

REPORT ON UNCORRECTED FINDINGS

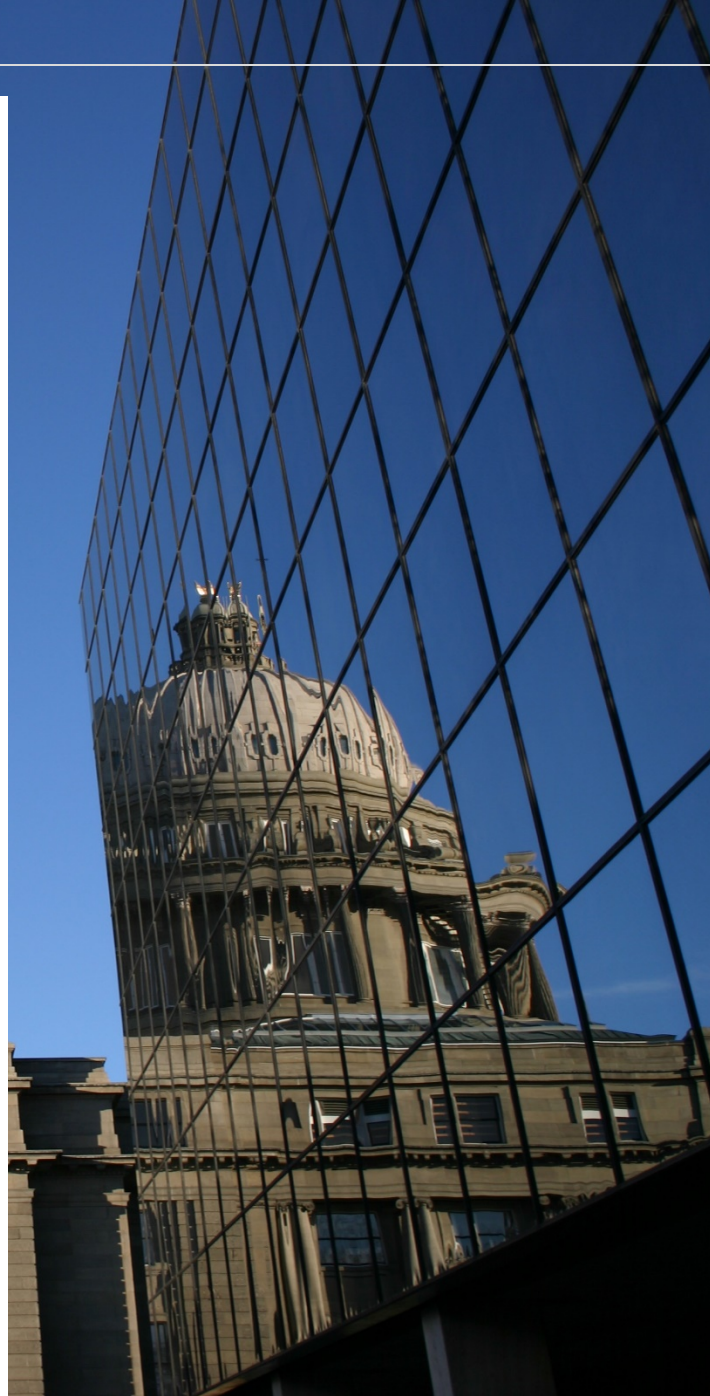
2022



DECEMBER 29, 2022

Legislative Services Office
Audits Division

Serving Idaho's Citizen Legislature

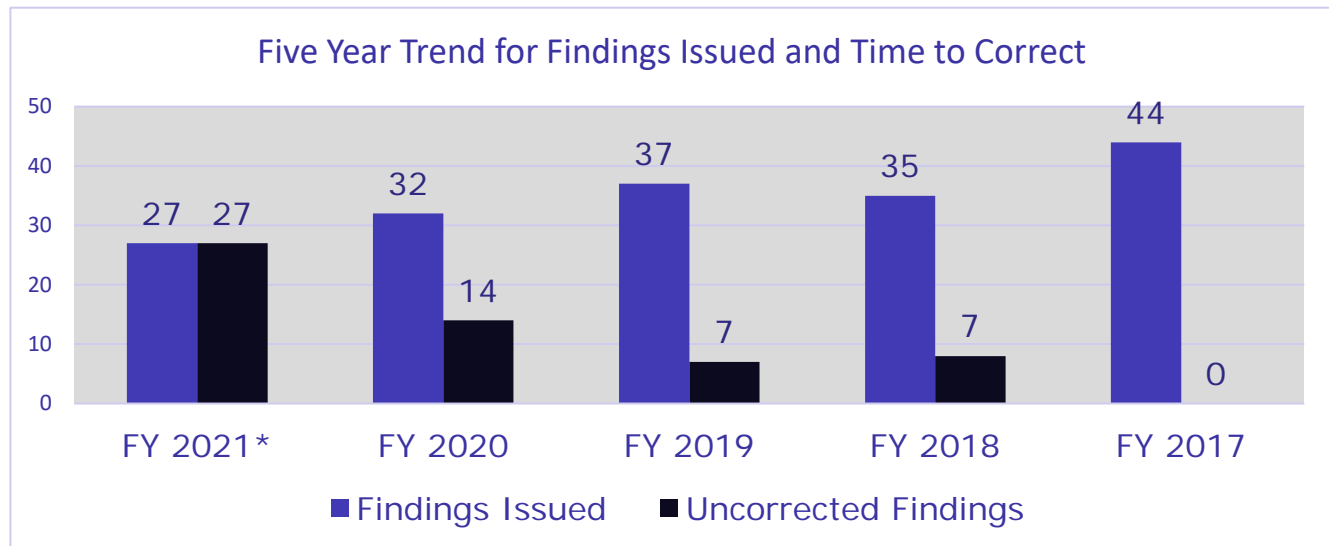


SUMMARY

Idaho Code, Section 67-702, defines the audit function of the Legislative Services Office. Under the direction of the Legislative Council, the Legislative Services Office has the authority to perform the annual audit of the *Annual Comprehensive Financial Report*, the *Single Audit Report*, and Accountability Reports, formerly called management reviews, of each executive department of State Government.

As part of this process, we report findings and recommendations to management that are intended to improve operations. We also ask the entity to provide a corrective action plan intended to resolve the concerns noted in the finding.

This report on uncorrected findings summarizes the findings issued and the progress agencies have made completing those corrective action plans. We believe this information is an important step in the audit process, by providing information to decision makers as they allocate limited resources to accomplish the overall goals of the State.



*FY 2021 accountability reports are 63% complete (15/24), so not all findings have been issued

*Findings issued for FY 2021 reports are all uncorrected because follow-up has not been completed

It generally takes 5 years to correct all findings from a particular audit year. Completion of corrective action plans can be an iterative time-consuming process.

OBJECTIVE

Our objective is to provide information about our audits and the findings, recommendations, and corrective action plans that result from the work we do throughout the year. This report provides a single source for all findings that remain uncorrected from reports issued through the October 31, 2022, along with any status updates we have from follow-up work completed.

BACKGROUND

We issue four types of reports each year: Financial audit, compliance audit, accountability (management reviews), and agreed-upon procedures. All reports issued by the Audits Division can include findings related to internal control weaknesses, substantive (financial) errors, or noncompliance. These findings are then reported utilizing five distinct elements:

- **Criteria**—Used to determine if there is a deficiency or issue to report and can be things such as applicable Idaho statutes, federal regulations, or internal control best practices
- **Condition**—Identifies the problem
- **Cause**—Describes why the condition happened, such as a lack of training or poorly designed internal control activities
- **Effect**—Provides a description of the effect which can be a misstatement to the financial information, noncompliance with state or federal requirements, inability to meet program objectives, or a weakness in internal control that could lead to other errors or increased risk
- **Recommendation**—Describes what we would like the agency to address in their corrective action plan

Agencies provide us with their views on the finding and a corrective action plan, both of which are included in its entirety in the report. The more specific and time limited the corrective action plan is the faster it can typically be resolved and ultimately corrected.

