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**State of Wisconsin**  
Department of Health Services

**DIVISION OF ENTERPRISE SERVICES**

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Date: August 3, 2010

To: School-based services providers and their auditors

From: Ann Marie Anderson, CPA  
Lead Auditor for Single Audit

Re: Audits involving School Based Services

The School Based Services benefit provides federal Medicaid funding to Wisconsin schools to help pay for medically-related special education services for children who are eligible for the Medicaid program. Participants in this program include many of Wisconsin's school districts and the Brown County and Walworth County Children with Disabilities Education Boards.

The Department of Health Services makes interim payments based on the specific services provided and the rates associated with those services. Each school-based services provider must complete an annual cost settlement report, and all costs should be settled no later than 24 months after the close of the applicable school year. As a result, during any given period, a school based services provider could receive payments for the current period and prior periods.

Following are some key points to keep in mind when planning and performing audits for agencies that participate in the School Based Services benefit.

**A. The School Based Services benefit is funded by Medicaid.**

Payments for the School Based Services benefit come from the federal Medicaid program, CFDA number 93.778.

**B. Medicaid expenditures trigger federal single audit requirements.**

Medicaid is federal financial assistance, and it is subject to federal single audit requirements. Auditees need to include the expenditures for Medicaid in the Schedule of Expenditures of Federal Awards (see D, below).

Expenditures for Medicaid are included with expenditures for all other federal programs when determining whether a single audit is needed and when planning testing of federal programs.

**Attention Business Managers – please compare the payments posted with this memo to your records to ensure that your agency has received and deposited all of the checks that were issued to them. Contact [DHSAuditors@Wisconsin.gov](mailto:DHSAuditors@Wisconsin.gov) if you need to have a check re-issued. See Section C, below, for more information.**

Federal Type A/major program testing is needed if expenditures for Medicaid are \$300,000 or more.

The federal Department of Health and Human Services identifies Medicaid as a program of higher risk for single audits:

In accordance with OMB Circular A-133, §\_\_\_.525(c)(2), when the auditor is using the risk-based approach for determining major programs, the auditor should consider that the Department of Health and Human Services (HHS) has identified the Medicaid Assistance Program as a program of higher risk.

Medicaid is the largest dollar Federal grant program and under OMB budgetary guidance and Pub. L. No. 107-300, HHS is required to provide an estimate of improper payments for Medicaid. Improper payments mean any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and includes any payment to an ineligible recipient, and any payment for an ineligible service, any duplicate payment, payments for services not received, and any payments that does not account for credit for applicable discounts.

While not precluding an auditor from determining that the Medicaid Cluster qualifies as a low-risk program (e.g., because prior audits have shown strong internal controls and compliance with Medicaid requirements), the above should be considered as part of the risk assessment process.

(Source: OMB Circular A-133 Compliance Supplement, March 2009, Part 4, Department of Health and Human Services CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX), online at [http://www.whitehouse.gov/omb/circulars\\_a133\\_compliance\\_supplement\\_2010/](http://www.whitehouse.gov/omb/circulars_a133_compliance_supplement_2010/))

The Department of Health Services addressed the Medicaid program's higher risk status through designating the School Based Services Benefit to be a State Type A program (see C, below).

School districts certify Medicaid-eligible expenditures in their cost settlement reports. We have placed lists of unreviewed expenditures for the first three quarters of the fiscal year on the *State Single Audit Guidelines* website (See E, below). A list of expenditures for the fourth quarter will be forthcoming.

### **C. School based services benefit payments trigger state audit requirements.**

As noted above, the Department of Health Services addressed the higher risk status of the School Based Services Benefit through designating it to be a State Type A program. The program must be treated as Type A when 1) the auditee has a single audit and 2) the department paid \$100,000 or more in funding for this program during the audited period.

A list of all payments made for the School Based Services benefit during the 2010 fiscal year is available on the *State Single Audit Guidelines* website (See E, below). The list of payments has two purposes:

- Confirm amounts that the department paid to agencies
- Identify which agencies were paid \$100,000 or more, triggering state audit requirements

All payments should be accounted for in the school district’s Fund 780. The remittance advices (explanation of benefits) that accompany the checks include an explanation for the payments.

The list of payments includes the status of each check as of 8/2/10: cashed, issued (not cashed), staledate (also not cashed), and staledate cashed. **All school districts should compare the check information to their records to ensure that they have received and deposited all of the checks that were issued to them. Contact DHSAuditors@Wisconsin.gov if you need to have a check re-issued.**

**D. Medicaid must be included in the Schedule of Expenditures of Federal Awards**

The following example shows the recommended presentation of Medicaid in the Schedule of Expenditures of Federal Awards:

Schedule of Expenditures of Federal Awards			
	Federal Catalog Number	Expenditures	Receipts Grantor Reimbursement
U.S. Department of Health and Human Services			
WI Department of Health Services			
Medical Assistance - School Based Services	93.778	See B, above	See C, above

**E. Department documents referenced in this memo are available at [www.ssag.state.wi.us](http://www.ssag.state.wi.us).**

Look under “SSAG Summary 2010” at bottom of webpage, then under Department of Health Services:

- DHS Audit Guide, Section 3.15 School Based Services Benefit (SBS), 2010 revision
- Expenditures reported for first three quarters of SFY 2010 (See B, above)
- Payments made in SFY 2010 (See D, above)

**F. Audit reports must be sent to DHS if expenditures exceed \$300,000 or if payments exceed \$100,000.**

DHS needs to receive a copy of the audit report only if Medicaid is a Type A program, i.e. if the program had \$300,000 or more in expenditures or if payments are \$100,000 or more. Send one copy of the audit report to the department within six<sup>1</sup> months of the end of the fiscal year. The

<sup>1</sup> The audit instructions for School Based Services indicate nine months of the end of the fiscal year. We have since learned that DPI’s due date is six months. Reports should be sent to DHS at the same time they are sent to DPI.

report may be in either paper or electronic pdf format. Paper copies may be sent to the following address:

Single Audit Section  
Division of Enterprise Services  
Department of Health Services  
1 West Wilson Street, Room 627  
P.O. Box 7850  
Madison, WI 53707-7850

Reports in pdf format may be sent to the following email address:

DHSAuditors@Wisconsin.gov

The department's review of the audit report will include, but not be limited to, checking whether:

- 1) Medicaid is properly identified in the Schedule of Expenditures of Federal Awards.
- 2) The expenditures for Medicaid are at least as much as the amounts that the school district reported in their cost settlement reports.
- 3) Grantor reimbursement for Medicaid is equal to the payments that the department made for the program during the audited period.
- 4) The program was tested as a major program the first year that expenditures equal or exceed \$300,000 or that payments equal or exceed \$100,000.
- 5) The program was appropriately treated as a Type A or major program in subsequent years.
- 6) The report includes any findings related to Medicaid or to general business functions that affect Medicaid.

Missed audit testing must be completed with or prior to completion of the subsequent audit and must include the activity for the missed period as well as the subsequent period, regardless of the amount of expenditures or payments for the subsequent year.

Questions can be referred to the department at DHSAuditors@Wisconsin.gov.