State of Wisconsin
Department of Health Services

OFFICE OF THE INSPECTOR GENERAL
INTERNAL AUDIT SECTION

Department of Health Services
Audit Guide

An Appendix to Wisconsin's State Single Audit Guidelines

P-01714 (10/2025)

The Department of Health Services Audit Guide is prepared by:
Internal Audit Section
Office of the Inspector General
Department of Health Services
201 E. Washington Ave.
PO Box 7850
Madison, WI 53707-7850

608-267-2836
DHSAuditors@dhs.wisconsin.gov

The Internal Audit Section (IAS) within the Office of the Inspector General (OIG) for the Wisconsin Department of Health Services (DHS) performs independent, objective assurance and consulting activities designed to add value and improve DHS operations. It helps DHS accomplish its objectives by bringing a systematic and disciplined approach to evaluate the effectiveness of risk management, internal control, and governance processes.

Tony Evers
Governor

Kirsten L. Johnson
Secretary

State of Wisconsin
Department of Health Services

Office of the Inspector General
201 E. Washington Ave.
PO Box 7850
Madison, WI 53707-7850

Phone: 608-266-2521
Fax: 608-267-3380
TTY: 711 or 800-947-3529

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To Auditors, Auditees, and other Stakeholders:

The Wisconsin Department of Health Services (DHS) Office of the Inspector General (OIG) Internal Audit Section (IAS) published this DHS Audit Guide (P-01714-2025) in May 2025 to provide agencies that receive or expend DHS funding and their auditors with a comprehensive overview of federal, state and DHS audit requirements. The guide is effective for audit periods ending on or after December 31, 2024, (unless otherwise noted) and supersedes all prior versions of the DHS Audit Guide. Key changes follow:

- Section 1.0 – Updates the federal audit threshold to $1,000,000 effective for audit periods beginning on or after October 1, 2024 in accordance with Uniform Guidance audit requirements under 2 C.F.R. § 200.501.
- Section 1.0.1 – Clarifies Medicaid providers receiving fee-for-service (FFS) payments are not subject to federal or state audit requirements.
- Section 1.2.1 and 1.2.3 – Eliminates the compliance testing requirement for 25% or more of DHS-funded program expenditures. Refer to Uniform Guidance audit requirements under 2 C.F.R. § 200.500 and the State Single Audit Guide for testing requirements.
- Sections 1.2.3, 3.1.2, 3.2.2, 3.4.2, 3.5.2, 3.6.2, 3.7.2, and 3.8.1 – Updates the state award threshold to $330,000 from $250,000 effective for fiscal years beginning on or after October 1, 2024 per the State Single Audit Guide.
- Section 1.6.2 – Clarifies audit confirmation requests for DHS programs must be electronic and sent via email to the Audit Confirmation Coordinator at DHSBFSGeneral@dhs.wisconsin.gov.
- Section 2.5.2 – Reflects replacing the Community Aids Reporting System (CARS) with the Grant Enrollment and Reporting System (GEARS).
- Section 2.5.4 – Eliminates references to discontinued programs.
- Section 3.3 – Clarifies audits are no longer required for the Children's Long-Term Support (CLTS) Program in audit fiscal years beginning January 1, 2025 or later due to program contracting, administration, and payment changes. It also clarifies when grant funded County Waiver Agency (CWA) expenses should be included on the Schedule of Expenditures of Federal and State Awards (SEFSA) if a single audit is already required for the entity.
- Section 3.6.1 – Clarifies the audit requirements for school-based services (SBS) are based on program determination need.

- Section 3.7.1 – Clarifies the audit requirements for Wisconsin Medicaid Cost Reporting (WIMCR) services are based on program determination need.
- Section 3.7.3.1.1 – Clarifies FFS programs, such as Comprehensive Community Services (CCS) and Community Recovery Services (CRS), are not subject to audit requirements.
- Section 3.4 – Deletes the Community Integration Program 1 section because the program was discontinued in the 2018 DHS Audit Guide.
- Section 3.5 – Deletes the Community Integration Program II/Community Options Program - Waiver section because the program was discontinued in the 2018 DHS Audit Guide.
- Section 3.6 – Deletes the Community Options Program section because the program was discontinued in the 2018 DHS Audit Guide.

OIG-IAS welcomes stakeholder feedback and recommendations to improve this audit guide. Please contact DHSAuditors@dhs.wisconsin.gov to assist us in this effort.

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The DHS Audit Guide for 2025 (P-01714-2025) serves as an appendix to the State Single Audit Guide and supersedes the DHS Audit Guide for October 2018. Auditors of agencies that provide required audits to the DHS should use this audit guide for audit periods ending on or after December 31, 2024 and until it is revised.

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Acronyms

ABAWD – Able-Bodied Adults Without Dependents
ACPM – Allowable Cost Policy Manual
ADRC – Aging and Disability Resource Center
AICPA – American Institute of Certified Public Accountants
ALN – Assistance Listing Number
AMSO – Agency Management and Support Overhead
BCA – Basic County Allocation
CAP – Corrective Action Plan
CARS – Community Aids Reporting System
CCOP – Children's Community Options Program
CLTS – Children's Long-Term Support Program
CMS – Centers for Medicare and Medicaid Services
CWA – County Waiver Agency
DCF – Department of Children and Families
DHHS – United States Department of Health and Human Services
DHS – Department of Health Services or the Department
DOA – Department of Administration
DOR – Department of Revenue
DPI – Department of Public Instruction
FAC – Federal Audit Clearinghouse
FFS – Fee-for-Service
FSET – FoodShare Employment and Training
GAS – Government Auditing Standards
GEARS – Grant Enrollment Application Reporting Systems.
GPR – General Program Revenue
HIPAA – Health Insurance Portability and Accountability Act
HSRS – Human Services Reporting System
IEP – Individualized Education Program
IM – Income Maintenance
IRIS – Include, Respect, I Self-Direct
ISP – Individual Service Plan
LEA – Local Education Agency
OIG – Office of Inspector General
OMB – Office of Management and Budget
OT – Occupational Therapy
PT – Physical Therapy
SBS – School-Based Services
SEFSA – Schedule of Expenditures of Federal and State Awards
SNAP – Supplemental Nutrition Assistance Program
SSAG – State Single Audit Guide
UC – Unemployment Compensation
UGCS – Uniform Guidance-Compliance Supplement
W-2 – Wisconsin Works
WIMCR – Wisconsin Medicaid Cost Reporting
WIOA – Workforce Innovation and Opportunity Act

Department of Health Services Audit Guide

Section 1: General Health Information

1.0 General Audit Requirements

The Wisconsin Department of Health Services (DHS) exercises multiple roles in the protection and promotion of the health and safety for the people of Wisconsin. To carry out this mission, DHS relies on a network of provider agencies across numerous programs. Provider agencies that receive funding from DHS may be subject to audit requirements as mandated by contract, grant agreement, or state and federal laws. This DHS Audit Guide (P-01714-2025) provides a comprehensive overview to assist providers and auditors in meeting federal, state and DHS audit requirements and is effective for audit periods ending on or after December 31, 2024.

The DHS Audit Guide (P-01714-2025) is an appendix of the State Single Audit Guide and establishes audit guidelines and program-specific compliance requirements for agencies that expend or receive more than $100,000 in DHS funding. It also incorporates federal Uniform Guidance audit requirements under 2 C.F.R. § 200.501, which is known as Uniform Guidance.

1.0.1 Audit Authority

During their fiscal year, agencies that expend more than $750,000 ($1,000,000 for fiscal years beginning on or after October 1, 2024) in total federal awards are subject to Uniform Guidance audit requirements under 2 C.F.R. § 200.501. This audit requirement is federally mandated and not eligible for an audit waiver. In addition, these agencies may be required to have an audit if they expend or receive more than $100,000 of direct or pass-through DHS funding according to the State Single Audit Guide and DHS Audit Guide (P-01714-2025).

Per Wis. Stat. § 46.036 (4)(c), all agencies that receive DHS funding are annually required to provide a certified financial and compliance audit report to the purchaser of care and services if the amount purchased exceeds $100,000. This audit requirement applies to both direct and pass-through DHS funding and must comply with American Institute of Certified Public Accountants (AICPA), Government Auditing Standards (GAS), and DHS Audit Guide (P-01714-2025) requirements. See Section 1.03 for additional information regarding DHS audit waivers.

Providers that receive fee-for-service (FFS) payments for Medicaid services are not subject to federal or state audit requirements, unless the DHS program area deems it necessary for proper oversight.

1.0.2 Type of Audit Required

For agencies that expend or receive DHS funding, the following factors determine the required audit type or if one is necessary:

- The amount of funding
- The funding source
- The substance of the agreement between agencies that expend, receive, or pass-through DHS funding

- The type of purchases made with DHS funding

The required audit type is based on the funding amount and source, which may include a combination of federal and state funding. The following examples may require an audit if the agency:

- Expends a total amount of more than $750,000 ($1,000,000 for fiscal years beginning on or after October 1, 2024) in federal funding for an audit period. If so, a single audit is required.
- Is required to have a single audit and also expends more than $100,000 in direct or pass-through DHS funding. That agency's single audit must also comply with the DHS Audit Guide.
- Does not expend more than $750,000 ($1,000,000 for fiscal years beginning on or after October 1, 2024) in federal funding but receives more than $100,000 in direct or pass-through DHS funding, then the agency may need to provide an audit to comply with the DHS audit requirement established by Wis. Stat. § 46.036.

Uniform Guidance audit requirements under 2 C.F.R. § 200.501 apply to subrecipient relationships and do not apply to contractor or beneficiary relationships. Reference 2 C.F.R. § 200.331 to determine whether a DHS funding agreement is indicative of a subrecipient, contractor, or beneficiary relationship. DHS applies Uniform Guidance principles to the state funding and requires all subrecipients that expend more than $100,000 in direct or pass-through DHS funding to provide an audit to the purchaser in accordance with the DHS Audit Guide (P-01714-2025). Expending grant funds is indicative of a subrecipient relationship, whereas payments for care and services, goods, or ancillary services are typically indicative of a contractor relationship. Examples by purchase type follow:

- Ancillary services, such as administrative (payroll processing), technical (translation), or professional (engineering).
- Care and services may include health care, mental illness therapy, addiction treatment, or developmental disability services.
- Goods, like office supplies, materials, and merchandise.

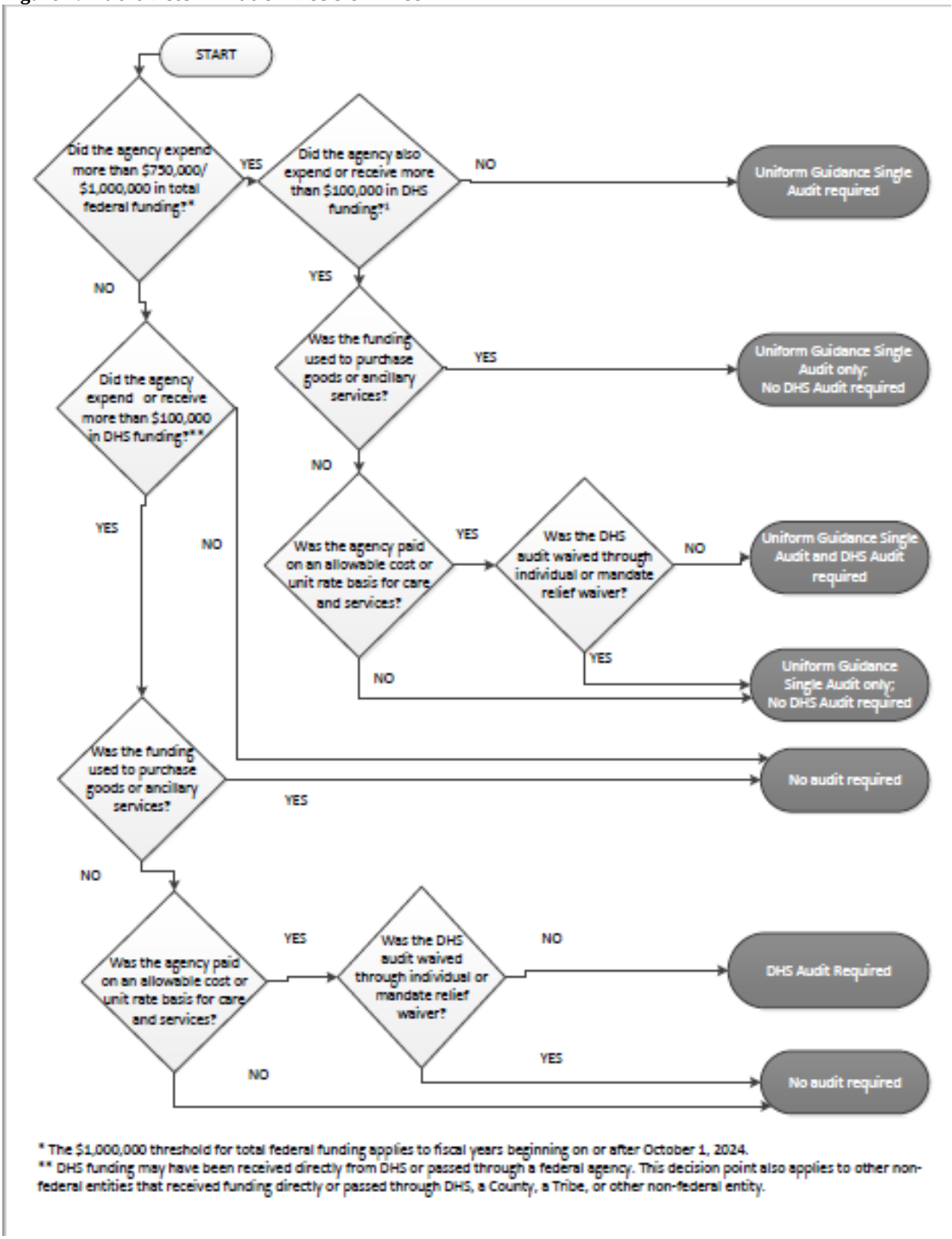
Although Wis. Stat. § 46.036 does not distinguish between subrecipients and contractors, care and service purchases may constitute a contractor relationship and require an audit based on the following:

- Care and services are paid on a per unit rate basis.
- Care and services are settled to an allowable cost basis.
- The funding agency requires an audit per contract terms.

Purchases of ancillary services and goods do not require an audit to comply with the DHS Audit Guide (P-01714-2025).

Refer to Figure 1 for a decision tree to help determine if an audit is required.

Figure 1: Audit Determination Decision Tree



* The $1,000,000 threshold for total federal funding applies to fiscal years beginning on or after October 1, 2024.
** DHS funding may have been received directly from DHS or passed through a federal agency. This decision point also applies to other non-federal entities that received funding directly or passed through DHS, a County, a Tribe, or other non-federal entity.

Funding agencies, like DHS and counties, reserve the right to include contractual language requiring an audit for an appropriate business reason, like for a new or high-risk agency. Funding agencies also must:

- Be aware that audit costs may only be charged to program expenses if the audit is required in federal or state statute.
- Explicitly specify current audit requirements in all grant agreements and contracts for the purchase of care or services involving DHS funding.

Funding from DHS can be direct, pass-through, or a combination of both. All of the following entity types are required to submit an audit to DHS or the purchaser of care or services if the DHS funding level is more than $100,000, the purchase was not solely for ancillary services and goods, and an audit waiver was not granted:

- County and tribal agencies
- Agencies authorized in Wis. Stat. § 51.03(4)(a)
- Other local governments, including cities, villages, and towns
- School districts
- For profit and nonprofit agencies

1.0.3 Audit Waivers

DHS may waive the audit requirement for agencies that receive DHS funding on a case-by-case basis or when a county received a mandate relief waiver of the audit threshold. Under Wis. Stat. § 46.036 (4)(c), agencies that receive more than $100,000 in DHS funding may be granted an audit waiver for a number of factors, including but not limited to:

- The contract or grant amount is relatively small.
- The audit cost is burdensome to the agency.
- An alternative form of monitoring is available.
- The agency's level of risk is low as assessed by the purchasing agency.

All case-by-case waiver requests require approval from DHS. Generally, DHS will not grant an agency's audit waiver request if it occurs after the start of the contract period unless extenuating circumstances exist.

Counties can request audit waivers on behalf of their subrecipients and contractors by completing the Risk Identification and Assessment Worksheet and Purchase of Service Audit Waiver Request (F-00945) online through PowerForm Signer on the DHS website. The form will be routed to the county's Area Administration regional office for approval. For all other audit waiver requests, the provider agency can directly contact DHS program personnel and DHSAuditors@dhs.wisconsin.gov. OIG-IAS makes the final determination on behalf of DHS.

Local governmental agencies may request relief from certain statutory mandates that are considered financially burdensome as authorized in Wis. Stat. § 66.0143. If granted, a mandate relief audit waiver is in effect for four years and DHS may renew the waiver for an additional four-year period. The Wisconsin Department of Revenue (DOR) administers mandate relief waivers and DHS OIG approves them. Refer to DOR's website for instructions.