Follow-up procedures are completed for all findings issued through our reports, at different times depending on the report.

- Financial and Compliance Audits require follow-up work completed by the agency and reviewed by the auditor for prior audit findings as part of each audit
- Accountability Reports include a Follow-Up Report that is issued at least 90 days after the original report is issued, and then at 1-year and 2-year intervals if they remain uncorrected

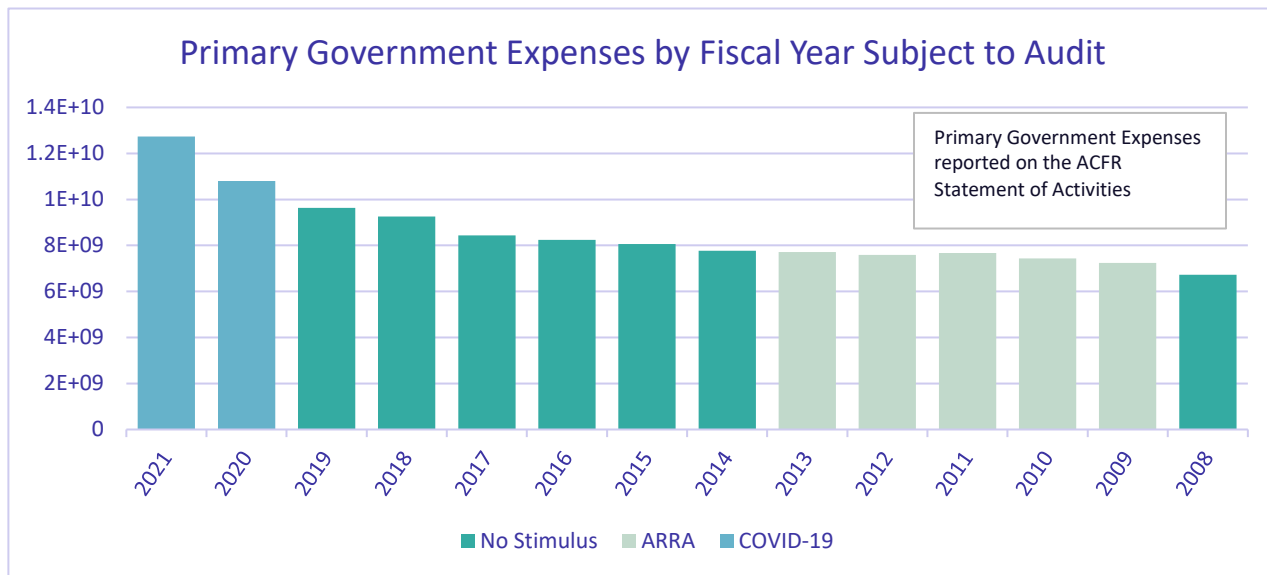
This report provides information only on those findings that remained uncorrected at October 31, 2022, regardless of the type of report.

