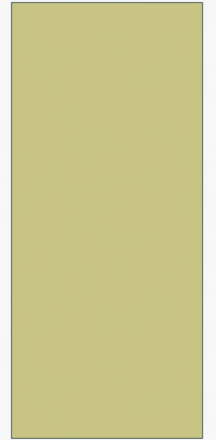


# INTRODUCTION TO SBS AUDITS AND FINDINGS

TIM KUBU & KABEER SINGH



# INTRODUCTIONS

- Tim Kubu, Manager
  - MDHHS – Bureau of Audit, Audit Division, Audit & Review Section
  - 13 Years with State of MI
- Kabeer Singh, Auditor
  - Started with the State in February, 2018
  - December, 2017 college graduate

# TOPICS

## The Audit Process

- Audit Process from the Auditor's Perspective
  - From “Entrance Meeting” to “Finalized Report”

## Types of Audits

- Single Audit
- Office of Inspector General (OIG)
  - Intro to the OIG
  - Recent OIG Audits
- MDHHS Audits
  - Common Findings of MDHHS Audits

# AUDIT PROCESS

- Planning Phase
- Audit Fieldwork Phase
- Report Preparation Phase

# PLANNING PHASE

- Sets the foundation for the audit process
- Typical activities include:
  - Conduct the audit entrance meeting
  - Develop scope and objectives
  - Develop audit plan
  - Perform risk assessment
  - Select items to be audited

# AUDIT FIELDWORK PHASE

- Driven by scope, objectives, and other agreements set forth during planning
- Formal Testing
  - Financial report accuracy
  - Funding source identification
  - Claims validity
  - Preliminary Findings

# REPORT PREPARATION PHASE

Typical activities include:

- Conduct internal quality assurance process
- Submit preliminary report to ISD
- Obtain ISD's preliminary response
- Conduct exit meeting
- Finalize & Issue Report

# TYPES OF AUDITS

- Single Audits
- OIG Audits
- MDHHS Audits



# SINGLE AUDIT

- For non-federal entities that receive greater than \$750,000 of federal assistance
- Generally done annually
- Provides the Federal government “Reasonable assurances”
- Encompasses both Financial and Compliance components

# SINGLE AUDIT

The Single Audit determines:

- Financial Statement Compliance
- Federal Program Compliance
- Internal Control Compliance

# SINGLE AUDIT - SEFA

## Schools

### Schedule of Expenditures of Federal Awards

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2013	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2014
<b>Clusters:</b>								
<b>Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:</b>								
Noncash assistance (commodities)	10.555	\$ 82,385	\$ -	\$ -	\$ -	\$ 82,385	\$ 82,385	\$ -
<b>Cash assistance:</b>								
National School Breakfast Program 2013-14	10.553	112,249	-	-	-	112,249	112,249	-
National School Lunch Program 2012-13	10.555	531,554	531,554	16,400	-	16,400	-	-
National School Lunch Program 2013-14	10.555	508,754	-	-	-	508,754	508,754	-
<b>Total cash assistance</b>		<b>1,152,557</b>	<b>531,554</b>	<b>16,400</b>	<b>-</b>	<b>637,403</b>	<b>621,003</b>	<b>-</b>
<b>Total Child Nutrition Cluster</b>		<b>1,234,942</b>	<b>531,554</b>	<b>16,400</b>	<b>-</b>	<b>719,788</b>	<b>703,388</b>	<b>-</b>
<b>Special Education Cluster - U.S. Department of Education: Passed through the Macomb County ISD - IDEA:</b>								
Project number 130450/1213	84.027	1,131,331	1,131,331	384,157	-	384,157	-	-
Project number 140450/1314		992,973	-	-	-	735,957	991,168	255,211
Preschool Incentive - Project number 130460/1213	84.173	60,272	60,272	20,601	-	20,601	-	-
Preschool Incentive - Project number 140460/1314		45,583	-	-	-	37,267	45,583	8,316
<b>Total Special Education Cluster</b>		<b>2,230,159</b>	<b>1,191,603</b>	<b>404,758</b>	<b>-</b>	<b>1,177,982</b>	<b>1,036,751</b>	<b>263,527</b>
<b>Other federal awards:</b>								
<b>U.S. Department of Education - Passed through the Michigan Department of Education:</b>								
<b>Title I - Part A:</b>	84.010							
Project number 131530/1213		869,186	680,537	115,942	-	115,942	-	-
Project number 141530/1314		892,972	-	-	-	528,079	772,074	243,995
<b>Total Title I</b>		<b>1,762,158</b>	<b>680,537</b>	<b>115,942</b>	<b>-</b>	<b>644,021</b>	<b>772,074</b>	<b>243,995</b>

# SINGLE AUDIT - SCHEDULE OF FINDINGS & QUESTIONED COSTS

## Schools

### Schedule of Findings and Questioned Costs

#### Section I - Summary of Auditor's Results

##### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

##### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

#### Section II - Financial Statement Audit Findings

None

#### Section III - Federal Program Audit Findings

None

# OIG AUDITS - HHS OFFICE OF INSPECTOR GENERAL

- Largest Inspector Generals Office of the Federal Government
- Conducts audit to investigate misuse of the Medicaid Program
- Aimed to help promote overall efficiency of HHS resources

# RECENT OIG AUDITS

- Michigan- as it related to RMTS (Sep. 2016)
  - \$954,000 in Federal Funding
  
- New Jersey- payment rates for School Based Services (Nov. 2017)
  - \$300 million in unallowable costs
  - \$306 million in unsupported costs

# MDHHS AUDITS

- The State of Michigan SBS Audit section is responsible for conducting external compliance audits of Intermediate School Districts funded by MDHHS.
- Two main objectives:
  - Assess Internal Control over SBS Medicaid based claims.
  - Assess compliance with Federal and State laws and regulations.

# COMMON FINDINGS OF MDHHS AUDITS - QUARTERLY FINANCIALS

- Federal Funds
- Inclusion of Unallowable Expenditures
- Lack of Oversight of Financial Data Reported



# COMMON FINDINGS OF MDHHS AUDITS - MAER

- Staff Pool Listing Errors
- Inclusion of Unallowable Expenditures
- Wrong Lines & Columns

# COMMON FINDINGS OF MDHHS AUDITS - STUDENT CLAIMS

- Attendance
- Missing Documentation
- Provider Notes

# QUESTIONS

ANY  
QUESTIONS  
?



# CONTACT INFORMATION

- Tim Kubu
  - Email: [KubuT@Michigan.gov](mailto:KubuT@Michigan.gov)
  - Phone: (517) 241-9163
- Kabeer Singh
  - Email: [SinghK2@Michigan.gov](mailto:SinghK2@Michigan.gov)
  - Phone: (517) 335-4792