Audit waivers are not allowed for federal grant funding since they are required to have a single audit in compliance with Uniform Guidance audit requirements under 2 C.F.R. § 200.501.

1.1 Main Document of the State Single Audit Guide

Many sections in the DHS Audit Guide (P-01714-2025) refer to the State Single Audit Guide for guidance and examples that commonly apply to any DHS funding environment, not only single audits. Figure 2 below provides a crosswalk between various sections of these important documents.

Figure 2: State Single Audit Guide and DHS Audit Guide Crosswalk

State Single Audit Guide	DHS Audit Guide (P-01714-2025)
Section 1.0 – Introduction	
1.1 – Purpose	Yes, see Section 1.0
1.2 – Content	Yes, see Section 1.0
1.3 – Users of the Guide	Yes, see Section 1.0.1
1.4 – Applicability and Type of Audit Required	Yes, see Section 1.0.2
1.5 – Definitions	Yes, but uses "funding agency" instead of "granting agency" because state audit laws apply to grants and purchases
1.6 – Additional review	No, see Wis. Stat. § 46.036(4)(c) and the DHS Audit Guide (P-01714-2025)
1.7 – Due date	No, see DHS Audit Guide (P-01714-2025) Sections 1.3 and 1.3.2 for DHS Audits and Sections 1.3 and 1.3.1 for Single Audits
Section 2.0 – Roles and Responsibilities	
2.1 – Auditee	Yes, see Section 1.3 for audit reporting package elements
2.2 – Auditor	Yes, see Sections 1.3 and 1.5
2.3 – State Awarding Agency and Pass-through Entity	Yes, generically refers to the "funding agency"
2.4 – Department of Administration – State Controller's Office	DOA maintains and is only involved with the State Single Audit Guide, of which the DHS Audit Guide (P-01714-2025) is an appendix
Section 3.0 – State Major Program Determination	
3.1 – State Major Program Determination	Yes, see Section 1.2.3
3.2 – State Major Program Determination Documentation	Yes, see Sections 2 and 3 of the DHS Audit Guide (P-01714-2025)
Section 4.0 – Preparing the Audit Reporting Package	
4.1 – Elements Prepared by the Auditee	Yes, see Section 1.3
4.2 – Elements Prepared by the Auditor	Yes, see Section 1.3
Section 5.0 – Submitting the Audit Reporting Package	
5.1 – Submission to the Federal Audit Clearinghouse	Yes, refer to Section 1.3.1

1.2 Audits Involving DHS Funding

1.2.1 Audit Requirements

This section applies to all audits that involve DHS funding.

All required audits of provider agencies that expend or receive more than $100,000 in DHS funding from grants or purchase of care and service contracts during a fiscal year must be an agency-wide audit since DHS typically does not allow program-specific audits. A certified public accountant must perform the agency-wide audit in accordance with generally accepted auditing standards established by the AICPA, GAS, and the DHS Audit Guide (P-01714-2025). The agency-wide audit also may be needed in accordance with Uniform Guidance audit requirements under 2 C.F.R. § 200.501 and the State Single Audit Guide if the agency expended more than $750,000 ($1,000,000 for fiscal years beginning on or after October 1, 2024) in total federal awards during their fiscal year.

In an agency-wide audit, the auditor:

- Provides an opinion as to whether the auditee's financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles (State Single Audit Guide, Section 4.2.1).
- Determines whether the supplemental schedules are presented fairly, in all material respects, in relation to the financial statements. The supplemental schedules include the following:
  - "Schedule of Expenditures of Federal and State Awards (SEFSA)" for all auditees (State Single Audit Guide, Section 4.1.2).
  - DHS Cost Reimbursement Award Schedule [DHS Audit Guide (P-01714-2025), Section 2.9.1] is required for each award when the agency meets the following criteria:
    - Is a nonprofit, for-profit, or local unit of government other than a county, tribe, Chapter 51 board, or school district
    - Received a total of more than $100,000 in direct DHS funding for the audit period
    - The payments were limited to an allowable cost basis or based on reported allowable costs.
  - Reserves Schedule for nonprofit agencies paid on a rate set by the department or county and settled to an allowable cost basis [DHS Audit Guide (P-01714-2025), Section 2.9.2].
  - Allowable Profit Schedule" is a for-profit agency requirement (DHS Audit Guide (P-01714-2025) Section 2.9.3).
- Reviews prior year findings, performs procedures to assess the reasonability of the auditee's Summary Schedule of Prior Audit Findings (State Single Audit Guide, Section 4.1.4) and reports a current year finding if the Summary Schedule of Prior Audit Findings materially misrepresents the status of the prior year's audit findings.

For those required audits of contractors that include DHS funding, compliance testing should consider the following procedures:

- Review the contract to ensure that the agency complied with the terms and conditions of the contract.
- Determine if the agency complied with rules, laws and regulations related to the program.
- Ensure that payments received by the agency are supported with sufficient documentation for each unit rate per client service billed to the purchaser.

1.2.2 Additional Requirements for Single Audits

This section applies to agencies required to comply with Uniform Guidance.

The previous section addresses core requirements that apply to all audits of grants and purchases of care and services involving DHS funding. This section provides additional guidelines if the agency also must comply with the single audit requirements of Uniform Guidance, which include local governments or nonprofit organizations that expended more than $750,000 ($1,000,000 for fiscal years beginning on or after October 1, 2024) in total federal awards during their fiscal year, including federal awards passed through state agencies. The State Single Audit Guide provides guidance on performing a state single audit involving direct state-funded programs and extends federal single audit concepts to these programs. The DHS Audit Guide (P-01714-2025) provides guidance on applying the federal and state single audit concepts to the DHS funding environment, which includes both direct funding from DHS and indirect federal funding through a pass-through entity.

In performing a single audit, the auditor is required to use a risk-based approach as specified in Uniform Guidance major program determination requirements under 2 C.F.R. § 200.518. Additionally, the auditor needs to utilize applicable guidance on compliance testing requirements found in the DHS Audit Guide (P-01714-2025) and current Uniform Guidance Compliance Supplement (UGCS) issued by the United States Office of Management and Budget (OMB) in May 2024. Key parts are highlighted below:

- Part 2 – Matrix of Compliance Requirements: Provides an overview of 12 potential compliance requirements that auditors must consider for each federal funding grant and every Medicaid Assistance Listing Number (ALN) listed.
- Part 3 – Compliance Requirements: Provides additional guidance on compliance requirements, audit objectives, and suggested audit procedures.
- Part 4 – Agency Program Requirements: Provides additional guidance on select requirements for specific programs.
- Part 6 – Internal Control: Provides general guidance on auditing the 12 requirements.

Refer to Figure 3 below for a crosswalk between UGCS, Part 3 and DHS Audit Guide (P-01714-2025), Sections 2 and 3.

Figure 3: Uniform Guidance Compliance Supplement and DHS Audit Guide Crosswalk

UGCS, Part 3	DHS Audit Guide (P-01714-2025) Sections 2 and 3
A – Activities Allowed or Unallowed	Section 2.1 – Activities Allowed or Unallowed Section 3 – DHS program-specific requirements
B – Allowable Costs/Cost Principles	Section 2.2 – Allowable Costs Section 3 – DHS program-specific requirements
C – Cash Management	No additional guidance provided by DHS
E – Eligibility	Section 2.3 – Eligibility Section 3 – DHS program-specific requirements
G – Matching, Level of Effort, Earmarking	Section 2.4 – Matching, Level of Effort, and Earmarking Section 3 – DHS program-specific requirements
H – Period of Performance	No additional guidance provided by DHS.
I – Procurement and Suspension and Debarment	Section 2.6 – Procurement and Suspension and Debarment
L – Reporting	Section 2.5 – Reporting Section 3 – DHS program-specific requirements
M – Subrecipient Monitoring	Section 2.7 – Subrecipient Monitoring
N – Special Tests and Provisions	Section 3 – DHS program-specific special tests

***Note:** Only compliance requirements for the Medicaid (ALN #93.778) are included in this crosswalk. Sections D and K were reserved by OMB and Sections F (Equipment and Real Property Management) and J (Program Income) do not apply.

1.2.3 State Major Program Determination

To incorporate the risk-based concepts of Uniform Guidance, DHS no longer designates certain state programs as major programs that automatically require compliance testing. Auditors can employ the risk-based criteria detailed in Uniform Guidance to identify state programs (DHS either directly funds or passes through) that are further determined to be major programs by applying the following expenditure thresholds for the audit period:

Type A state programs are defined as DHS programs with state awards expended during the audit period exceeding the levels outlined in the table below:

Figure 4: State Major Program Determination Thresholds

Total State Awards Expended	Type A/B Threshold
$250,000 ($330,000 effective for fiscal years beginning on or after October 1, 2024 per the State Single Audit Guide) but less than or equal to $11 million	$250,000 ($330,000 effective for fiscal years beginning on or after October 1, 2024 per the State Single Audit Guide)
Exceed $11 Million but less than or equal to $33 million	Total state awards expended times .03
Exceed $33 million but less than or equal to $330 million	$1 million
Exceed $330 million	Total state awards expended times .003

State programs not labeled *Type A State programs* must be labeled *Type B State programs*.

Reference the State Single Audit Guide Section 3.1 for the complete state major program determination requirements to be used for DHS state programs within the single audit environment. Sections 2 and 3 of this DHS Audit Guide (P-01714-2025) list general compliance and specific DHS program requirements for state major programs potentially identified by the auditor.

In addition to the percentage-of-coverage requirements applicable to the Single Audit and the State Single Audit Guide, audits subject to the DHS audit guide must incorporate the percentage-of-coverage threshold levels of 20 or 40 percent for DHS programs (both direct and pass-through) as determined by the auditor's assessment of the auditee's level of risk determined in accordance with the 2 C.F.R. § 200.520. This also applies to entities not subject to Uniform Guidance but subject to the DHS Audit Guide (P-01714-2025).

1.2.4 Managed Care Organizations for Family Care, Family Care Partnership, and Program of All-Inclusive Care for the Elderly (PACE)

This section applies to managed care organizations that contract with DHS to administer Family Care, Family Care Partnership, and PACE.

Contact the Division of Medicaid Services for audit guidance related to contracts with managed care organizations that provide Family Care, Family Care Partnership, and PACE:

Bureau of Managed Care
608-267-7286
DHSBMC@wisconsin.gov

Refer questions about audit requirements for contracts between a managed care organization and a service provider to the managed care organization.

1.3 Audit Reporting Package Elements

This section details the required elements of an audit reporting package for submission to the Federal Audit Clearinghouse (FAC) or DHSAuditors@dhs.wisconsin.gov. FAC operates on behalf of the OMB to: Distribute single audit reporting packages to federal agencies; support OMB oversight of federal award audit requirements; maintain a public database of completed audits; and assist auditors and auditees in minimizing the reporting burden of complying with single audits. The required elements for a single audit reporting package are detailed at 2 C.F.R. § 200.512. Figure 4 below lists the elements required when submitting the audit reporting package for each audit type that includes DHS funding.

Figure 5: Elements Required for Audit Reporting Package

Elements Required for Audit Reporting Packages		
	Single Audit with DHS Funding	Non-Single Audit with DHS Funding
Independent Auditor's Report	Yes	Yes
Financial Statements	Yes	Yes
Schedule of Expenditures of Federal and State Awards (SEFSA)	Yes	Yes
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an audit of financial statements in accordance with Government Auditing Standards and DHS Audit Guide as applicable.	Yes	Yes
Report on Compliance for Each Major Federal and State Program, Report on Internal Control Over Compliance, and Report on the SEFSA in Accordance with the Uniform Guidance and State Single Audit Guide	Yes	No, See #1
Schedule of Findings and Questioned Costs	Yes	Yes
Summary Schedule of Prior Audit Findings, if applicable	Yes	Yes
Corrective Action Plan, if applicable	Yes	Yes
Data Collection Form	Yes	N/A
DHS Cost Reimbursement Award Schedule, if applicable	See #2	See #2
Reserve Schedule, if applicable	See #3	See #3
Allowable Profit Schedule, if applicable	See #4	See #4
Management Letter, if applicable	Yes, see #5	Yes, see #5

1- Non-single audits with DHS funding must include an auditor's report on compliance over state programs. Additional modifications should reflect the audit's circumstances by using the most current guidance for audit report elements.
2- Only a requirement if the agency is a nonprofit, for-profit, city or municipality that received a total of more than $100K in direct DHS funding and payments were limited to an allowable cost basis or based on reported allowable costs.
3- Only a DHS requirement for nonprofit agencies paid per unit rate and settled to an allowable cost basis.
4- Only a DHS requirement if a for-profit agency.
5- Management letter, if issued by the auditor, is not required for Single Audit submission to the FAC; however, the State Single Audit Guide mandates that the provider must submit the management letter to DHS if issued by the auditor.

Regarding the SEFSA, some programs commingle funding from federal and state sources. In the rare situation where it is not practical to identify the individual funding sources, then the total amount should be included in the federal section of the SEFSA with a footnote description of the commingled nature of the program's funding.

As agencies can receive DHS funding from a grant (subrecipient), contractual payment for care or services (contractor) or Medicaid fee-for-service (provider) payments, the SEFSA should only include expenditures funded by federal and state grants as a subrecipient. DHS recommends the use of footnote disclosures to the SEFSA or financial statements to identify DHS funding received from non-grant sources.

An agency's corrective action plan (CAP) must comply with 2 C.F.R. § 200.511(c), which requires the auditee to prepare a CAP in a separate document to addresses each finding. This CAP must detail the corrective action planned, the responsible party, and the anticipated completion date. If the auditee does not agree with the findings, the CAP should include an explanation.

Unless the agency received an audit waiver from DHS the following information applies to all audits involving DHS funding:

- All audit reporting package documents are to be unencrypted, unlocked and in a text-searchable PDF.
- DHS does not grant extensions for submitting the audit reporting package. If the audit is late, DHS will consider sanctions.
- An agency must comply with the submission requirements of the audit reporting package for all funding agencies. If applicable, see the provider's contract or contact the funding agency for specific submission requirements.

1.3.1 Single Audit Reporting Package – Submission and Due Date

For single audits, reference 2 C.F.R. § 200.512(c) for submission requirements regarding the audit reporting package. The auditee is responsible for ensuring FAC receives a complete, electronically submitted audit reporting package by the audit's due date. This due date is the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period. If the audit's due date is a Saturday, Sunday, or holiday, the reporting package is due the next business day.

It is the auditee's responsibility to ensure that information submitted to FAC is functional and enables complete viewing access to the audit reporting package. If the audit reporting package is not viewable on FAC, then it is the auditee's responsibility to submit the audit reporting package to DHSAuditors@dhs.wisconsin.gov. Because of the volume of single audits that DHS annually reviews, DHS requests notification at DHSAuditors@dhs.wisconsin.gov when the auditee's audit reporting package is available through FAC.

If the auditee is a tribal entity that opts out of allowing the audit reporting package to be publicly available through FAC, then the complete audit reporting package must be submitted to DHSAuditors@dhs.wisconsin.gov by the due date. This package must also include the management letter if issued by the auditor. In the event the auditee is unable to send the audit reporting package electronically, it can be mailed to:

Department of Health Services
Attn: Office of Inspector General, Internal Audit Section
201 E. Washington Ave.
PO Box 7850
Madison, WI 53707-7850

1.3.2 DHS Audit Reporting Package – Submission and Due Date

Agencies that expend or receive more than $100,000 in DHS funding but do not meet the single audit federal funding expenditure threshold of $750,000 ($1,000,000 for fiscal years beginning on or after October 1, 2024), are required to submit their audit reporting packages to the funding agency (the purchaser) by the earlier of the date specified in the contract/grant agreement or six months from the end of the audit period.

The audit reporting package must be electronically submitted to DHSAuditors@dhs.wisconsin.gov if the agency received or expended more than $100,000 in DHS funding. This submission must also include the management letter if issued by the auditor. If the agency received DHS funding passed through a

Wisconsin county or another funding agency, contact the purchasing agency for its requirements to submit the audit reporting package.
In the event the auditee is unable to send the audit reporting package electronically, mail it to:

Department of Health Services
Attn: Office of Inspector General, Internal Audit Section
201 E. Washington Ave.
PO Box 7850
Madison, WI 53707-7850

1.4 Protecting Confidential Member Information

This section applies to all audits involving DHS-funded programs.

While performing audits of programs for DHS, auditors are likely to access confidential member information protected by state and federal confidentiality laws. An example of such information is protected health information under the US Health Insurance Portability and Accountability Act (HIPAA). Confidential client information includes client name, address, telephone number, date of birth, service dates, Social Security number, and unique identifier numbers.

1.4.1 Auditor Safeguards

Any confidential information must have appropriate safeguards applied to ensure that inappropriate or improper disclosure do not occur. The DHS Privacy Officer recommends that auditors:

- Collect only the minimum amount of data necessary for sufficient audit documentation.
- Ensure administrative, physical, and technical safeguards are in place to protect individually identifiable information. Do not email this type of information without encryption.
- Contact the breached entity's Privacy Officer as soon as possible if confidential and individually identifiable health information is lost, stolen, or inappropriately disclosed.

