrative expenditures reports.	Significant Deficiency	-	2014	Provide additional training and consider cross-training.
The amounts reported on both of the State Workforce Agency activity reports did not agree with underlying support.	Significant Deficiency	-	2014	Develop system generated information to reduce the time involved to manually generate the fields that were incorrect.
Did not document review of one of the two Contribution Operations reports tested.	Significant Deficiency	-	2014	Continue to develop cross-training.
Total Questioned Costs		\$ 275,404		

BOARD OF REGENTS

Description of Problem Findings	Classification	Questioned Costs	Year Originally Reported	Summary of Recommendation
US Department of Education (Statewide Data Systems Cluster)				
Implemented a process to include a statement to certify that the contracted vendor is not suspended or debarred, but did not award any new contracts. (Repeat finding)	Significant Deficiency	\$ -	2013	Continue to use the process and controls to ensure compliance.
US Department of Education (Student Financial Assistance Cluster)				
One service provider did not comply with the Third-Party Eligibility Compliance Requirement.	Significant Deficiency	-	2015	Review all service contracts to verify they comply with rules and regulations.
Total Questioned Costs		\$ -		

PITTSBURG STATE UNIVERSITY

Description of Problem Findings	Classification	Questioned Costs	Year Originally Reported	Summary of Recommendation
US Department of Health and Human Services (Research and Development Cluster)				
Did not use effort reports or time sheets to support charges to the grant for staff salaries.	Significant Deficiency	\$ 5,920	2014	Institute a policy requiring signed effort reports for time worked on projects funded by federal grants.
Total Questioned Costs		\$ 5,920		