REPORTS

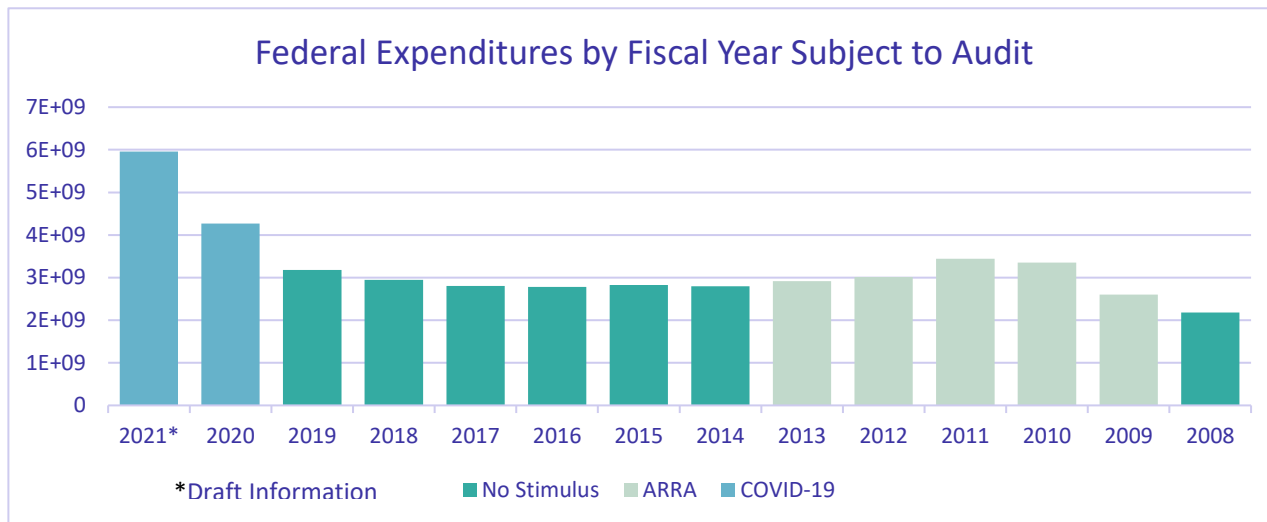
Financial and Compliance Audit Reports

Our most labor-intensive reports are issued for the statewide financial statements included in the *Annual Comprehensive Financial Report* (ACFR) and for the schedule of expenditures of federal awards (SEFA) in the *Single Audit Report*. The information provided in Graph 1 relates to all State expenses that are audited as part of our opinion for the ACFR. Graph 2 shows the federal expenditures audited as part of the Single Audit Report. Both graphs identify the years where additional federal stimulus was provided due to extra ordinary events.