DHS recommends auditors request that their clients redact or de-identify confidential client information from information provided to the auditor. If protected health information is required for inclusion within the audit's documentation, then only obtain the minimum amount of information needed to perform auditing procedures.

If the auditor does receive confidential client information, it is the auditor's responsibility to retain the confidentiality of that information. Options include the auditor redacting or de-identifying confidential information. If confidential client information is required for supporting documentation, DHS recommends creating a separate document that maps confidential client information to a unique identifier that is stored in an encrypted file. Best practices to ensure the protection of confidential client information are to secure files, laptops, and other portable media devices and encrypt electronically stored information.

1.4.2 De-Identification

If information is considered de-identified and there is no basis to identify the individual under HIPAA, it is no longer subject to the protections of this regulation. Health information is considered individually identifiable unless the following identifiers of the individual, or of relatives, employers, or household members of the individual are removed and there is no reasonable basis to believe that an individual can be identified:

- Names
- All geographic subdivisions that are smaller than a state, including street address, city, county, and zip code and their equivalent geo-codes, except for the initial three digits of a zip code
- All elements of dates (except year) that are directly related to the individual, including birth date, admission date, discharge date, and date of death; and all such ages over 89 and all elements of dates (including year) indicative of such age, except that such ages and elements may be aggregated into a single category of age 90 or older
- Telephone numbers
- Fax numbers
- Email addresses
- Social Security numbers
- Medical record numbers
- Health plan beneficiary numbers
- Account numbers
- Certificate/license numbers
- Vehicle identifiers and serial numbers, including license plate numbers
- Device identifiers and serial numbers
- Web universal resource locators (URLs)
- Internet protocol address numbers
- Biometric identifiers, including finger and voice prints
- Full face photographic images and any comparable images
- Any other unique identifying number, characteristic or code, except as permitted in re-identification

1.4.3 Re-Identification

A code or another means of record identification assignment to allow information to be re-identified, providing that the:

- Code or other means of record identification is not derived from or related to information about the individual and is not otherwise capable of being translated so as to identify the individual; and,
- Covered entity does not use or disclose the code or other means of record identification for any other purpose and does not disclose the mechanism for re-identification.

1.5 Auditor Qualifications and Peer Review

This section applies to all auditors that perform audits of DHS-funded programs.

1.5.1 Auditor Qualifications

An auditor hired to perform an audit that includes DHS-funded programs must possess the required qualifications to perform the engagement. The auditor's qualifications must comply with the standards established by the AICPA's Generally Accepted Auditing Standards – AU Section 150, GAS and the State Single Audit Guide Section 2.2.1. For an auditor to perform audits of provider agencies that receive direct or pass-through funding from DHS, the auditor must do the following:

- Meet the appropriate state licensing requirements per Wis. Stat. § 442.04.
- Have adequate educational qualifications, technical training, and proficiency to perform an audit.
- Have audit experience with the type of entity and possess a responsible work record.
- Have completed their continuing professional education requirements.
- Have passed their peer review within the last three years Have not been suspended or debarred from performing government audits.
- Have not received disciplinary action during the previous three years.
- Maintain independence from personal, organizational, or external impairment.
- Obtain appropriate audit evidence by performing audit procedures to afford a reasonable basis for an opinion regarding the financial statements under audit.

If an auditor passed their peer review with deficiencies, then a corrective action plan is required to prevent recurrence of similar deficiencies in the future. The auditor that passed their peer review with deficiencies should contact the Wisconsin Institute of Certified Public Accountants' peer review committee, by letter, to address the deficiencies identified in the peer review report. The peer review committee will oversee the auditor's implementation of a corrective action plan and may impose additional actions or monitoring.

1.5.2 Auditor Requirement – Peer Review

Per Wis. Stat. § 442.087, an audit firm must have a peer review at least once every three years. Additional requirements of the peer review are:

- Only a person approved by an examining board can perform a peer review and that person may not have an affiliation with the firm or members of the firm under review.
- The auditor must provide the peer review report to the auditee and to each funding agency upon request.
- An auditor that does not provide the peer review report to the funding agency upon request can no longer perform audits of agencies that receive DHS funding.
- If an auditor fails a peer review and continues to perform audits involving DHS funding, the auditor must:
  - Provide the auditee and all funding agencies with written notification of the results of the peer review prior to beginning an audit involving DHS funding.
  - Provide the auditor's corrective action plan to ensure that the audit meets applicable professional, federal, and state requirements.

- At the audit's completion, provide each funding agency with an audit report and its supporting documentation.

DHS strongly encourages provider agencies to engage an audit firm that passes its peer review and is a member of the AICPA Governmental Audit Quality Center. Engaging an audit firm that fails to pass its peer review imposes additional responsibilities and potential liabilities on funding agencies. The auditor should use its peer review as a tool to comply with professional requirements and improve the overall quality of the firm's audit methodology.

1.6 Payment Information and Confirmation Requests

1.6.1 Programs Paid through DHS GEARS

DHS uses the Grant Enrollment, Application and Reporting System (GEARS) [formally Community Aids Reporting System (CARS)] for processing contracts and to issue payments to numerous agencies that require audits. GEARS has a crosswalk to CARS profiles and their federal and state funding sources. For example, CARS Reports 603 and 620 include the CARS profile number, profile name, contract amount, reported expenses, and payments, which are available on GEARS. For specific queries, obtain the agency number and agency type from the contract, and select the first voucher for each month. The first voucher of each month includes information for agencies paid through GEARS, however special reports may be run for a single agency or a few agencies if needed.

1.6.2 Audit Confirmations for DHS Programs

To confirm DHS funding amounts paid to an agency by funding source(s), auditors can do the following:

- Complete the Audit Confirmation Request form (F-80479).
- Email the Audit Confirmation Coordinator at DHSBFSGeneral@dhs.wisconsin.gov. Allow a minimum of 15 business days for processing this request.
- Do not send to OIG-IAS.

In addition to GEARS, DHS may also issue payments to agencies via purchase order. Agencies and their auditors need to be cognizant of programs that make payments via purchase order. For confirmation of DHS funding information paid by purchase order, contact the DHS contract administrator for the DHS program that issued the payment(s).

1.7 Effective Date for the DHS Audit Guide

This DHS Audit Guide (P-01714-2025) is effective for audit periods ending on or after December 31, 2024.

1.8 Contact Information

For technical assistance and questions regarding audits and their requirements, contact OIG-IAS at DHSAuditors@dhs.wisconsin.gov.

Department of Health Services Audit Guide

Section 2: General Compliance Requirements

General Compliance Requirements

To provide assurance that Wisconsin DHS programs are being properly administered and are efficient, departmental oversight and independent audits are required. As these programs have funding from federal agencies and DHS, auditors need to ensure that the agencies administering these programs meet general compliance requirements of federal and state audit guidelines. This DHS Audit Guide (P-01714-2025) segregates compliance requirements into separate sections. Section 2 discusses general compliance requirements that auditors test for major state programs as well as general testing procedures of provider agencies that receive DHS funding, while Section 3 details the compliance testing requirements for specific DHS programs.

To better align its requirements with that of the risk-based testing approach of Uniform Guidance, DHS now requires compliance testing of those DHS programs identified by the auditor as state major programs for single and non-single auditees. For single audits, the auditor must also test internal controls over compliance.

Non-federal entities that expend more than $750,000 ($1,000,000 for fiscal years beginning on or after October 1, 2024) in federal awards during the fiscal year must comply with the single audit requirements of Uniform Guidance. UGCS provides information on individual program objectives, procedures, and compliance requirements to assist the auditor in determining appropriate audit objectives and procedures for testing compliance of federal programs. For example, auditors must consider the following 10 categories for testing compliance requirements for Medicaid under ALN #93.778:

- Activities Allowed or Unallowed
- Allowable Costs/Cost Principles
- Cash Management
- Eligibility
- Matching, Level of Effort, Earmarking
- Period of Performance
- Procurement and Suspension and Debarment
- Reporting
- Subrecipient Monitoring
- Special Tests and Provisions

Auditors are responsible for determining which of these 10 compliance requirements are direct and material for single audit testing for Medicaid. For other federal programs, these 10 compliance requirements along with program income and equipment and real property management are considered for single audits. The guidance within this section focuses on the following seven compliance categories and are more applicable to providers that expend federal or DHS funding: activities allowed, allowable

costs, eligibility, matching/level of effort/earmarking, reporting, procurement/suspension/debarment, and subrecipient monitoring.

Single audits must comply with UGCS, Part 3 for testing of compliance and internal controls over compliance requirements and the compliance requirements listed in DHS Audit Guide (P-01714-2025) Sections 2 and 3. Section 2 discusses general compliance requirements for all agencies that expend DHS funding and Section 3 discusses particular compliance requirements for specific DHS programs.

Provider agencies that expend more than $100,000 in DHS funding in a fiscal year, but do not meet the federal single audit threshold level in excess of $750,000 ($1,000,000 for fiscal years beginning on or after October 1, 2024), must comply with the auditing standards of the AICPA, GAS and the DHS Audit Guide (P-01714-2025). Non-single audits with DHS funding are required to follow the compliance requirements of Sections 2 and 3. The main difference between single and non-single audits when DHS funding is expended is that non-single audits do not need to include testing of internal controls over compliance. Although it is the auditor's discretion to determine compliance testing audit procedures based on the assessed level of risk for the auditee, DHS recommends that auditors utilize the general compliance requirements detailed within UGCS to complement their existing general compliance testing methodology for non-single audits.

2.1 Activities Allowed or Unallowed

Activities allowed or unallowed are unique to each program and determined in laws, regulations, contracts, and grant agreements that pertain to each program.

2.1.1 Compliance Requirements

Prior to performing suggested audit procedures, auditors should review the sources and consider the specific requirements listed below:

- Any contracts between DHS, the provider, and subcontractors.
- UGCS, Part 3, Section A pertaining to allowed and unallowed activities.
- DHS awards may be expended only for allowable activities specific to the program's requirements.
- Agency management and staff should have sufficient understanding of procedures and program requirements to identify unallowable activities.

2.1.2 Suggested Audit Procedures

Auditors should consider the following procedures:

- Apply the guidance from UGCS, Part 3, Section A pertaining to allowed and unallowed activities.
- Obtain an understanding of the entity's internal control over compliance for activities allowed or unallowed and assess risk. Additionally for single audits, test internal controls over compliance.
- Identify activities either specifically allowed or prohibited by the laws, regulations, and the terms and conditions pertaining to the program's award(s).
- Perform sampling procedures to verify that activities were allowable and individual transactions were properly classified.
- Ensure that the provider complied with all contractual requirements of the funding agency regarding its use of subrecipients and contractors.

2.2 Allowable Costs

Grant agreements and contracts involving DHS funding require agencies to comply with the Allowable Cost Policy Manual (ACPM). The ACPM incorporates federal cost principles by reference and includes links to the federal policies. These federal allowable cost principles are detailed in Cost Principles, Subpart E and Appendices III-IX of Uniform Guidance.

2.2.1 Compliance Requirements

Prior to performing suggested audit procedures, auditors should review the sources and consider the specific requirements listed below:

- Any contracts between DHS, the provider, and subcontractors.
- UGCS, Part 3, Section B pertaining to allowable costs and cost principles.
- Costs must be supported with appropriate documentation to be allowable.
- All costs charged to the department's programs must be allowable.
- Costs must be necessary and reasonable for proper and efficient program administration.
- Costs are only reimbursable if directly attributed to program-specific activities or to program administration.
- Program costs should reconcile to the agency's financial records.
- DHS does not approve an agency's cost allocation or indirect cost plan. DHS relies on the independent auditor to confirm that cost allocation and indirect cost plans are in accordance with the ACPM and applicable federal cost principles.
- Allocable costs may not be included as a cost of any other federal, state, or other agency-funded program in either the current or a prior audit period.

2.2.2 Suggested Audit Procedures

Auditors should consider the following procedures:

- Apply the guidance from UGCS, Part 3, Section B pertaining to allowable costs and cost principles.
- Obtain an understanding of the entity's internal control over compliance for allowable costs and cost principles and assess risk. Additionally for single audits, test internal controls over compliance.
- Test expenditures charged to DHS programs and determine if allowable and supporting documentation exists.
- Trace total costs charged to a program to the provider's general ledger. If the provider filed monthly cost reports throughout the audit year, then the general ledger's year-end balances should match or exceed the total amount charged to the program per the summarized cost reports.
- For cost allocation or indirect cost plans, determine if the plans were in accordance with the ACPM and any applicable federal allowable cost principles.

2.3 Eligibility

The requirements for eligibility are unique to each DHS program and are found in the laws, regulations, and provisions of contract or grant agreements pertaining to the program.

2.3.1 Compliance Requirements

Prior to performing suggested audit procedures, auditors should review the sources and consider the specific requirements listed below:

- Any contracts between DHS, the provider, and subcontractors.
- UGCS, Part 3, Section E pertaining to eligibility.
- Only eligible individuals may participate in the program. Amounts or services provided to or on behalf of clients must be in accordance with each program's eligibility requirements.

2.3.2 Suggested Audit Procedures

Auditors should consider the following procedures:

- Apply the guidance from UGCS, Part 3, Section E pertaining to eligibility.
- Obtain an understanding of the entity's internal control over compliance for eligibility and assess risk. For single audits, test internal controls over compliance.
- Select a sample of individuals receiving benefits and verify that the agency appropriately determined eligibility and that the individuals were eligible in accordance with the program's compliance requirements.

2.4 Matching, Level of Effort, Earmarking

The auditor is required to test matching, level of effort, and earmarking if these requirements are a condition of the agency's funding. The requirements for matching, level of effort, and earmarking are unique to each program and are found in the laws, regulations, and provisions of the contract or grant agreement pertaining to the program.

Matching or cost sharing may require contributions of a specified amount or percentage to match program awards. Matching may be in the form of allowable costs incurred or in-kind contributions.

Level of effort requirements may specify a level of service to be provided from period to period, a level of expenditures from other sources for specified activities to be maintained from period to period or additional program funds to supplement non-program funding of services.

Earmarking requirements designate a percentage or minimum/maximum amount of program funding for specified activities, including funds provided to subrecipients. Earmarking may also specify the types of participants covered.

2.4.1 Compliance Requirements

Prior to performing suggested audit procedures, auditors should review the sources and consider the specific requirements listed below:

- Any contracts between DHS, the provider, and subcontractors.
- UGCS, Part 3, Section G pertaining to matching, level of effort, and earmarking.
- Matching funds must be allowable under applicable cost principles and be verifiable from the agency's records.
- Specified service(s) and/or expenditure levels must comply with the contractual agreement(s).
- The agency must meet the minimum or maximum limits for specified purposes and/or types of participants.

2.4.2 Suggested Audit Procedures

Auditors should consider the following procedures:

- Apply the guidance from UGCS, Part 3, Section G pertaining to matching, level of effort, and earmarking.
- Obtain an understanding of the entity's internal control over matching, level of effort, and earmarking and assess risk. Additionally for single audits, test internal controls over compliance.
- Matching: Identify the matching requirements and perform tests to verify that the agency met any applicable requirements for matching contributions and followed allowable cost principles.
- Level of Effort: Identify the required level of effort and perform tests to verify that the agency met the level of effort requirement. Ensure that expenditures agree to the accounting records from which the audited financial statements were prepared.
- Earmarking: Identify the applicable percentage or dollar requirements for earmarking. Perform procedures to verify that the amounts recorded in the financial records met the minimum percentage or amount requirements.

2.5 Reporting

Sections 2.5.1 and 2.5.2 apply to all audits. Section 2.5.3 applies to counties that administer DHS Waiver Programs (DHS Audit Guide, Section 3.3).

2.5.1 Reporting – General

Reporting requirements are unique to each program as described in the laws, regulations, contract provisions, and/or grant agreements specific to the program.

2.5.1.1 Compliance Requirements

Prior to performing suggested audit procedures, auditors should review the sources and consider the specific requirements listed below:

- Any contracts between DHS, the provider, and subcontractors.
- UGCS, Part 3, Section G pertaining to matching, level of effort, and earmarking.
- The funding agency may require reporting of costs or activities as the basis for making payments to providers. Financial reporting requirements for subrecipients, as specified by the pass-through entity, are in the contract or grant agreement of the program.
- The funding agency may require performance, program, or other special reporting on an annual, quarterly, or monthly basis. The contract contains special reporting requirements of the program if applicable. Compliance testing of performance and special reporting are only required for the data that are quantifiable and meet the following criteria:
  - Have a direct and material effect on the program.
  - Can be evaluated against objective criteria stated in the statutes, regulations, contracts, or grant agreements pertaining to the program.
- Financial, performance or other reports should be:
  - Supported by the accounting records or reliable source documentation.
  - Netted of all applicable credits.
  - Completed with mathematical accuracy.

