

The Department of Health and Welfare's Management of Appropriated Funds, Highlights of Report 13-12

December 10, 2013

Financial Information Is Complex But Understandable

After analyzing Health and Welfare's financial management practices, we can assure policymakers that the processes the department undertakes to manage its budget are understandable despite their complex nature. We found the complexity is driven by federal reporting requirements and data systems' limitations.

Financial Management Systems Are Set Up for Federal Grant Reporting

Health and Welfare's financial management systems are designed to respond to federal reporting requirements because approximately 65 percent of the department's budget consists of federal spending authority. These systems are set up to legitimately claim federal dollars and are not set up to answer potential legislative inquiries. As a result, finding answers to policymakers' questions can take a considerable amount of staff resources.

The Cooperative Welfare Fund Serves a Specific Purpose

The cooperative welfare fund gives Health and Welfare flexibility to efficiently process payments and receipts. We found no evidence that the department takes advantage of that flexibility. Health and Welfare transferred a significant amount of money in fiscal year 2013 (\$101.3 million), but the significance of the transfers can be put in perspective when compared with the department's total \$2.4 billion budget. Of the \$101.3 million transferred last year, trustee and benefit transfers among the state's three Medicaid programs accounted for 82 percent, and more than 76 percent of those funds were transfers of

federal spending authority. Removing Health and Welfare programs from the cooperative welfare fund will not necessarily make details about transfers and other information more accessible or transparent.

Physical Organization Is Comparable with Other States

Like Idaho, 13 other states have one agency that houses all health and human services. The recent trend has been toward centralization rather than away from it.

What Can Be Done

Although we found that no single big, glaring problem exists, our report offers some considerations for policymakers and Health and Welfare. Three of those are immediately actionable:

Policymakers should consider making inquiries of Health and Welfare as early in the budget setting process as possible with the understanding that an answer may not be immediately available.

Policymakers should consider requesting a report from Health and Welfare that documents transfers the department makes and the reasons for those transfers.

Health and Welfare should consider increasing the automation of the department's year-end reporting process.

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