Graph 1 – Statewide Total Expenses



Graph 2- Statewide Federal Expenditures

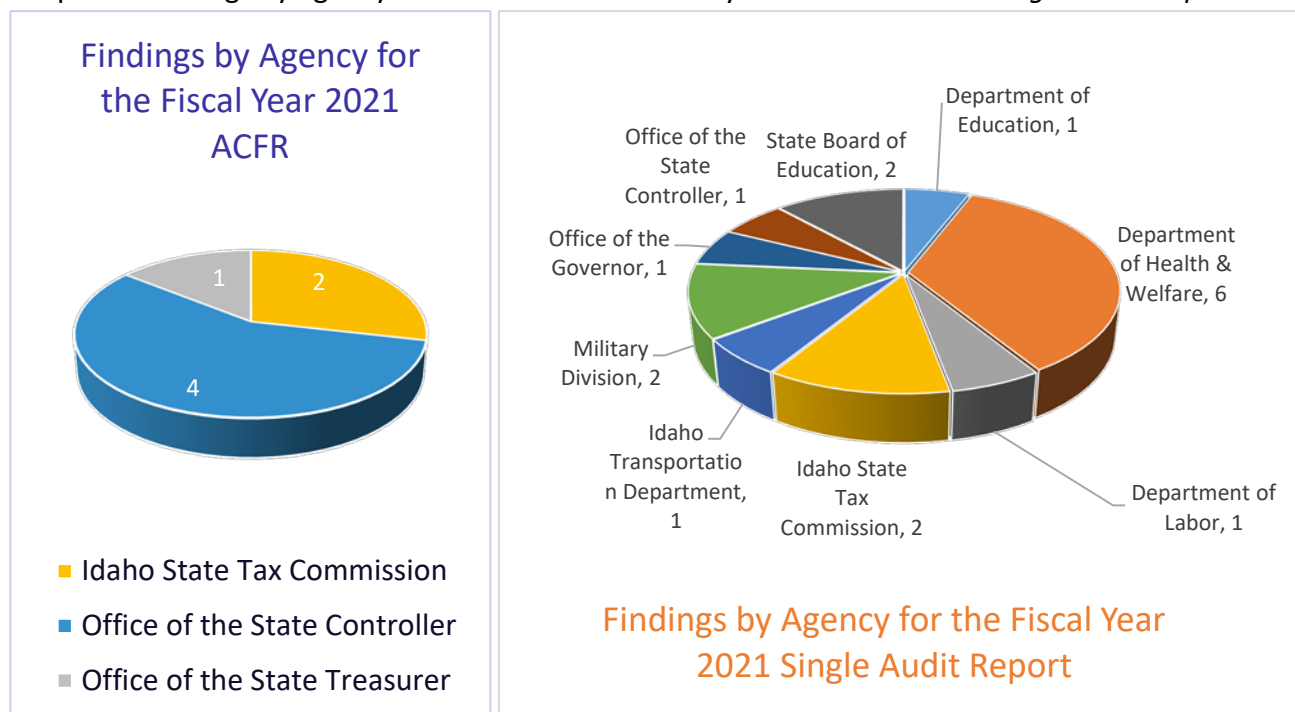


These graphs provide insight into how state expenditures have increased over time for both reports, the impact of federal assistance traditionally received, and assistance received as stimulus related to

significant national or worldwide events, such as the Great Recession and the American Rescue and Recovery Act (ARRA) and the recent COVID-19 pandemic with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and subsequent additional funding. Federal stimulus specific to both of those events greatly increased the dollars we audited and the requirements around their use.

We typically have fewer findings related to the ACFR than the *Single Audit Report*, and that is partially because federal requirements require a closer look at internal controls and very specific compliance requirement testing. We visit agencies for the ACFR based on their contribution to material activity of the State, so certain agencies such as the Idaho Department of Health and Welfare or the Idaho Transportation Department, are visited each year because of the significant dollars expended, and others may only be audited if they have new and material activity (such as the Office of the Governor for the CARES Act federal funding) or may not be visited at all because they do not contribute to those material items (such as the Department of Agriculture).

Graph 3 – Findings by agency for the audit of the fiscal year 2021 ACFR and *Single Audit Report*



Graph 3 illustrates the difference in volume and variety of agencies contributing to the findings for our financial audit of the ACFR versus the *Single Audit Report*.

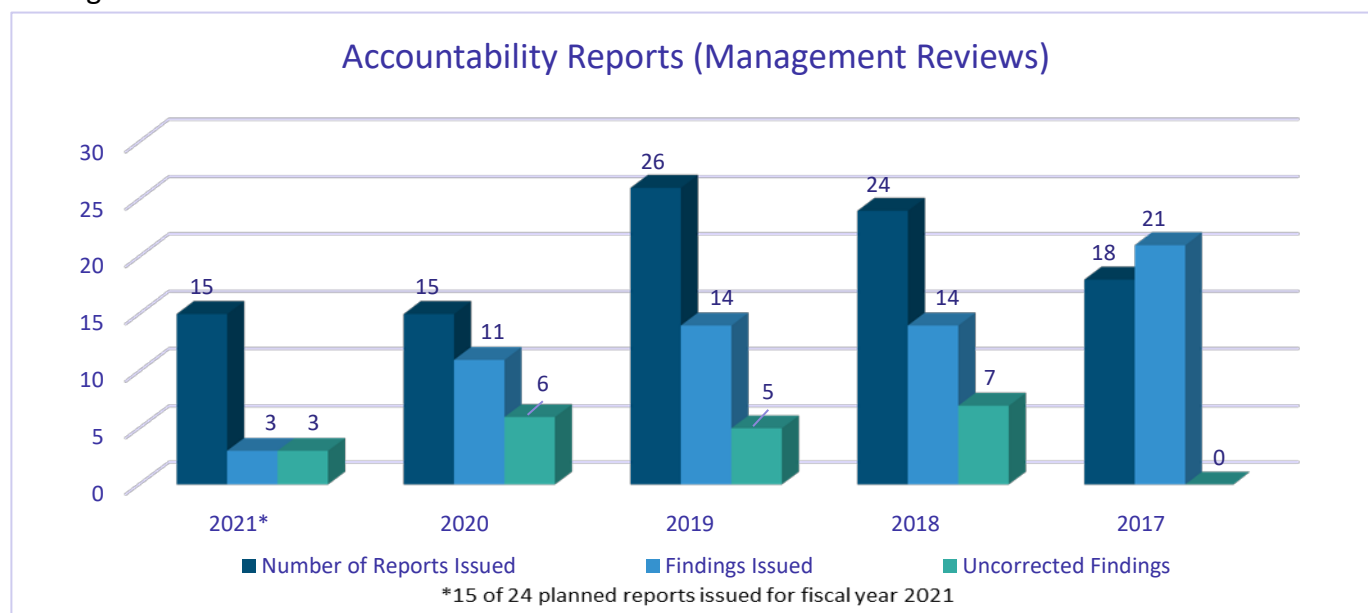
We also complete financial and compliance audits for individual entities or agencies if they are required to have one due to statutory requirements or unique funding requirements such as Health Districts and Idaho Public Television.