2.5.1.2 Suggested Audit Procedures

Auditors should consider the following procedures:

- Apply the guidance from UGCS, Part 3, Section L pertaining to reporting.
- Obtain an understanding of the entity's internal control over reporting and assess risk. Additionally for single audits, test internal controls over compliance.
- Trace and verify the submitted cost report amounts to the accounting records that support the audited financial statements and the SEFSA.
- For financial reports, review accounting records to ascertain if all applicable accounts were included in the sampled reports, including program income, expenditure credits, loans, earned interest, and reserve funds.
- For performance and special reports, review the supporting records to ascertain if all applicable data elements were included in the sampled reports.
- Ensure mathematical accuracy of submitted reports and supporting documentation.

2.5.2 Reporting – Invoices and Grant Enrollment, Application, and Reporting System (GEARS)

2.5.2.1 Compliance Requirements

The following requirements apply to reports submitted to DHS:

- Net expenses reported to DHS through GEARS or invoices must be complete, accurate, and supported by the agency's documentation.
- All expenses must meet the criteria for allowable costs in the ACPM. Payments received from Medicaid fee-for-service (FSS), third-party insurers, and co-payments must offset reported costs of the respective programs.

2.5.2.2 Suggested Audit Procedures

Auditors should consider the following procedures:

- Determine whether the agency is reporting allowable costs and netting third-party revenues on GEARS and invoices.
- Determine whether the agency is performing control activities to ensure accurate reporting, such as timely and accurate reconciliations between accounting records and GEARS reports or invoices submitted to the department.
- Confirm that the agency has reconciled final costs reported to DHS to those amounts in the audited financial statements.
- Determine if any GEARS payments made to and retained by the provider agency are in excess of net allowable costs. If so, then report an audit finding for questioned costs totaling $1,000 or more.

2.5.3 Reporting – Human Services Reporting System (HSRS)

This section applies to counties and Chapter 51 boards that report long-term care costs to DHS through HSRS, which records Medicaid payments and detailed client information for waiver programs. Since HSRS does not generate payments, agencies must report expenditures to GEARS. DHS reconciles the reported expenditures to GEARS with waiver service costs that the county or Chapter 51 board reported to HSRS.

2.5.3.1 Compliance Requirements

Net expenses reported to DHS through HSRS must be complete, accurate, and supported by the agency's records. All expenses must meet the criteria in the ACPM. Costs must meet the following criteria to be an allowable service for the specific service category:

- All services provided to a participant are documented in an approved Individual Service Plan (ISP).
- The cost of the service does not include non-service components, such as personal allowances.
- Program expenses must be net of third-party insurance, client co-payments, and Medicaid FFS payments.

2.5.3.2 Suggested Audit Procedures

Auditors should consider the following procedures:

- Determine whether the agency is reporting allowable costs and netting third-party revenues against expenses.
- Determine whether the agency's internal controls ensure accurate reporting and timely reconciliations between the agency's accounting records and reports submitted to DHS through HSRS.

2.5.4 Relationship between GEARS and HSRS

This section applies to agencies that report costs for the Children's Community Options Program (CCOP) to DHS through GEARS and HSRS.

Effective January 1, 2016, the Children's Community Options Program (CCOP) was formed by merging the Family Support Program with the portion of the Community Options Program allocated to children. The statutory authority and program requirements for CCOP were established in 2015 Wis. Act 55, which created Wis. Stat. § 46.272. The purpose of CCOP is to provide a coordinated approach to supporting families who have a child with a disability. This approach recognizes and maximizes the family's capacity, resiliency, and unique abilities with the intention of better supporting, nurturing, and facilitating self-determination, interdependence, and inclusion in all facets of community life for the child and family.

Throughout the year, the county agency reports detailed CCOP program information to HSRS that includes clients served, services provided, and expenditures. Since HSRS is not a payment issuance system, the county agency also reports their Medicaid waiver program costs to the appropriate GEARS waiver profile. GEARS then issues monthly payments based on these reported costs. All costs reported to GEARS and HSRS must be complete, accurate, netted, and supported by county waiver agency (CWA) records. All expenses must meet the allowable cost criteria as set in the ACPM and be for an allowable service as defined within the recipient's ISP. These costs exclude non-service components, such as room, board, and personal allowances.

DHS program managers reconcile costs recorded and paid by the GEARS CCOP profile to match the detailed cost information on HSRS to finalize the contract year. Final payments include this year-end reconciliation, and any contract amendments as needed.

It is important to note that CCOP is funded through general program revenue (GPR) and is not part of any other waiver programs since it is not a Medicaid program. CCOP's profile in GEARS does not roll to the basic county allocation (BCA).

2.6 Procurement and Suspension and Debarment

Section 2.6.1 applies to all agencies and all DHS contracts. Section 2.6.2 applies to purchase of care and service contracts only.

Section 2.6.1 discusses general procurement requirements that expend DHS funding for both subrecipients and contractors. Section 2.6.2 applies to agencies that expend funding for the purchase of care and services and are typically contractors.

2.6.1 General Procurement Requirements and Suspension and Debarment

Procurement requirements of this section apply to all agencies when:

- Payments are made on or limited to an allowable cost basis, including limits on reserves and profit.
- The auditee has a match requirement that is met through other allowable expenditures for the program; or
- Only allowable costs are charged to DHS programs as reported in the audit report.

Grant agreements and contracts involving DHS funds require agencies to comply with the ACPM, which discusses several aspects of acceptable procurement practices, including written standards of conduct, open and free competition, and minimum procedural requirements.

Many grant agreements and contracts that involve DHS funding prohibit contracts or grant arrangements to agencies or their principals that were suspended or debarred.

2.6.1.1 Compliance Requirements

Prior to performing suggested audit procedures, auditors should review the sources and consider the specific requirements listed below:

- UGCS, Part 3, Section I pertaining to procurement, suspension, and debarment.
- The agency must follow procurement practices that are acceptable under the ACPM.

2.6.1.2 Suggested Audit Procedures

Auditors should consider the following procedures:

- Apply the guidance from UGCS, Part 3, Section I on procurement, suspension, and debarment.
- Obtain an understanding of the entity's internal control over procurement and suspension and debarment and assess risk. Additionally for single audits, test internal controls over compliance.
- Ensure that the agency has written procurement policies and procedures.
- Determine if the agency contracted with eligible Wisconsin contractors and subrecipients using eligible and ineligible vendor directories on VendorNet.
- Determine if the agency contracted with eligible federal contractors and subrecipients using the list of excluded individuals and entities (LEIE) from the U.S. Department of Health and Human Services (DHHS) Office of Inspector General (OIG).

2.6.2 Purchase of Care and Services

This compliance requirement relates to agencies that meet the definition of a contractor in Uniform Guidance and receive DHS funding that is not a grant for the purchase of care and services.

2.6.2.1 Compliance Requirements

The following compliance requirements apply to purchase of care and service transactions:

- Agencies must follow acceptable procurement standards when purchasing care and services with funds from DHS.
- All care and services purchased shall meet standards established by DHS and other requirements specified by the purchaser within the contract.

2.6.2.2 Suggested Audit Procedures

Auditors should consider the following procedures:

- Determine if the agency procured care and services in compliance with applicable procurement policies and procedures.
- Ensure that the agency has a conflict of interest policy regarding the selection, award, or administration of the contract.
- Ensure purchase of care and services contracts are on file at the agency.
- Ensure that payment for care and services does not exceed the contract's specified amount.

2.7 Subrecipient Monitoring

This section applies to agencies that have single audits and sub-award funding: tribes, counties, Chapter 51 boards, and nonprofit agencies.

A subrecipient is a non-federal entity that receives a sub-award from a pass-through entity to carry-out an aspect of a federal program, excluding individuals that benefit from such programs. To assist provider agencies in determining if an award is indicative of a subrecipient or contractor relationship, 2 C.F.R. § 200.331 provides guidance for pass-through entities to make case-by-case determinations regarding the type of relationship an award represents. Depending on the entity and terms of its agreements, an agency can be a pass-through entity, a subrecipient, beneficiary, or a contractor. In determining whether an agreement between a pass-through entity and another non-federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. Since not all characteristics may be present for each determination, the pass-through entity must use judgment to classify each agreement as a sub-award or a procurement contract.

Characteristics that support the classification of the non-federal entity as a subrecipient include when the non-federal entity:

- Determines who is eligible to receive federal assistance.
- Has its performance measured in relation to whether objectives of a federal program are met.
- Has responsibility for programmatic decision-making.
- Is responsible for adherence to applicable federal program requirements specified in the federal award.
- Uses federal funds to carry-out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity in accordance with its agreement.

Characteristics indicative of a procurement relationship between the non-federal entity and a contractor are when the contractor:

- Provides the goods and services within normal business operations.
- Provides similar goods or services to many different purchasers.
- Normally operates in a competitive environment.
- Provides goods or services that are ancillary to the operation of the federal program.
- Is not subject to compliance requirements of the federal program because of the agreement, though similar responsibilities may apply for other reasons.

In determining if an entity that receives funding is a subrecipient or contractor, also consider the following factors:

- Competition – Awards are not required to be issued on a competitive basis, while procurement contracts are typically based on free and open competition.
- Multiple Awards – Federal awards are usually issued to multiple recipients, whereas purchase contracts usually select one contractor to provide the required goods or services.
- Elements of Cost – Subrecipients normally are reimbursed only for incurred allowable costs, while contractors are paid some amount above costs.
- Risk – Contractors assume most of the risk for performance on a contract.
- Cost Participation – Subrecipients are many times required to provide matching funds or share in the cost of a federal program, whereas cost sharing is highly unlikely in contractor agreements.
- Selection Criteria – For sub-awards, generally a demonstrated need for the funds is most important, whereas the ability to deliver a product or service takes precedence for contractors.
- Purpose – In a sub-award, the direct recipient assists the subrecipient for the subrecipient program, whereas in a contractor relationship the direct recipient hires help for its own program.
- Scope of Services – For contractor procurements, the goods or services purchased are detailed in the contract. In a sub-award transaction, only the program details are identified in the award document.
- Terms/Conditions – Subrecipients may have special terms and conditions unilaterally imposed by direct recipients per terms of the contract. For procurement contracts, special terms and conditions are typically not included unless agreed upon by the contractor at the time of the award.
- Termination – In general, an award or sub-award can be unilaterally terminated by the awarding agency only for cause. A procurement contract can be terminated for the convenience of the awarding agency.

2.7.1 Requirements for Pass-Through Entities

This section is applicable to all agencies that pass-through federal or state funds. Requirements for entities that pass-through federal awards are specified in 2 C.F.R. § 200.332. Wisconsin awards should also follow these requirements, substituting State of Wisconsin program identification information as applicable.

Audit requirements can present challenges for pass-through entities since the requirements differ depending on the awarding agency's level of federal expenditures, program requirements, and the contractual language of the award. Therefore, it is imperative that the pass-through entity understands the nuances of audit requirements before imposing them on a subrecipient. For its subrecipients, the pass-through entity must identify the award and its applicable requirements, evaluate risk, monitor, and ensure accountability of for-profit subrecipients. Since Uniform Guidance audit requirements do not apply to for-profit subrecipients, the pass-through entity is responsible for establishing requirements to ensure for-profit subrecipients comply with sub-awards.

2.7.1.1 Compliance Requirements

The following information should be helpful for understanding subrecipient monitoring and its compliance requirements:

- Review the requirements detailed in UGCS, Part 3, Section M pertaining to subrecipient monitoring.
- Provider audit reports are due to the FAC within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months from the end of the provider's fiscal period. The funding agency should review and resolve each provider's audit report within six months of the date received by FAC.
- Wis. Stat. § 46.036(4)(c) requires providers, both subrecipients and contractors that receive more than $100,000 in direct funding from DHS or pass-through funding from a county, to have an audit unless it is waived by DHS. See Section 1.0.3 in this guide for audit waiver information.
- An effective system for proper subrecipient monitoring by a funding agency must include the following characteristics as required in 2 C.F.R. § 200.332:
    - Each sub-award must be clearly identified to the subrecipient and include the following information at the time of the sub-award:
        - Federal Award Identification: Subrecipient's name, unique entity identifier, the Federal Award Identification Number, federal award date, sub-award period of performance with start and end dates, amount of funds, description, ALN number and name, and identification of whether the award is for research and development.
        - All requirements imposed by the pass-through entity on the subrecipient so that the federal award is used in accordance with federal rules, regulations, and sub-award terms and conditions.
        - Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the federal awarding agency, including the identification of any required financial and performance reports.
        - An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government; or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient as necessary to comply with the requirements of this part or a de minimis indirect cost rate as defined in 2 C.F.R. § 200.414(f).
        - A requirement that permits the pass-through entity and auditor to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to comply with the requirements of this part.
        - Appropriate terms and conditions concerning the closeout of the sub-award.
    - Evaluate each subrecipient's risk of noncompliance with federal rules, regulations, and sub-award terms and conditions for purposes of determining the appropriate subrecipient monitoring.
    - Consider imposing specific sub-award conditions upon a subrecipient if deemed appropriate according to 2 C.F.R. § 200.208.
    - Monitor the activities of the subrecipient as necessary to ensure that sub-award use complies with federal rules and regulations, sub-award terms and conditions, and achieves performance goals. Pass-through entity monitoring of the subrecipient must include:
        - Reviewing financial and performance reports required by the pass-through entity.
        - Follow-up to ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, or other monitoring efforts.
        - Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the pass-through entity as required in 2 C.F.R. § 200.521.

- Depending upon the pass-through entity's assessment of risk posed by the subrecipient, monitoring tools, such as training or technical assistance and on-site reviews of program operations may be useful to ensure compliance with the program's requirements and achievement of performance goals.

2.7.1.2 Suggested Audit Procedures

Auditors should consider the following procedures:

- Obtain an understanding of the entity's internal controls over subrecipient monitoring and assess risk. Additionally for single audits, test internal controls over compliance.
- At the time of the sub-award, review relevant documentation including terms and conditions of the sub-award and other award documents to determine if the pass-through entity properly identified the sub-award and applicable requirements for the subrecipient needed for the pass-through entity to comply with federal and state rules, regulation, and federal award terms and conditions.
- Determine if the funding agency has an effective tracking system in place to monitor audit reports due from its contractors and subrecipients. Ensure that the methodology employed by the funding agency accurately determines contractual relationships as either contractor or subrecipient.
- Determine if the funding agency collected and reviewed provider audit reports in a timely manner and ensure that the subrecipient takes timely and appropriate action on deficiencies detected through audits.

Due to timing, auditors may encounter situations in which due dates for audit report submissions to the funding agency or oversight review by the county have yet to occur during the auditor's fieldwork. In these instances, there is no audit finding of noncompliance and the auditor must follow-up on the status of the agency's monitoring of provider audits in the subsequent audit period. Auditors should report an audit finding if the funding agency did not implement an effective tracking system for audit reports due or if the funding agency failed to collect or review an audit report in a timely manner.

2.8 Patient Rights and Funds

This section applies to audits of counties and Chapter 51 boards for major programs as assessed by the auditor. The purpose of this section is to ensure that county agencies and Chapter 51 boards comply with requirements for patient rights and funds while county staff provides services.

2.8.1 Compliance Requirements

The regulations and rules that pertain to patient rights and funds for patients with a mental illness, a developmental disability, alcohol abuse or dependency, or other drug abuse or dependency are specified in Wis. Stat. § 51.61 and Wis. Admin. Code § DHS 94.

2.8.2 Suggested Audit Procedures

For a representative sample of case files, determine whether the county has complied with the laws and administrative rules governing patient rights and funds. Counties typically document compliance with these requirements in the patient's case file. Auditors should:

- Check for an annual invitation to or meeting with the patient or guardian to participate in the planning of their treatment and care.
- Check for annual written informed consent, signed by the patient or guardian for treatment and medications.
- Check for documentation of annual re-notification of rights, including the right to file a grievance.
- Verify that consent documentation exists if the provider acts as a representative payee for the patient.
  a. Review transaction records on the use of patient funds and cash disbursements if managed by a provider agency, including community-based residential facilities, adult family homes, residential care apartment complexes, nursing homes, or facilities for the developmentally disabled.
  b. Confirm that patient funds were segregated and individually identifiable from the provider's funds.
  c. Ensure that the patient has access to their personal allowance or cash and that a written monthly account summary of any financial transactions is provided to the patient or guardian at their request.
- Check for training documentation on patient rights for staff members that work with patients.
- Report the absence of any appropriate case files or training documentation as an audit finding if the agency cannot produce the information.

2.9 Additional Supplemental Schedules Required by DHS

The State Single Audit Guide, Section 4.1.3 allows a funding agency, with approval from the Wisconsin Department of Administration (DOA), to require additional supplemental schedules in the audit reporting package. DHS uses audited information from supplemental schedules to review allowable costs, excess reserves, and profit as applicable. DHS requires the following supplemental schedules, contingent on specified conditions:

- DHS Cost Reimbursement Award Schedule
- Reserves Schedule
- Allowable Profit Schedule

2.9.1 DHS Cost Reimbursement Award Schedule

The DHS Cost Reimbursement Award Schedule is required for each award when all of the following conditions exist:

- The auditee is a nonprofit, for-profit, or a local unit of government other than a county, tribe, Chapter 51 board, or school district.
- The auditee received payments totaling more than $100,000 of direct funding from DHS for the audit period.
- The payments were limited to an allowable cost basis or based on reported allowable costs.

Figures 6 and 7 illustrate the DHS Cost Reimbursement Award Schedule format and provide instructions for its completion. This schedule must be covered by the auditor's Opinion on Financial Statements and Supplementary SEFSA as specified in State Single Audit Guide, Section 4.2.1. This states the auditor's opinion on whether the information in the schedule is "stated fairly in all material respects in relation to the auditee's financial statements as a whole."

Figure 6: DHS Cost Reimbursement Schedule

<Name or Organization>
DHS Cost Reimbursement Award Schedule
<Name of Grant or Award>
For the Audit Period Ended <date>

DHS identification number	**GEARS profile or PO #: XXXXX**	**GEARS profile or PO #: XXXXX**
Award amount	**$XXX,XXX**	**$XXX,XXX**
Award period	**m/d/y – m/d/y**	**m/d/y – m/d/y**
Period of award within audit period	**m/d/y – m/d/y**	**m/d/y – m/d/y**
A. Expenditures reported to DHS or revenue received	$ xxx,xxx	$ xxx,xxx
B. Total operating costs of award		
1. Employee Salaries and Wages	$ xx,xxx	$ xx,xxx
2. Employee Fringe Benefits	xx,xxx	xx,xxx
3. Payroll Taxes	xx,xxx	xx,xxx
4. Rent or Occupancy	xx,xxx	xx,xxx
5. Professional Services	xx,xxx	xx,xxx
6. Employee Travel	xx,xxx	xx,xxx
7. Conferences, Meetings, or Education	xx,xxx	xx,xxx
8. Employee Licenses and Dues	xx,xxx	xx,xxx
9. Supplies	xx,xxx	xx,xxx
10. Telephone	xx,xxx	xx,xxx
11. Equipment	xx,xxx	xx,xxx
12. Depreciation	xx,xxx	xx,xxx
13. Utilities	xx,xxx	xx,xxx
14. Bad Debts	xx,xxx	xx,xxx
15. Postage and Shipping	xx,xxx	xx,xxx
16. Insurance	xx,xxx	xx,xxx
17. Interest	xx,xxx	xx,xxx
18. Bank Fees and Charges	xx,xxx	xx,xxx
19. Advertising and Marketing	xx,xxx	xx,xxx
20. Other	xx,xxx	xx,xxx
B. Total operating costs of award	xxx,xxx	xxx,xxx
C. Less disallowed costs	xx,xxx	xx,xxx
D. Less program revenue and other offsets to costs	xx,xxx	xx,xxx
E. Total allowable costs: If the agency is for profit, enter this number in Figure 10 - Allowable Profit Schedule, Line 1	xx,xxx	xx,xxx
F. Gain or (Loss) = Line A – Line E	xx,xxx	xx,xxx

Figure 7: Instructions for Preparing the DHS Cost Reimbursement Award Schedule

Instructions for Preparing the DHS Cost Reimbursement Award Schedule

Prepare a DHS Cost Reimbursement Award Schedule for each award if all of the following conditions are met:

- The auditee is a nonprofit, for-profit, or a local unit of government other than a county, tribe, Chapter 51 board, or school district.
- The auditee received payments totaling more than $100,000 of direct DHS funding for the audit period.
- The payments were limited to an allowable cost basis or based on reported allowable costs.

If the award period differs from the audit period, present separate columns for each award period that overlaps the audit period. Add additional expense account categories to Figure 6 as needed. A nonprofit agency may substitute a Schedule of Functional Revenue and Expenses for the DHS Cost Reimbursement Award Schedule if the funding source columns identify each DHS award by CARS profile number or another unique identifier.

DHS identification number – Use the GEARS Profile number, a Wisconsin DHS Purchase Order number, or another unique identifier.

A. Expenditures reported to DHS or revenue received – Report total expenditures the agency reported to DHS (or a county) for payment or the amount of DHS-funded revenue received. This amount must tie out to the summarized invoices or GEARS expenditure reports that the agency filed for the audit period.

B. Total operating costs of award – For presenting the actual allowable cost of the award, all costs must meet the requirements of the ACPM.

C. Less disallowed costs – Deduct disallowed costs such as bad debts, marketing, or disallowed advertising.

D. Less program revenue and other offsets to costs – Deduct program revenue and other offsets to costs and include a note explaining these amounts.

E. Total allowable costs – Total allowable costs for the award are the program's costs, less program revenue, and other offsets to costs (Line B – Line C – Line D). If this is a for profit agency, use this number in Figure 10 – Allowable Profit Schedule, Line 1.

F. Gain (Loss) – Deduct total allowable costs from Expenditures reported to DHS or revenue received (Line A – Line E).

2.9.2 Reserves Schedule

This section is applicable for nonprofit agencies paid on a unit rate basis and settled to an allowable cost basis. This schedule is only required if the agency meets the audit threshold, does not have a waiver, and an audit is required. Agencies are encouraged to ensure that contracting agencies are paid on a reasonable basis.

Certain provider agencies are allowed to retain reserves funded by DHS programs when the agency is a nonprofit, non-stock corporation and the funding agency purchased care and services for members on the basis of a unit rate per client service as authorized in Wis. Stat. § 46.036(5m)(a). The statute defines a rate-based service as a DHS-determined service or a group of services that is reimbursed through a prospectively set rate and is distinguishable from other services or groups of services based on the funding purpose and source. Examples include different rates per unit of service at different locations and purchases by different purchasers.

Provider agencies are allowed to retain up to five percent of revenue received in excess of allowable costs incurred for contract periods paid on a unit rate basis according to Wis. Stat. § 46.036(5m)(b)(1). This retained excess or surplus is the property of the provider. The statute does allow DHS to determine a different percentage rate.

Auditors should be cognizant that some providers receive funding from DHS and the Wisconsin Department of Children and Families (DCF). Both have similar statutes allowing providers to retain reserves. The rules for DCF funding reserves and exemptions for certain child welfare providers from limitations on use of surplus revenue is specified in Wis. Stat. § 49.34. These exceptions do not apply to funding from DHS. Auditors should be alert that providers may errantly apply DCF reserve policies to DHS funding reserves.

2.9.2.1 Reserves Schedule Requirement

If the provider agency has excess reserves from any DHS program, the audit report must include a Reserves Schedule for each rate-based service. The schedule must be covered by the auditor's Opinion on Financial Statements and Supplementary SEFSA, which states the auditor's opinion on whether the information in the schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

For purposes of this schedule, materiality is in relation to the program and takes into account additional considerations in State Single Audit Guide, Section 4.2.4. General administrative agency costs cannot be included in the schedules for the program unless the agency's cost allocation plan has been included in the scope of the audit.

2.9.2.2 Excess Reserves

As required in Wis. Stat. § 46.036(5m)(b)(3)., the provider must provide written notice to all purchasers of the rate-based service if on December 31 the accumulated surplus exceeds the allowable retention rate from all contract periods ending that year. The written notice is likely conveyed through the provider's submitted audit report. The provider must refund the purchaser's proportional share of that excess if the purchaser makes a written request no later than six months after the notice date. If DHS determines based on an audit or fiscal review that the amount of the excess identified by the provider was incorrect, DHS may seek to recover funds after the 6-month period has expired. DHS shall commence any audit or fiscal review under this subdivision within 6 years after the end of the contract period.

Figures 7 and 8 illustrate the format and instructions for completing the Reserves Schedule.

Figure 8: Reserves Schedule

Reserves Schedule
<Name of Facility>
For the Audit Period Ended <date>

1. Total units of service _____

2. Allowable expenses for rate-based service _____

3. Total revenue for rate-based service _____

4. Excess (deficiency) revenue over expenses (line 3 minus line 2) _____

5. Calculation of excess reserves amount due to purchaser(s):

5a. Purchaser	5b. Revenue from purchaser	5c. Purchaser's share of total revenue	5d. Purchaser's share of excess revenue (deficiency)	5e. 5% Cap on Excess Reserves	5f. Amount due to the purchaser

Figure 9: Instructions for the Reserves Schedule

Name of Facility – Enter the name of the facility and all other information on the Reserves Schedule, Figure 8. DHS requires separate schedules for each type of rate-based service operated by the provider.

For the Audit Period Ended – Enter the ending date of the audit period.

1. Total Units of Service – Enter the total units of rate-based service provided during the audit period.

2. Allowable Expenses for Rate-Based Service – Enter the total allowable expenses for rate-based service.

3. Total Revenue for Rate-Based Service – Enter the total amount of rate-based revenue received from all sources (total of column 5b.; see instructions below).

4. Excess (Deficiency) Revenue Over Expenses = Line 3 minus Line 2 (Total Revenue for Rate-Based Service – Allowable Expenses for Rate-Based Service).

5. Calculation of Excess Reserves and Amount Due to Purchaser(s):

5a. Purchaser – List the name of each purchaser that provided rate-based revenue to the facility/provider.

5b. Revenue from Purchaser – List the amount of rate-based revenue from each purchaser. Enter the total amount on Line 3.

5c. Purchaser's Share of Total Revenue – Calculate each purchaser's percent share of the total revenue for each rate-based service. Divide each purchaser's revenue in column 5b by the total revenue amount of column 5b. Column 5c should total 1.00, or 100 percent.

5d. Purchaser's Share of Excess Revenue (Deficiency) – Calculate each purchaser's share of the excess revenue by multiplying the amount from Line 4 by the share of total revenue in column 5c. The total amount of column 5d. must equal Line 4.

5e. 5% Cap on Excess Reserves – Enter the amount of column 5b. multiplied by 5 percent (0.05). If the contract specifies a lower excess reserves amount, multiply column 5b. by the specified contractual rate. Calculate this amount for each purchaser's row.

5f. Amount Due to the Purchaser – If the purchaser's share of excess revenue exceeds the 5% cap on reserves (column 5d. - column 5e.), then enter this amount in column 5f. This amount is due the purchaser for the current audit period. If the calculated amount is a negative amount, enter zero in column 5f. and no amount is due the purchaser.

2.9.3 Allowable Profit Schedule

This section applies to for-profit entities. This schedule is only required if the agency meets the audit threshold, does not have a waiver, and an audit is required. Agencies are encouraged to ensure that contracting agencies are paid on a reasonable basis.

Proprietary agency contracts include a percentage add-on for profit as allowed in Wis. Stat § 46.036(3)(c) and DHS rules. Allowable profit is calculated by applying a percentage equal to seven-and-a-half percent of net allowable operating costs plus 15 percent of net equity, the sum of which may not exceed 10 percent of net allowable operating costs. Net equity is the cost of equipment, buildings, land, fixed equipment, less accumulated depreciation, and long-term liabilities. The calculation for determining allowable profit may be disregarded if the net equity is less than zero.

Funding agencies may establish lower limits on allowable profit or disallow profit per their contracts.

2.9.3.1 Allowable Profit Schedule Requirement

If the auditee is a for-profit entity, the audit report must include an Allowable Profit Schedule. The schedule must be covered by the auditor's Opinion on Financial Statements and Supplementary SEFSA, which states the auditor's opinion on whether the information in the schedule is stated fairly in all material respects in relation to the auditee's financial statements as a whole. Figure 9 illustrates the format to use for this schedule.

Separate profit calculations are required at the function or program level if an agency operates multiple functions or programs.

For purposes of this schedule, materiality is in relation to the program and takes into account additional considerations in State Single Audit Guide, Section 4.2.4.

2.9.3.2 Excess Profit

Profit in excess of the allowable limit must be returned to the funding agency. The funding agency determines the recovery method for excess profit, typically through a future rate adjustment or by the provider agency remitting the excess profit amount to the funding agency. The provider agency should contact the funding agency for processes concerning the treatment of excess profit.

Figure 10: Allowable Profit Schedule

Agency Name
Allowable Profit Schedule
<By Each DHS Contract or Grant>
For the Audit Period Ended <date>

Allowable Profit Calculation

1.	Net allowable operating costs	$ -	⇦	**From Figure 6, Line E**
1a.	x 7.5%	$ -		
	Note – deduct unallowable costs (such as costs above cost of ownership for related party rent) and cost offsets (such as commodities)			

		Beginning of Period	End of Period
2.	Average net equity (disregard this step if equity is less than zero)		
	Cost of equipment	$ -	$ -
	Cost of building	$ -	$ -
	Cost of land	$ -	$ -
	Cost of fixed equipment	$ -	$ -
	Less accumulated depreciation	$ -	$ -
	Less long-term liabilities	$ -	$ -
2a.	Total equity	$ -	$ -
2b.	Average net equity (Add total equity columns/2)	$ -	
2c.	x 15%	$ -	
3.	Total base calculation (1a + 2c)	$ -	
4.	Cap on allowable profit:		
4a.	Net allowable operating costs (Same as Line 1)	$ -	
4b.	x 10%	$ -	
5.	Maximum Allowable Profit (Lesser amount of Line 3 or 4b)	$ -	
6.	Actual Profit (Loss)*	$ -	
7.	Excess Profit Calculation = Line 6 – Line 5: (If this calculation is positive, repayment is required)	$ -	

*This amount should agree to the agency's Profit and Loss Statement or Schedule of Revenue and Expenses by Contract, net of any disallowable costs.

Department of Health Services Audit Guide

Section 3: Compliance Requirements for DHS Programs

3.1 Aging and Disability Resource Centers

This section is applicable to audits of agencies that have employees working on Aging and Disability Resource Center activities, whether the funding is directly from DHS or through a lead agency.

Funding: General Purpose Revenue and Medical Assistance, ALN #93.778. Aging and Disability Resource Centers are overseen by the DHS Division of Public Health (DPH) Bureau on Aging and Disability Resources (BADR).

3.1.1 Background

Aging and Disability Resource Centers (ADRCs) help older people and adults with disabilities with resources needed to live with dignity and security and to achieve maximum independence and quality of life. The goal of ADRCs is to empower individuals to make informed choices and to streamline access to the right and appropriate services and supports. ADRCs provide information on a broad range of programs and services as defined in Wis. Stat. § 46.283, as well as help people understand and apply for available long-term care options, including the publicly funded Family Care and Include, Respect, I Self-Direct (IRIS) programs.

ADRCs provide numerous services, including but not limited to:

- Information about local services and available resources, particularly regarding long-term care.
- Assistance in finding adaptive equipment, assisted living/nursing home options, employment programs, financial assistance, health and wellness programs, housing options, in-home personal care, nutrition, prescription drug coverage, respite, support groups, and transportation.
- Counseling for long-term care options.
- Information about Medicaid long-term care programs.
- Benefits counseling related to Medicare, Medicaid, Social Security, FoodShare, and private health insurance.
- Initial eligibility determination for Family Care, IRIS, and legacy waiver programs.

Unless otherwise noted, DHS compliance requirements are included in the DHS and ADRC contract for the current calendar year. The auditor should reference the contract, attachments, and supplementary materials, such as policies and/or technical assistance to assess the requirements for each ADRC.

3.1.2 Risk Assessment

The ADRC program is a Type A program that requires a risk-based assessment when expenditures reported for reimbursement are the greater of $250,000 ($330,000 effective for fiscal years beginning on or after October 1, 2024 per the State Single Audit Guide) or three percent of total DHS expenditures for

the audit period. The auditor will perform a risk assessment to determine if this program is a major state program.

Auditors should follow Uniform Guidance for conducting risk assessments of individual state programs. In addition, the following are potential risks identified for ADRCs:

- Time reporting may be inaccurate or undocumented.
- The salary and benefit costs include costs of employees not involved in ADRC activities.
- New programs or substantially changed program requirements in the current audit period.
- Programs with complex administrative requirements.
- Cost allocation, which may be allocated or calculated incorrectly.

3.1.3 Compliance Requirements and Suggested Audit Procedures

3.1.3.1 Allowable Activities

DHS has no additional compliance requirements or suggested audit procedures for allowable activities.

3.1.3.2 Allowable Costs

3.1.3.2.1 Compliance Requirements

All costs charged to an ADRC must be allowable and conform to the cost policies detailed in the GEARS Accounting Reports Manual and ACPM.

3.1.3.2.2 Suggested Audit Procedures

The auditor should perform the following audit procedures:

- Determine if the ADRC received any one-time dedicated funding and if funds were expended appropriately. If one-time funds were not provided on a dedicated GEARS profile, then the ADRC should be able to furnish a list of expenses and supporting documentation for review of appropriate use. For example, if an ADRC received $20,000 of GPR for office renovation and expenditures were made against this revenue, then the ADRC should provide invoices and other documentation for the expenditures made against the dedicated revenue supporting the appropriateness of these costs.
- Determine if the ADRC received material amounts of funds other than GPR and Medicaid administrative match. If yes, determine if the funding use presents a potential financial conflict of interest as enumerated in the contract's scope of services.

3.1.3.3 Eligibility

DHS has no additional compliance requirements or suggested audit procedures for eligibility.

3.1.3.4 Matching, Level of Effort and Earmarking

DHS has no additional compliance requirements or suggested audit procedures for matching, level of effort and earmarking.