Accountability Reports

These reports satisfy our statutory requirement to provide a management review of each executive department of State government at least once in a three-year period. Our primary goal is to make sure that smaller agencies, or smaller programs within larger agencies, are periodically reviewed for adequate internal controls that support accurate financial reporting. Additionally, these reports can include procedures to determine compliance with the duties contained in authorizing statutes, adherence to legislative direction provided through the appropriation process, or other areas of risk to the agency or the State as a whole.

We average about 22 Accountability Reports each year. Fieldwork begins around March and covers financial activity through the previous fiscal year ended June 30. Work usually wraps up around September, with a goal to have all reports issued before the legislative session begins in January.

Graph 4—Accountability Reports Issued and Finding Information, including currently uncorrected findings



The graph is as of October 31, 2022. When interpreting this information it is important to keep in mind that the uncorrected findings have remained uncorrected since the report was issued. For example, of the 14 findings we included in 24 reports issued for fiscal year 2018 activity, as of October 31, 2022, 7, or 50%, of those findings remain uncorrected. It has taken 5 years to get all 21 fiscal year 2017 findings corrected. Findings can remain uncorrected due to timing issues, a lack of resources, lack of training, lack of knowledgeable staff, or because the original corrective action plan was inappropriate or inadequate to address the finding.

Agreed-Upon Procedures Reports

These reports are provided at the request of specific agencies and are attestation engagements completed in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and Government Auditing Standards issued by the Comptroller General of the United States. The purpose of these reports are to describe the procedures performed as listed and the associated findings. We do not have any uncorrected findings related to these reports.

UNCORRECTED FINDINGS

Overall, we have 50 findings that are uncorrected or only partially corrected as of October 31, 2022. Table 1 provides additional detail about the distribution of uncorrected findings by agency. These findings come from the ACFR, the *Single Audit Report*, or Accountability Reports. More detailed information for each finding is available in the Table 2 and the related reports that are hyperlinked.

Table 1—Uncorrected Findings by Agency and Fiscal Year

Agency	2021	2020	2019	2018	Total by Agency
Board of Medicine		1			1
Commission for the Blind and Visually Impaired		1			1
Department of Correction				2	2
Department of Education	2	2			4
Department of Health & Welfare	6	2	1		9
Department of Water Resources			1		1
Division of Career Technical Education		3		1	4
Division of Vocational Rehabilitation			1		1
Idaho Department of Fish & Game		2			2
Idaho State Tax Commission	4	1	1		6
Idaho Transportation Department	1				1
Industrial Commission		1			1
Lava Hot Springs		2			2
Military Division	2				2
Office of Drug Policy		1			1
Office of the Governor	1				1
Office of the State Controller	5				5
Office of the State Treasurer	1				1
Office on Aging	1				1
Potato Commission			1		1
South Central Public Health District		1			1
State Board of Education	2				2
Totals	25	17	5	3	50