3.1.3.5 Reporting Requirements

3.1.3.5.1 Compliance Requirements

The contract between the DHS and the ADRC details the requirements and procedures for operating an ADRC in Wisconsin. The following reporting requirements are detailed in the ADRC contract's scope of services:

- The following employees are required to 100% daily time and task report their ADRC activities:
  - Staff who provide information and assistance, including ADRC and Tribal ADR specialists, benefit specialists, and dementia care specialists.
  - Staff who administer the Long-Term Care Functional Screen.
- Reporting must be completed by using DHS' federally approved spreadsheet. DHS claims Medicaid administration match for eligible ADRC services. Monthly time reports must be submitted to DHS by the 20th of the month following the time report month. The following employees are not required to time report their ADRC activities:
  - Directors
  - Managers
  - Supervisors
  - Administrative Support Staff
- In many cases, elder benefit specialists (who serve people aged 60 and older) working at the ADRC are partially funded under Wis. Stat. § 46.81(2). Under statute, these funds are allocated to county aging units. However, elder benefit specialist may be employed by the ADRC if the county aging units transfers the funds to the ADRC. The elder benefit specialist must complete 100% time and task reports.
- All Wisconsin ADRC workers enter data about their activities in a reporting and case management system called PeerPlace.
- The ADRC shall electronically submit monthly expenditure reports to DHS at DHS600RCARS@dhs.wi.gov with the GEARS Expenditure Report.
- The ADRC shall submit an annual expenditure report using the standard report form provided by DHS. The ADRC shall submit the annual expenditure report no later than June 1st of the year following the expenditure year to the Budget and Policy Analyst in BADR's Office for Resource Center Development.

3.1.3.5.2 Suggested Audit Procedures

Auditors should apply the following procedures:

- Validate time reports for accuracy and completeness by sampling monthly time reports and checking the submitted information for consistency with the agency's client tracking system and timesheets.
- Identify if allocated and expensed time reporting charges were manually changed in the agency's general ledger. If yes, request substantiating documentation of the manual entry, such as documentation that describes an error to the initial employee(s) time report.
- Determine if the ADRC funds any position in part with sources other than GPR and medical assistance for non-medical assistance, non-ADRC work activities. If yes, determine if the position appears in the above list of employees required to 100 percent time report. If yes, position compensation must allocate between fund sources by 100 percent time reporting. Daily activity logs must reflect the percentage of time employees spend on non-medical assistance, non-ADRC activities.

- Review the annual expenditure report to determine its accuracy and consistency between the submitted report and the agency's general ledger.

3.2 Basic County Allocation

This section is applicable to audits of counties and 51 boards.

Funding: The Basic County Allocation (BCA) is funded by DHS, the Social Service Block Grant (ALN #93.667) and the Temporary Assistance to Needy Families (ALN #93.558) program and is reported through GEARS profile #561. BCA funding composition annually varies and includes federal funding with the majority of funding provided by the state of Wisconsin.

3.2.1 Background

The BCA is a block grant to Wisconsin counties for assistance in funding social and community service programs. BCA (GEARS profile #561) is a DHS budget fund category that tracks expenditures for administrative costs of social and community service programs and captures excess contracted amounts for several other GEARS profile numbers. If the reported expenditures for the BCA exceed the agency's budget, those expenditures in excess of the contracted amount roll to the State/County Match GEARS profile #681. Social service unit costs include:

- Salaries and fringe benefits of supervisors, workers, aides, specialists, and direct clerical support staff
- Travel costs associated for the employees listed above
- Supplies, services, and equipment directly identifiable to the social services unit

BCA funding pays for social services and services for developmentally and intellectually disabled persons, including payments remitted to DHS for Family Care contributions.

3.2.2 Risk Assessment

The BCA program is a Type A program that requires a risk-based assessment when expenditures reported for reimbursement are the greater of $250,000 ($330,000 effective for fiscal years beginning on or after October 1, 2024 per the State Single Audit Guide) or three percent of total DHS expenditures for the audit period. The auditor will perform this risk assessment to determine if this program is a major state program.

Auditors should follow Uniform Guidance for conducting risk assessments of individual state programs. Potential BCA program risks include:

- Costs submitted to GEARS are unallowable, unverifiable, undocumented, or not traceable to the county's general ledger.
- The auditor identified significant internal control or compliance issues regarding the county's payroll function.
- New programs or substantially changed program requirements in the current audit period.

3.2.3 Compliance Requirements and Suggested Audit Procedures

3.2.3.1 Activities Allowed or Unallowed

DHS has no additional compliance requirements or suggested audit procedures for allowed or unallowed activities.

3.2.3.2 Allowable Costs

3.2.3.2.1 Compliance Requirement

All costs charged to the BCA must be allowable and conform to the cost policies detailed in the GEARS Manual and ACPM.

3.2.3.2.2 Suggested Audit Procedure

Select a sample of detailed expenditures from the agency's submitted BCA cost reports to determine if costs are in accordance with the GEARS Manual and ACPM, as well as documented and traceable to the agency's general ledger.

3.2.3.3 Eligibility

DHS has no additional compliance requirements or suggested audit procedures for eligibility.

3.2.3.4 Matching, Level of Effort and Earmarking

DHS has no additional compliance requirements or suggested audit procedures for matching, level of effort, and earmarking.

3.2.3.5 Reporting Requirements

DHS has no additional compliance requirements or suggested audit procedures for reporting.

3.3 Children's Long-Term Support (CLTS) Waiver Program

This section applies to counties. Refer to Children's Long-Term Support: Information for Counties on the DHS website for additional guidance and resources.

Effective January 1, 2025, CWAs will no longer enter into purchase of service contracts with CLTS providers as the services provided are billed and reimbursed as Medicaid FFS. CWAs who contract with providers to offer SSC services are required to have a vendor contract with said provider. CWAs will continue to review provider qualifications and authorize CLTS Program services per the Medicaid Home and Community-Based Services (HCBS) Waiver Manual for the CLTS Waiver Program (P-02256).

CWAs are not required to revise or resubmit past submissions of the state single audit. In future audit submissions, CWAs should only report on the SEFSA financial data for CLTS services for which grant funding was received and expended directly by the CWAs, such as support and service coordination. CWAs should not include any funding released by the TPA to providers directly.

3.4 FoodShare Employment and Training

This section is applicable for audits of FoodShare Employment and Training providers.

Funding: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, ALN #10.561.

3.4.1 Background

The FoodShare Employment and Training (FSET) program is an employment and training program operated as part of the federal Supplemental Nutrition Assistance Program (SNAP), which is known as FoodShare in Wisconsin. DHS administers FoodShare and FSET and is responsible for annually submitting Wisconsin's FSET Plan for service provision and funding approval to the U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS).

The Food and Nutrition Act of 2008 and federal regulations provide Wisconsin with flexibility in designing its employment and training program. The Wisconsin FSET program's design focuses on identifying the strengths, needs, and preferences of job seekers, and offering individualized services to improve job-seeking skills and increase employment opportunities to promote economic self-sufficiency.

Effective April 1, 2015, Wisconsin implemented statewide FoodShare time-limited benefits for Able-Bodied Adults without Dependents (ABAWD). ABAWD who need to meet work requirements in order to maintain ongoing eligibility for FoodShare may choose to participate in FSET in order to comply with the work requirement. ABAWD who do not meet work requirements through employment or another qualified work program will automatically be referred to the FSET program. ABAWD who do not meet work requirements may lose FoodShare eligibility after exhausting three months of time-limited benefits within a 36-month period. Any FoodShare recipient aged 16 or over can choose to enroll in FSET.

FoodShare members are not considered ABAWD if they meet any of the following criteria, as determined by the Income Maintenance (IM) agency:

- Under age 18 or age 54 and older
- Unable to work or pregnant
- Resides in a FoodShare household with a child under age 18

ABAWD are exempt from work requirements if one of the following is met:

- Determined unfit for employment, which includes someone who is:
  - Receiving temporary or permanent disability benefits from the government or a private source.
  - Unable to work due to physical or mental challenges, as determined by the IM agency.
  - Verified as unable to work by a statement from a health care professional or a social worker using Medical Exemption from Work Requirement for ABAWD (F-01598).
  - Experiencing chronic homelessness.
- Receiving Unemployment Compensation (UC) or has applied for and is complying with UC work requirements.
- Regularly participating in an alcohol or other drug abuse treatment or rehabilitation program.
- A student of higher education and is otherwise eligible for FoodShare (FoodShare Wisconsin Handbook, Section 3.15.1).
- A high school student 18 years of age or older and attending high school at least half-time.
- A primary caregiver of a dependent child under six years old or an incapacitated person.

The FSET program consists of eight component activities, which are documented in FSET Handbook, Section 1.4 and include:

- Supervised Job Search
- Job Search Training
- Self-Employment Training
- Education
- Workfare
- Work Experience
- Job Retention (for FSET participants who have obtained employment)
- Case Management

Participants must agree to engage in at least one approved activity to retain enrollment in FSET.

3.4.2 Risk Assessment

The FSET program is a Type A program that requires a risk-based assessment when expenditures reported for reimbursement are the greater of $250,000 ($330,000 effective for fiscal years beginning on or after October 1, 2024 per the State Single Audit Guide) or three percent of total DHS expenditures for the audit period. The auditor will perform this risk assessment to determine if this program is a major state program.

Auditors should follow Uniform Guidance for conducting risk assessments of individual state programs. The following are potential risks identified for the FSET program:

- The monthly invoices submitted to DHS include unallowable, inaccurate, or undocumented expenses.
- The reported salary and benefit costs submitted to DHS are for workers not performing allowable FSET-related activities.
- The allocated costs of FSET submitted for FSET program reimbursement may also be allocated to other DHS programs or the Wisconsin Works (W-2) program.
- The acquisition and distribution of gas cards or bus passes for FSET participants' travel expenses lack documentation or an inventory system.
- The program has complex administrative requirements.

3.4.3 Compliance Requirements and Suggested Audit Procedures

Resources that detail FSET program requirements include but are not limited to:

- SNAP Employment and Training Toolkit, USDA FNS
- FSET Handbook, Wisconsin DHS, Division of Medicaid Services
- FoodShare Wisconsin Policy Handbook, Wisconsin DHS, Division of Medicaid Services
- FSET Contract between DHS and the FSET Agency
- Contracts between the FSET Agency and its subcontractors

3.4.3.1 Allowable Activities

The FSET program allows each FSET agency to tailor an employment and/or training plan to meet the individual needs of the FSET participant. For proper participation in the FSET program, all participants

must have an assessed plan for placement and accept training or services that are within an FSET component activity category.

3.4.3.1.1 Compliance Requirements

Allowable activities of an FSET program must be within one or more of the program's eight component activities per the FSET Handbook, Section 1.4:

- Supervised Job Search – Allowable activities include, among other things, job leads and job referrals, assisting with job development, and job placement.
- Job Search Training – Allowable activities include application and resume development and interviewing skills, including mock interviewing.
- Self-Employment Training – The focus is to provide technical assistance to FSET participants for designing and operating their own business. Technical assistance includes creating a small business plan, conducting feasibility studies to determine the viability of the service or product, locating financial resources, developing marketing strategies, resolving credit issues, and navigating federal and state regulations.
- Education – Allowable educational activities include basic/foundational skills instruction, career/technical education programs, English language acquisition, integrated training or bridge programs, and work readiness training.
- Workfare – Allows FSET participants who need to meet the work requirement the opportunity to learn new job skills and establish work references. Workfare positions typically require minimal training and work crews easily expand or contract as based upon the need for positions. Parks, housing authorities, and sanitation departments are examples of workfare placements.
- Work Experience – Designed to improve the employability of the FSET participants, allowable activities include actual work experience, training, or both. Work experience must be a planned, structured learning experience that occurs in the workplace for a limited time and may be arranged within the private for-profit, non-profit, or public sector.
- Job Retention – Only individuals who have received employment and employment/training services through the FSET program are eligible for job retention services. This component typically includes participant reimbursement for reasonable and necessary expenses to assist the individual in maintaining employment and case management services that address workplace demands and employer expectations.
- Case Management – Must be used for all initial and ongoing case management appointments and must be on every Employment Plan for all FSET participants. FSET workers must track the actual time spent providing case management services while engaging directly with the participant.

3.4.3.1.2 Suggested Audit Procedures

Auditors should perform the following procedures when auditing allowable activities:

- Select a sample of FSET participants and determine if the participant had a comprehensive, individualized assessment to identify the participant's strengths, needs, and preferences. Without an individualized FSET assessment, no FSET activities are allowable. In some cases, the assessment is an ongoing process and may take place after the initial or subsequent employment plans, which include assigned, qualified activities.
- Review the activities of the sampled FSET participants to determine if the activities qualify as allowable activities by referencing the FSET Handbook, Section 10.3, Appendix C: FSET Fundable Component Activities.

3.4.3.2 Allowable Costs and Reporting

Monthly invoices submitted to DHS must reflect qualifying FSET program expenses incurred for the month of the invoice. Costs are allowable if they are reasonable and necessary to carry out essential functions of FSET and must be appropriately allocated.

3.4.3.2.1 Compliance Requirements

Auditors should be aware of the following compliance requirements regarding allowable costs:

- FSET costs must comply with the ACPM and allowable participant reimbursements as required by USDA FNS in the SNAP Employment and Training Toolkit.
- FSET costs submitted to DHS by monthly invoices are classified within the four categories of program administrative (personnel and operating), participant reimbursement, dependent care, and job retention. Reported salary and wages of FSET personnel require 100 percent time reporting with supporting timecard documentation.
- Participation reimbursements include transportation, childcare, clothing suitable for job interviews, uniforms, textbooks, licensing, and test fees. Childcare expenses should be pursued through the Wisconsin Shares childcare subsidy program prior to expending FSET resources for childcare.

3.4.3.2.2 Suggested Audit Procedures

Auditors should perform the following audit procedures to test for allowable costs:

- Sample the monthly invoices submitted to DHS and determine if the costs are allowable per federal and state cost guidelines and FSET compliance rules per the SNAP Employment and Training Toolkit and the FSET Handbook.
- Verify that FSET personnel salary and benefit costs were not charged to the W-2 program, WIOA, or other Wisconsin Medicaid programs. Employees' wages and benefits are high-risk cost categories that may result in duplicative charges to multiple Medicaid programs. Also, verify that charged salary and benefit costs have supporting timecard documentation.
- Verify that the agency's financial records support the sampled monthly invoice(s) by ensuring the submitted invoice amount ties to the agency's general ledger.
- Verify that the plan for allocating direct support service staff time and overhead is consistent with the ACPM and with Medicaid policies.

3.4.3.3 Subcontractor Monitoring

Per terms of the contract between DHS and the Wisconsin FSET service region, the FSET agency may subcontract part of this contract with approval from DHS.

3.4.3.3.1 Compliance Requirements

The following compliance requirements apply to subcontractor monitoring of the FSET program:

- The FSET agency (the contractor) can subcontract part of this contract with written approval from DHS. When the contractor enters into a subcontracting relationship, DHS reserves the right of

approval over the process used to solicit proposals, criteria used by the contractor in choosing a subcontractor, terms and conditions of the subcontract(s), and the subcontractor(s) selected.
- The contractor retains responsibility for fulfillment of all terms and conditions of this contract when it enters subcontracting relationships.

3.4.3.3.2 Suggested Audit Procedures

Auditors should perform the following audit procedures related to subcontractor monitoring:

- Review the FSET agency's subcontracts to verify that DHS granted written approval for the subcontract arrangement if applicable.
- Determine whether the FSET agency has a viable monitoring program in place to examine its subcontractors' activities and provide reasonable assurance that the subcontractors administered the program in compliance with the terms and conditions of the contract.

3.4.3.4 Special Tests – For Cash Equivalent Participant Reimbursements

FSET vendors may provide gas cards or bus passes for transportation expenses to assist FSET participants seeking employment or job training. The vendors should have a tracking system in place to record the acquisition and distribution of gas cards or bus passes.

3.4.3.4.1 Compliance Requirements

To understand compliance requirements, auditors should do the following:

- Review the FSET agency contract with DHS to determine the total budgeted transportation costs within the participant reimbursement category.
- Discuss with the FSET agency's personnel if any of the budgeted transportation costs within the participant reimbursement category were related to purchases of gas cards or bus passes.

3.4.3.4.2 Suggested Audit Procedures

Auditors should perform the following audit procedures:

- Ascertain if the FSET agency purchased gas cards or bus passes for FSET participant transportation expenses.
- Determine if the FSET agency has a tracking mechanism that inventories the purchases and issuances of the gas cards or bus passes.
- Verify that the gas card or bus pass inventory is correct and supported with documentation.

3.4.3.4 Special Tests – ABAWDs Work Requirement

In order to maintain eligibility for FoodShare benefits, non-exempt ABAWDs who are not meeting the work requirement through twenty hours of employment per week or another qualified work program, such as WIOA or Temporary Assistance for Needy Families, can choose to participate in FSET to meet the work requirement.

3.4.3.5.1 Compliance Requirements

Auditors should be aware of the following compliance requirements regarding ABAWD work requirements:

- For complete FSET participation requirements, review the FSET Handbook.
- ABAWD not meeting work requirements may lose eligibility for FoodShare benefits after exhausting three months of time-limited benefits within a 36-month period.
- For ABAWD, the term "working" is defined as work in exchange for money, goods, or services; unpaid work, such as community service or volunteer work; self-employment; or any combination of this definition.
- ABAWD are considered in compliance with work requirements if one of the following applies:
  - Working a minimum of 80 hours per month, use converted work hours if paid weekly or bi-weekly;
  - Participating in and complying with the requirements of an allowable work program at least 80 hours per month;
  - Working and participating in an allowable work program for a combined total of at least 80 hours per month; or
  - Participating in and complying with the requirements of a workfare program.
- FSET agency staff must collect and record attendance information for assigned activities. All participation documentation must be obtained from the FSET participant, worksite, or other education and training providers on a weekly, biweekly, or monthly basis. The documentation must be maintained in the participant's electronic case file or the personal identification number comments if the information was received over the phone.
- By the fifth of the current month, the FSET agency is responsible for recording whether the prior month's work requirement was met. This action is required when ABAWD must meet work requirements.
- By the second Saturday of the month, the FSET agency is responsible for recording whether a participant is expected to fulfill the ABAWD work requirement by the end of the current month. This action is only required for ABAWD who are enrolled and fully participating in FSET, expected to meet work requirements through FSET participation by the end of the current month, and are in the third time-limited benefit month or second additional month.

3.4.3.5.2 Suggested Audit Procedures

Auditors should perform the following audit procedures:

- Sample the files for ABAWD who need to meet work requirements and are enrolled in FSET to determine if the FSET agency recorded the prior month's work requirements by the fifth of the current month. Also, determine if the FSET agency recorded anticipated work requirements for ABAWD for the current month by the second Saturday of the month.
- Sample the files for ABAWD to ensure that the FSET agency retains proper documentation to support work requirements.

3.5 Income Maintenance

This section is applicable to audits of IM Consortia lead and non-lead (member) counties.

Funding: IM funding is comprised of Medical Assistance Program – ALN #93.778, the State Administrative Matching Grants for SNAP – ALN #10.561, Children's Health Insurance Programs – ALN #93.767 and numerous state profiles.

3.5.1 Background

In 2011, Wis. Act 32 Section 9121 Nonstatutory Health Services required IM consortia to administer county IM programs while providing administrative and statewide cost efficiencies across a variety of assistance programs in Wis. Stat. § 49.78. There are currently eleven multicounty IM consortia throughout Wisconsin.

The lead county agency for each IM consortium is responsible to DHS for its consortium's compliance with the terms of the IM contract between DHS and the consortium and provides representation for all members of the consortium. The lead county is also responsible for submitting monthly cost reports for the consortium to DHS on the Expenditure Report Form (F-00642) no later than the 30th day of the following month. Each lead county agency separately contracts with the other members of the consortium.

The IM consortium administer programs including:

- FoodShare and FSET referrals
- Wisconsin Medicaid and BadgerCare Plus Standard Benchmark Plans
- SSI Caretaker Supplement

DHS contracts with the consortium's lead county to perform a variety of services, such as:

- Conducting application processing.
- Providing in-person services.
- Performing FoodShare program eligibility processing services.
- Coordinating with state staff and consortium partners to ensure that the provisions of estate recovery, subrogation, benefit recovery, fair hearings, fraud prevention, and investigative programs are properly administered.

A multicounty consortium is a group of county agencies approved by DHS to administer IM programs. Each IM consortium contract designates a lead county agency to provide representation for all member counties of the consortium.

Lead counties report IM consortia expenses using GEARS Profile #76. GEARS allocates these expenses to two other profiles for payment: Profile #283 - IMAA State Share, which is funded with state and local funds, and Profile #284 - IMAA Federal Share, which is funded by a mix of state and federal funds. These federal funds are from the Medical Assistance Program - ALN #93.778, the State Administrative Matching Grants for Supplemental Nutrition Assistance Program - ALN #10.561 and the Children's Health Insurance Programs - ALN #93.767. The respective share of each funding source is available online at the Listing of GEARS Program Funding Sources.

3.5.2 Risk Assessment

IM is a Type A program that requires a risk-based assessment when expenditures reported for reimbursement are the greater of $250,000 ($330,000 effective for fiscal years beginning on or after

October 1, 2024 per the State Single Audit Guide) or three percent of total DHS expenditures for the audit period. The auditor will perform the risk assessment to determine if this program is a state major program. Risks identified by the auditor may require additional compliance testing of the IM consortium's lead or non-lead county agencies.

Auditors should follow Uniform Guidance for conducting risk assessments of individual state programs. In addition, the following are potential risks identified for the IM program:

- Submitted cost report expenses are unallowable, inaccurate, undocumented, or untraceable to the agency's general ledger. This includes cost report submissions by either the lead county agency to DHS or the non-lead county to the lead county agency.
- Submitted cost reports by each IM consortium member agency are not identifiable within the agency's general ledger.
- Reported salary and benefit costs are for workers not performing allowable IM-related activities.
- Allocated costs submitted for IM program reimbursement may be submitted to multiple DHS programs.
- Adequate sub-recipient monitoring by the lead county agency is not performed of the non-lead counties in the consortium.

3.5.3 Compliance Requirements and Suggested Audit Procedures

3.5.3.1 Allowable Activities

3.5.3.1.1 Compliance Requirements

Auditors should review DHS Audit Guide (P-01714-2025), Section 2.1 related to allowed and unallowed activities and the IM contract for information regarding allowable activities. All IM functions must be performed in accordance with state statutes and administrative rules; federal statutes, rules, and regulations; court orders; and the division numbered memo series, as set forth in or established by DHS under the authority granted to it by state and federal statutes, rules, regulations, and court orders.

All IM agencies perform the following activities based on their IM contracts:

- Enter member data into the designated automated system for IM programs.
- Accurately explain IM programs and policies to members and others as needed.
- Confirm eligibility in the designated automated system for IM programs.
- Request and process required verifications.
- Establish a claim if overpayment occurs.
- Explain and fill out appropriate forms for estate recovery and subrogation.
- Perform all administrative responsibilities related to electronic benefit transfers for the FoodShare program that are eligibility functions (SNAP, ALN #10.561).
- Perform additional IM consortium responsibilities as defined in Wis. Stat. § 49.78(2)(b).

In addition, the lead agency is responsible for the following activities:

- Perform activities outlined in the relevant sections of the DHS GEARS Manual.
- Maintain a contractual relationship with member counties.
- Monitor compliance of member counties.
- Collect and compile information and submit required program performance reports.

3.5.3.1.2 Suggested Audit Procedures for Lead and Non-Lead Counties

Auditors should perform the following audit procedures:

- Identify the IM activities performed by the agency and determine if allowable.
- Review transactions submitted for IM reimbursement to determine if the services provided were for allowable IM activities.

3.5.3.1.2 Suggested Audit Procedures for Lead Counties

Auditors should perform the following audit procedures for lead counties only:

- Verify that a valid contract exists between lead and member agencies.
- Examine procedures for monitoring compliance of member counties.
- Verify that required program reports are accurate and submitted in a timely manner.

3.5.3.2 Allowable Costs

3.5.3.2.2 Compliance Requirements

The DHS Audit Guide (P-01714-2025) and the IM contract contain additional information regarding the compliance requirements for allowable costs. Requirements of the IM contract between DHS and the IM consortium's lead county agency include but are not limited to the following:

- Functions are performed in accordance with state statutes; administrative rules; federal statutes, rules, and regulations; court orders; division numbered memo series; and the ACPM, as set forth in or established by DHS under the authority granted to it by state and federal statutes, rules, regulations, and court orders.
- Claims for reimbursement are for costs incurred in providing services under the contract during the month covered by the cost report and follow generally accepted accounting principles and the ACPM.
- Distributes and reports agency management support and overhead (AMSO) costs in accordance with the federally approved cost allocation plan for local organizational units.
- Maintains and reports employee roster information to DHS in compliance with instructions from DHS for the IM/W-2 random moment sampling. Each county agency maintains an employee roster and reports the county's costs to the consortium's lead agency. The consortium's lead agency reports its costs to DHS.

3.5.3.2.3 Suggested Audit Procedures for Lead and Non-Lead Agencies

Auditors should perform the following procedures to test for allowable costs:

- Request an organizational chart of the agency's personnel to verify that salaries and benefits charged or allocated to the IM program are for employees identified as IM workers.
- Review expense reports for accurate reporting of expenses and revenues. Test expenditure records and supporting documentation to determine if expenses submitted for reimbursement are allowable.
- Verify that the employee counts reported to the lead agency or to the state are complete and that those employees identified are within the correct functional area per the organizational chart.
- Verify that the AMSO and share costs reported to the state are reconciled to the agency's accounting records, documented, and have not been directly charged.

3.5.3.2.4 Suggested Audit Procedures for Lead Agencies

In addition, for lead agencies, auditors should review GEARS expense reports for accurate reporting of expenses and determine that they are in accordance with the appropriate sections of the GEARS Manual.

3.5.3.3 Reporting – Expenditures

3.5.3.3.2 Compliance Requirements

Auditors should review the DHS Audit Guide (P-01714-2025) and the IM contract for further information regarding the compliance requirements for reporting of expenditures.

The lead county files the monthly GEARS cost report for all consortium counties and for all activities of the IM consortium. Each non-lead county agency submits a monthly cost report to the lead county agency.

3.5.3.3.3 Suggested Audit Procedures – Lead County Agency

Auditors should perform the following procedures to test for proper reporting of expenditures:

- Select a sample of the IM consortium's monthly cost reports submitted to DHS by the IM consortium's lead county. Review for mathematical accuracy and determine if supporting documentation exists to support the filed cost reports.
- Trace and verify the submitted cost report amounts to the accounting records of the lead county agency.

3.5.3.3.4 Suggested Audit Procedures – Non-Lead County Agency

Auditors should perform the following audit procedures for non-lead counties:

- Select a sample of the IM consortium's monthly cost reports submitted to the lead county agency by the non-lead county agency. Review for mathematical accuracy and determine if supporting documentation exists to support the submitted cost reports.
- Trace and verify the submitted cost report amounts to the accounting records of the non-lead county agency.

3.5.3.4 Monitoring

3.5.3.4.2 Compliance Requirements

The consortium is responsible for performance of all subcontracted services under the IM contract. The following provisions apply:

- Eligibility determination may not be subcontracted. It is the responsibility of the IM consortium certified by DHS.
- Contracts must adhere to Wis. Stat. § 46.036 and DHS policies and procedures.
- DHS must approve all subcontracting relationships.
- IM consortia must establish instructions and monitoring procedures to ensure that each subcontractor complies with this contract, applicable federal and state laws, rules, and regulations, and DHS policies and procedures.

- The contract between DHS and the consortium's lead county may contain additional compliance requirements.

3.5.3.4.3 Suggested Audit Procedures for Lead and Non-Lead Agencies

Auditors should perform the following audit procedures to test compliance with monitoring requirements:

- Determine if the county agency contracted with eligible Wisconsin contractors/subrecipients for the IM program. Review the State of Wisconsin's ineligible vendor list online at VendorNet by selecting Wisconsin Office of Contract Compliance Ineligible Vendor Directory.
- Determine if the agency contracted with eligible federal contractors and subrecipients. Review the list of excluded individuals and entities (LEIE) from the U.S. Department of Health and Human Services (DHHS) Office of Inspector General (OIG) for a current list of individuals or vendors excluded from participation in all Federal health care programs because of conviction of criminal offenses.

3.5.3.4.4 Suggested Audit Procedures for Lead Agencies

Auditors should perform the following audit procedures at lead counties to test compliance with monitoring requirements:

- Determine whether DHS approved the IM contract between the lead county and its member county agencies and if all counties signed the contract. The IM consortium approved by DHS only performs eligibility determination for the IM program.
- Determine whether the lead county agency monitored the activities of the member county agencies throughout the contract period, ensured the timely correction of any identified noncompliance issues, and reviewed the reasonableness of the submitted cost reports of the IM consortium's member county agencies.

3.6 School-Based Services

This section is applicable to all audits of agencies that receive funding for School-Based Services.

Funding: Medical Assistance, ALN #93.778.

3.6.1 Background

School-based services (SBS) are designed to provide federal Medicaid funding to Wisconsin schools for medically related special education services for children who are eligible for Medicaid. Participants in this program include many Wisconsin school districts, Brown and Walworth County Children with Disabilities Education Boards, and independent charter schools. The Wisconsin Department of Public Instruction (DPI) is responsible for determining which students receive services, however; DHS is responsible for payment of these services. Though fee-for-service (FFS) providers are not subject to audit requirements, the program area determined that additional oversight is needed for SBS and it is therefore included in the DHS Audit Guide (P-01714-2025).

Wisconsin Medicaid issues FFS payments and final cost reconciliation adjustments to Medicaid-certified SBS providers. FFS payments are based on the specific rate set for each type of SBS provided and each SBS provider completes an annual cost report for a final cost settlement. SBS providers have up to 365 days to bill for services following the date of service and settlements within two years after the end of the

school year. Therefore, during any given audit period's settlement process, a school district could receive payments for the current audit period and the previous two audit periods.

All SBS providers that bill Medicaid for eligible students must file a Medicaid cost report via an Internet-based SBS cost reporting tool. This website contains all pertinent guides, training presentations, and information regarding the cost reporting settlement process. For additional questions, contact Wisconsin's SBS vendor Public Consulting Group at WiCostReport@pcgus.com or 877-395-5019 (Option 2).

3.6.2 Risk Assessment

SBS is a Type A program that requires a risk-based assessment when expenditures reported for reimbursement are the greater of $250,000 ($330,000 effective for fiscal years beginning on or after October 1, 2024 per the State Single Audit Guide) or three percent of total DHS expenditures for the audit period. The auditor will perform a risk assessment to determine if this program is a major state program.

DHS will provide an annual list of SBS payments made to all SBS providers for each audit period on the State Single Audit Guide website to confirm SBS funding levels once the data is available. This information is typically posted in late July, a few weeks after the June 30 close of the fiscal period.

Auditors should follow Uniform Guidance for conducting risk assessments of individual state programs. In addition, the following are potential risks identified for School-Based Services:

- An Individualized Education Program (IEP) for each student is not obtained.
- DPI Consent to Bill Wisconsin Medicaid For Health-Related Special Education and Related Services (Form M-5), Consent to Bill Wisconsin Medicaid for Medically Related Special Education and Related Services, is not obtained.
- Transportation, salaries, benefits, and contractor costs may not be sufficiently documented or not allowed.
- The SBS program is new for this auditee.

3.6.3 Compliance Requirements and Suggested Audit Procedures

This entire compliance requirement section is applicable for all audits and supplements guidance for UGCS, Part 3.

3.6.3.1 Activities Allowed or Disallowed

To bill Wisconsin Medicaid for SBS, an agency must obtain an IEP and DPI Consent to Bill Wisconsin Medicaid For Health-Related Special Education and Related Services (Form M-5) Consent to Bill Wisconsin Medicaid for Medically Related Special Education and Related Services. Covered SBS services that must be identified within the child's IEP are:

- Nursing
- Occupational Therapy (OT) and Physical Therapy (PT)
- Psychological Services, Counseling, and Social Work
- Speech, Language, Hearing, and Audiological
- Transportation
- Attendant Care

3.6.3.1.1 Compliance Requirements

Auditors should be aware of the following compliance requirements regarding allowable activities:

- For Medicaid reimbursement, all SBS must be identified in the IEP. The IEP must be reviewed annually. Cost reimbursement is not allowed for Medicaid-coverable services not specified in the student's IEP. See the SBS Handbook and the FowardHealth Portal Updates on policies for IEP information.
- Each local education agency (LEA) that is a Medicaid-certified SBS provider is required to have a signed and dated DPI Consent to Bill Wisconsin Medicaid For Health-Related Special Education and Related Services (Form M-5) from the parent or guardian of a student with an IEP before claims can be submitted to BadgerCare Plus.
- The LEA must obtain parental consent before the LEA accesses Wisconsin Medicaid for the first time. This is a one-time consent. The LEA is no longer required to obtain parental consent each time access to Medicaid is sought, even if there is a change to the service.
- The one-time consent is not transferrable to a different LEA. If the student transfers to a new LEA, that LEA must obtain a new, one-time consent to bill Medicaid.
- DPI Consent to Bill Wisconsin Medicaid For Health-Related Special Education and Related Services (Form M-5) must be accessible to the auditor within the agency's documentation. It is recommended that all forms be kept in a student's file, but it is not mandatory if the agency is able to produce this document upon the auditor's request.
- School districts should take timely action to correct errors and claims on cost reports for ineligible recipients.

3.6.3.1.2 Suggested Audit Procedures

Auditors should include the following audit procedures in their SBS audit programs:

- Through sampling, determine if billed SBS were included in the recipient's IEP during the period in which services were delivered.
- Through sampling, determine if the school district's DPI Content to Bill Wisconsin Medicaid For Health-Related Special Education and Related Services (Form M-5) was signed and dated.