Table 2—Uncorrected Finding Detailed Information

REPORT AND FINDING #	FINDING TITLE	FINDING STATUS	REPORT REFERENCE
Office of the State Controller			
FY 2021 Internal Control Report Finding 101	The Office's internal review process did not prevent or detect misstatements in the statewide ACFR submitted to the auditors.	UNCORRECTED	FY 2021 ACFR & Internal Control Reports – Idaho State Legislature
FY 2021 Internal Control Report Finding 102	The Office's internal review procedures did not prevent or detect the understatement of Medicaid Payable on the Governmental Fund statements.	UNCORRECTED	FY 2021 ACFR & Internal Control Reports – Idaho State Legislature
FY 2021 Internal Control Report Finding 103	The Office did not have control procedures implemented to ensure appropriate grouping of accounts on the Intergovernmental Revenue Sharing expenditure line on the Governmental Fund statements, resulting in misstatements to the initial financial statements submitted for audit.	UNCORRECTED	FY 2021 ACFR & Internal Control Reports – Idaho State Legislature
FY 2021 Internal Control Report Finding 104	The Office did not have control procedures implemented to ensure the calculation of the IDLE allocation was based on the appropriate grouping of funds.	UNCORRECTED	FY 2021 ACFR & Internal Control Reports – Idaho State Legislature
FY 2021 Single Audit Report Finding 201	The Schedule of Expenditures of Federal Awards (SEFA) was understated by \$276,989,930 for amounts reported as provided to subrecipients.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
Office of the State Treasurer			
FY 2021 Internal Control Report Finding 107	The Millennium Permanent Endowment Fund (MPEF) investment decisions are not being made with the involvement of, and recommendations from, the State Treasurer Investment Advisory Board, as required by Idaho Code.	UNCORRECTED	FY 2021 ACFR & Internal Control Reports – Idaho State Legislature

REPORT AND FINDING #	FINDING TITLE	FINDING STATUS	REPORT REFERENCE
Department of Correction			
FY 2018 Finding 1	Several purchases were made in violation of State purchasing rules and internal policies.	UNCORRECTED	Accountability Report FY 2018 Correction
FY 2018 Finding 2	The Department does not have adequate controls in place to ensure the safeguarding of assets related to the inmate checking and savings accounts.	PARTIALLY CORRECTED	Accountability Report FY 2018 Correction
State Board of Education			
FY 2021 Single Audit Report Finding 202	The Board underreported federal expenditures by \$11,316,783 across three federal programs when completing the Schedule of Expenditures of Federal Awards (SEFA).	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
FY 2021 Single Audit Report Finding 203	Internal controls over the review of Federal Funding Accountability and Transparency Act (FFATA) reports under the Governor’s Emergency Education Relief (GEER) Fund are not sufficiently documented.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
Department of Education			
FY 2021 Finding 1	The Department is not properly monitoring data that supports foundation payments made to school districts and charter schools.	UNCORRECTED	Accountability Report FY 2021 Education
FY 2021 Single Audit Report Finding 204	The Department did not complete subrecipient monitoring of the Elementary and Secondary School Emergency Relief (ESSER) Fund.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
Special Report for FY 2019-2020 Finding 1	The review and approval of the Student Transportation Services contracts are not adequately or consistently performed and documented to ensure compliance with Idaho Code, Section 35-1510.	UNCORRECTED	Special Reports – Idaho State Legislature

REPORT AND FINDING #	FINDING TITLE	FINDING STATUS	REPORT REFERENCE
Division of Career Technical Education			
FY 2018 Finding 2	Subrecipient monitoring procedures are not in place over CFDA 84.048 the Career and Technical Education grant as required with Uniform Guidance.	UNCORRECTED	Accountability Report FY 2018 Career Technical Education
FY 2020 Single Audit Report Finding 203	The Division does not perform subrecipient risk assessments or monitor subrecipient activities as required for the Career and Technical Education (Perkins V) grant.	UNCORRECTED	FY 2020 Statewide Single Audit – Idaho State Legislature
FY 2020 Single Audit Report Finding 204	The Division did not meet the minimum maintenance of effort requirements for the Career and Technical Education (Perkins V) grant.	PARTIALLY CORRECTED	FY 2020 Statewide Single Audit – Idaho State Legislature
FY 2020 Single Audit Report Finding 205	Internal controls over the review of match requirements for the Career and Technical Education (Perkins V) grant are not sufficiently documented.	UNCORRECTED	FY 2020 Statewide Single Audit – Idaho State Legislature
Idaho Department of Fish & Game			
FY 2020 Finding 1	Travel expenditures were not properly documented in accordance with the State Travel Policy.	UNCORRECTED	Accountability Report FY 2020 Fish and Game
FY 2020 Single Audit Report Finding 207	Five of the twenty-two capital assets purchased or constructed with Bonneville Power Administration and Lower Snake River Compensation Plan grant funds were not recorded in the State of Idaho Fixed Asset System (FAS), which is not in compliance with State and federal equipment and real property management requirements.	PARTIALLY CORRECTED	FY 2020 Statewide Single Audit – Idaho State Legislature