If the auditor finds billing for services not identified in a student's IEP or a missing or incomplete DPI Content to Bill Wisconsin Medicaid For Health-Related Special Education and Related Services (Form M-5)the total amount of questioned costs should be identified within an applicable audit finding. Any identified SBS that were paid must be included in the IEP.

3.6.3.2 Allowable Costs/Costs Principles

DHS has no additional compliance requirements or suggested audit procedures regarding allowable costs for SBS.

3.6.3.3 Eligibility

DHS has no additional compliance requirements or suggested audit procedures regarding eligibility for SBS.

3.6.3.4 Matching, Level of Effort, and Earmarking

DHS has no additional compliance requirements or suggested audit procedures regarding matching, level of effort, or earmarking for SBS.

3.6.3.5 Reporting Requirements – SBS Medical Salaries and Benefit Costs

3.6.3.5.1 Compliance Requirements

The following compliance requirements relate to the reporting of medical salaries and benefit costs related to SBS:

- Each school district's salary and benefit information of direct medical service providers are reported through quarterly financial submissions. These submissions automatically aggregate into the annual cost report.
- School districts should take timely action to correct errors identified in quarterly financial submissions.

3.6.3.5.2 Suggested Audit Procedures

Auditors should include the following audit procedures when auditing SBS:

- Trace salaries and fringe benefits on the quarterly financial submissions back to payroll records and financial ledgers.
- Trace the amounts on the quarterly financial submissions to ensure federal funds are appropriately identified.
- If applicable, trace the salary and benefit amounts reported for contracted staff listed on the quarterly financial submissions to appropriate invoices.

3.6.3.6 Reporting Requirements – Final Cost Report

The auditor must consider reporting errors for the final cost report to be a significant finding that precludes the program from being low risk in the subsequent audit. The auditor must identify questioned costs when it is feasible to determine the impact of reporting errors.

3.6.3.7 Special Tests and Provisions – Nursing Services

For an agency to bill Wisconsin Medicaid for nursing services, the services must be identified in the individual's IEP and prescribed annually by a physician or an advanced practice nurse under Wis. Admin. Code § DHS 107.36(1)(e).

3.6.3.7.1 Compliance Requirements

The following compliance requirements relate to school districts billing SBS for nursing services:

- The annual prescription for nursing services signed by a physician or an advanced practice nurse must be made available to the auditor within the agency's documentation. It is recommended that forms remain in a student's file, but it is not a requirement if the agency is able to produce the documents upon the auditor's request.
- School districts should take timely action to correct IEP errors and claims on cost reports for ineligible recipients.

3.6.3.7.2 Suggested Audit Procedure

Through sampling, determine if billed nursing services were included in the recipient's IEP and includes a prescription for nursing services during the time the services were delivered. If the auditor finds student

billing for nursing services not identified on the IEP or the prescription is incomplete or missing, the total amount of questioned costs should be identified within the applicable audit finding.

3.6.3.8 Special Tests and Provisions – Therapy Services

For an agency to bill Wisconsin Medicaid for services related to speech, language, hearing, and audiological services; occupational therapy (OT); or physical therapy (PT), they must be identified in the individual's IEP under Wis. Admin. Code §§§ DHS 107.36(1)(b), (c), and (d).

3.6.3.8.1 Compliance Requirements

The following compliance requirements relate to school districts billing SBS for therapy services:

- The IEP must be made available to the auditor within the agency's documentation. If claims for services related to speech, language, hearing and audiological services; OT; or PT were made, they must be included in the IEP. It is recommended that forms be kept in a student's file, but it is not mandatory if the agency is able to produce the documents upon the auditor's request.
- School districts should take timely action to correct errors and claims on cost reports for ineligible recipients.

3.6.3.8.2 Suggested Audit Procedure

Through sampling, determine if services billed for speech, language, hearing and audiological services; OT; or PT were included in the member's IEP. If the auditor finds student billing for these services not identified on the IEP, then the total amount of questioned costs should be identified within the applicable audit finding.

3.6.3.9 Special Tests and Provisions – MA Eligibility Rate for Medical Services IEP Ratio

3.6.3.9.1 Compliance Requirement

The IEP ratio is reported within the general and statistical information section of the online annual cost report. The auditee should have a system to identify the total number of students enrolled in IEPs with medical services. This system must annually identify the total number of IEP students within each medical service category, which includes speech, language, hearing and audiological services; social work; counseling services; health (nursing); psychological services; OT; attendant care; and PT. This IEP ratio is the total number of Medicaid-eligible students identified over the total number of IEP students that receive a medical service.

3.6.3.9.2 Suggested Audit Procedures

The auditor should include the following audit procedures to test compliance in this area:

- Review the provider's system for identifying the total number of IEP students receiving medical services by service area to ensure it is functional and accurate.
- Trace the provider's records to identify the total number of IEP students receiving a medical service across service areas to the cost report.

3.6.3.10 Special Tests and Provisions – Purchased Medical Services and Medical Supplies

3.6.3.10.1 Compliance Requirements

The following compliance requirements pertain to this area:

- Purchased medical services and medical supplies are reported under the direct medical services other costs summary and the direct medical services equipment depreciation section of the online annual cost report.
- The direct medical services other costs summary section of the SBS cost report details IEP purchased medical services, professional dues/fees, depreciation of direct medical equipment, employee travel, and medical supplies obtained from annual report data and the school district's invoices.
- Providers may only report costs of purchased services for IEP medical services, the cost of employee travel, and medical supplies used for IEP medical services. All materials and supplies reported on the annual cost report must be allowed by the Centers for Medicare and Medicaid Services (CMS) see Delivering Services in a School-Based Settings: A Guide to Medicaid Services and Administrative Claiming

3.6.3.10.2 Suggested Audit Procedures

Auditors should include the following audit procedures into their audit programs:

- Test the invoices to verify that districts only include costs for IEP medical services, medical supplies used in IEP medical services, or employee travel related to IEP medical services on the cost report.
- Review materials and supplies listed on invoices to ensure costs are allowed per CMS. See Delivering Services in a School-Based Settings: A Guide to Medicaid Services and Administrative Claiming.

3.6.3.11 Special Tests and Provisions – SBS Transportation Costs

3.6.3.11.1 Compliance Requirement

All allowable specialized transportation costs are reported on the following sections of the online annual cost report: Transportation payroll information, transportation other costs, and transportation equipment depreciation. Transportation costs charged to SBS must be supported with payroll information, asset ledgers, and any other documentation related to special education transportation.

3.6.3.11.2 Suggested Audit Procedures

Auditors should include the following audit procedures into their programs:

- Trace the transportation amounts on the cost report to relevant financial data.
- Review all costs to ensure that they tie to special education transportation and that those costs are not exclusively reported as general education transportation.
- Ensure that transportation logs exist for SBS transportation costs.

3.6.3.12 Special Tests and Provisions – Medicaid Eligibility Rate for Transportation, One-Way Trips and Vehicle Ratios

3.6.3.12.1 Compliance Requirements

The following compliance requirements apply in this area:

- The one-way trips ratio is reported under the general and statistical section of the online annual cost report. Providers should have an ongoing program with sufficient internal controls to identify total one-way student trips for reporting specialized transportation. The number of one-way trips for IEP transportation should be reported on the cost report. The numerator of this ratio is the total number of one-way trips by Medicaid-eligible students with specialized transportation needs documented in their IEP that receive a direct medical service (also relating to their IEP) on that day. The denominator is the total number of one-way trips by all students with specialized transportation needs in their IEP (regardless of whether they received a service that day). The maximum number of trips reported on a single day is two per student.
- If a district cannot discreetly identify costs as special education costs from all transportation costs, then they may report costs as "not only specialized transportation." If this occurs, the district will then be required to report a vehicle ratio under the General and Statistical Information section. The numerator of this ratio is vehicles used to transport students with specialized transportation needs in their IEP, and the denominator is total amount of busses used for all transportation.

3.6.3.12.2 Suggested Audit Procedures

Auditors should include the following audit procedures in their audit programs:

- Review the provider's system for identifying the total number of one-way bus trips for IEP transportation, including any bus costs included on the cost report.
- Trace the provider's records that identify the total number of one-way bus trips for IEP transportation to the cost report.
- Ensure the district has bus logs and attendance sheets to provide support that the Medicaid-eligible child rode the bus and received a direct medical service that day (pursuant to an IEP) for the numerator of the one-way trips ratio.
- If applicable, review vehicle counts to determine the validity of the vehicle ratio.

3.6.4 Submitting the Audit Report to DHS

School districts that need to comply with the Uniform Guidance single audit guidelines will submit their audit reports through the FAC. School districts that do not meet the single audit threshold are only required to submit an audit reporting package to DHS if the SBS program was tested as a major program for the current audit period, or the school district expended DHS funding outside of SBS that was tested as a federal or state major program. See DHS Audit Guide (P-01714-2025), Sections 1.3.1 and 1.3.2 for information on submitting the audit reporting package.

3.7 Wisconsin Medicaid Cost Reporting

This section is applicable to audits of counties, 51 boards and regions.

Funding: Medical Assistance, ALN #93.778

3.7.1 Background

Wisconsin counties and other local governmental agencies provide certain Wisconsin Medicaid Cost Reporting (WIMCR) services to Medicaid recipients that are reimbursed on a FFS basis. The Medicaid

FFS reimbursement rates usually do not cover the total cost of providing these services. This can result in a deficit that the agency supplements through community aids or local tax levies. The objective of the WIMCR program is to enhance the FFS payment rates to alleviate the financial burden on agencies providing these services. Reference Section 3.7.3.1 below for eligible WIMCR services. Though FFS providers are not subject to audit requirements, the program area determined that additional oversight is needed for WIMCR services and it is therefore included in the DHS Audit Guide (P-01714-2025).

Agencies eligible for WIMCR reimbursement prepare an annual cost report that summarizes data DHS uses to calculate the average cost of providing each unit of service by category. This cost per unit of service includes the cost of direct service, support staff, and agency overhead. DHS calculates the amount of the payment to eligible providers using this cost per unit of service data, the Medicaid allowed amount for each service, and the units of service provided to Medicaid recipients.

DHS calculates total deficit for WIMCR Medicaid services rendered (fewer interim claims and settlement payments) for each eligible county health agency or department and issues payments annually in December. DHS issues checks payable to the county designee. With the recent implementation of an Internet-based WIMCR Cost Settlement Tool, eligible agencies can now find their payment information and submit their cost report online.

Auditors can confirm an agency's participation in WIMCR, the programs covered by the benefit, amounts claimed, and the amounts (or estimated amounts) paid by contacting the WIMCR program coordinator at WIMCR@pcgus.com or by calling 866-803-8698.

3.7.2 Risk Assessment

WIMCR is a Type A program that requires a risk-based assessment when expenditures reported for reimbursement are the greater of $250,000 ($330,000 effective for fiscal years beginning on or after October 1, 2024 per the State Single Audit Guide) or three percent of total DHS expenditures for the audit period. The auditor will perform the risk assessment to determine if this program is a state major program. Since agencies can annually file cost reports for additional federal Medicaid reimbursement, DHS recommends that the auditor perform WIMCR testing one calendar year after the audit period in which the Medicaid services were provided. For example, cost reports for services provided in calendar year 2024 that are due in 2025 would be included as part of the calendar year 2025 audit.

Auditors should follow Uniform Guidance for conducting risk assessments of individual state programs. In addition, the following are potential risks identified for the WIMCR program:

- Cost classifications are improper, not allowed, or unverifiable.
- The program is new for this agency, or the program's requirements have significant changes.
- The program has complex administrative requirements.

3.7.3 Compliance Requirements and Suggested Audit Procedures

3.7.3.1 Types of Services Allowed

3.7.3.1.1 Compliance Requirements

Eligible WIMCR programs include home health; adult mental health day treatment; outpatient mental health and substance use disorder services; outpatient mental health and substance use disorder services in the home and community; personal care; substance use disorder day treatment; child/adolescent day

treatment; crisis intervention, including stabilization per diem; prenatal care coordination; community support program; and targeted case management.

For current calendar year cost settlement, eligible WIMCR agencies now submit only one cost report that captures all service area costs.

Comprehensive Community Services (CCS) and Community Recovery Services (CRS)are other mental health FFS programs settled in the WIMCR tool. However, neither is a WIMCR service. The program areas for these services determined no additional oversight is needed and therefore are not included in the DHS Audit Guide (P-01714-2025).

3.7.3.1.1 Suggested Audit Procedures

Auditors should include the following audit procedures into their audit programs related to WIMCR:

- Verify that the cost report identifies costs only incurred by eligible WIMCR programs.
- Costs reported on the cost report should tie to the agency's general ledger.

3.7.3.2 Accuracy of Program Costs

3.7.3.2.1 Compliance Requirement

The following compliance requirements apply in this area:

- Cost reports must reflect the actual costs incurred by the program for the period covered by the report.
- The agency must allocate direct support staff time and overhead to programs in a manner that is consistent with the ACPM and established Medicaid policies.

3.7.3.2.2 Suggested Audit Procedures

Auditors should include the following audit procedures into their audit programs related to WIMCR:

- Review the completed annual cost report and instructions.
- Verify that the cost report reflects the costs of services provided through the applicable programs to eligible recipients for the audited period.
- Verify that WIMCR costs were not charged to other Wisconsin Medicaid programs, such as CCS and CRS. Employees' wages and benefits are high-risk cost categories that may result in duplicative charges to multiple Medicaid programs.
- Verify that agency financial records support the cost report by ensuring the cost report requested amount ties to the agency's general ledger.
- Verify that the plan for allocating direct support service staff time and that overhead is consistent with the ACPM and established Medicaid policies.

3.7.3.3 Eligibility

DHS has no additional compliance requirements or suggested audit procedures related to Medicaid recipient eligibility for the WIMCR program.

3.7.3.4 Matching, Level of Effort, and Earmarking Requirements

DHS has no additional compliance requirements or suggested audit procedures related to matching, level of effort, and earmarking requirements for WIMCR.

3.7.3.5 Reporting

3.7.3.5.1 Compliance Requirement

Providers submit the cost report through the WIMCR Cost Reporting Portal. Per WIMCR program requirements, adjustments to the final cost report settlement may include activity from the prior audit period.

3.7.3.5.2 Suggested Audit Procedures

Auditors should include the following audit procedures into their audit programs related to WIMCR:

- Select a cost report through the WIMCR Cost Reporting Portal. Review its mathematical accuracy and determine if supporting documentation exists to support the filed cost report.
- Trace and verify the submitted cost report amounts to the accounting records of the agency.

3.7.3.6 Special Tests and Provisions: Consistency of Total Billable Units of Service

3.7.3.6.1 Compliance Requirements

The following compliance requirements apply in this area:

- Cost reports must report total billable units of service in a manner that is consistent with the identification of Medicaid units of service per WIMCR instructions.
- Total billable hours include Medicare, Medicaid, and all other payers. Other payers may include the county if payments for services are through the tax levy.

3.7.3.6.2 Suggested Audit Procedures

Auditors should include the following audit procedures in their audit programs related to WIMCR:

- Review the agency's system of internal control for reporting weekly time to ensure that reported billable time is accurate.
- Review the time record classifications and descriptions to ensure that there is adequate documentation to report direct, billable time.
- Identify total time by payer category and compare that with the number of recipients in each payer category for reasonableness.
- Verify whether reported contractor costs match those reported by the county agency.

3.8 Guidance for Auditing a Program without a Compliance Supplement

This section is applicable to all audits.

Auditors may encounter Type A and Type B programs that do not have applicable guide in UGCS or in the DHS Audit Guide (P-01714-2025). Auditors will need to identify the applicable compliance requirements and audit procedures for these programs.

3.8.1 Risk Assessment

Programs require a risk-based assessment when expenditures reported for reimbursement are the greater of $250,000 ($330,000 effective for fiscal years beginning on or after October 1, 2024 per the State Single Audit Guide) or three percent of total DHS expenditures for the audit period. The auditor will perform the risk assessment to determine if this program is a state major program. Auditors should review the provider contract with DHS and program guidance to identify program specific risks. Auditors should follow Uniform Guidance for conducting risk assessments of individual state programs. In addition, auditors should consider the following:

- The program is new for this auditee, or the program's requirements have substantially changed in recent audit periods.
- The program has complex administrative requirements.
- The auditor identified significant problems in performing the general compliance testing for requirements that are relevant to this program.

3.8.2 Compliance Requirements and Suggested Audit Procedures

Auditors will need to identify the applicable compliance requirements and audit procedures for the program. Auditors should consider applying the following considerations:

- The contract between DHS and the provider explains the nature and purpose of the program and may identify compliance requirements where noncompliance could have a direct and material effect on the program.
- UGCS, Part 7 pertaining to guidance for auditing programs not included in this compliance supplement, provides guidance for identifying the compliance requirements to test if no program compliance supplement exists. This guidance is for federal programs; however, it can also be applicable to state programs.
- The general compliance requirements described in DHS Audit Guide (P-01714-2025), Section 2 apply to most of DHS' programs. Auditors should consider testing results of these general compliance requirements while assessing risk and formulating an audit plan.