REPORT AND FINDING #	FINDING TITLE	FINDING STATUS	REPORT REFERENCE
Office of the Governor			
FY 2021 Single Audit Report Finding 205	Quarterly Financial Progress Reports for the Coronavirus Relief Fund (CRF) contained inaccuracies.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
Department of Health & Welfare			
FY 2019 Finding 1	Procedures used to identify subrecipients are not performed consistently for all programs within the Department.	UNCORRECTED	Accountability Report FY 2019 Health Welfare
FY 2020 Single Audit Report Finding 210	The Department utilized the incorrect National Correct Coding Initiative (NCCI) edit files in processing Medicaid payments that could result in improper payments because of outdated payment rates for procedures, changes in procedures allowed by Medicaid, and other changes to the edit files.	UNCORRECTED	FY 2020 Statewide Single Audit – Idaho State Legislature
FY 2020 Single Audit Report Finding 211	Confidentiality agreements in place with Medicaid contractors did not include all required elements to ensure compliance with the Medicaid program.	UNCORRECTED	FY 2020 Statewide Single Audit – Idaho State Legislature
FY 2021 Single Audit Report Finding 206	The original Schedule of Expenditures of Federal Awards submitted to the Office of the State Controller reported a total of \$104.9 million to an incorrect Assistance Listing number and understatements totaling \$71 million of pass-through amounts to subrecipients.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
FY 2021 Single Audit Report Finding 207	The Department did not complete periodic audits for the Managed Care Organizations in the Medicaid program to ensure accuracy, truthfulness, and completeness of the encounter and financial data submitted.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature

REPORT AND FINDING #	FINDING TITLE	FINDING STATUS	REPORT REFERENCE
Department of Health & Welfare			
FY 2021 Single Audit Report Finding 208 repeat of 2020-210	The Department utilized the incorrect National Correct Coding Initiative (NCCI) edit files in processing Medicaid payments that could result in improper payments because of outdated payment rates for procedures, changes in procedures allowed by Medicaid, and other changes to the edit files.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
FY 2021 Single Audit Report Finding 209 repeat of 2020-211	Confidentiality agreements in place with Medicaid contractors did not include all required elements to ensure compliance with the Medicaid program.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
FY 2021 Single Audit Report Finding 210	The Department did not maintain consistent operation of controls and compliance with Electronic Benefit Transfer (EBT) card security procedures for the Supplemental Nutrition Assistance Program (SNAP).	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
FY 2021 Single Audit Report Finding 211	Subrecipient monitoring procedures were not adequate to ensure compliance with federal requirements for the Supplemental Nutrition Assistance Program (SNAP).	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
Department of Water Resources			
FY 2019 Finding 2	The water supply bank receipt and payment transactions lacked documentation of independent reviews.	UNCORRECTED	Accountability Report FY 2019 Water Resources
Idaho State Tax Commission			
FY 2019 Internal Control Report Finding 103	Evidence of review for sales tax distributions and reversal reconciliations was not maintained.	UNCORRECTED	FY 2019 ACFR & Internal Control Reports – Idaho State Legislature

REPORT AND FINDING #	FINDING TITLE	FINDING STATUS	REPORT REFERENCE
Idaho State Tax Commission			
FY 2020 Internal Control Report Finding 104	Internal control procedures were not consistently followed while employees worked remotely during the pandemic resulting in a lack of critical reviews for sales tax distributions, fuel tax distributions, Rebound Idaho distributions, reversals, and total monthly refunds that occurred in February, March, April, and May.	UNCORRECTED	FY2020 ACFR & Internal Control Reports – Idaho State Legislature
FY 2021 Internal Control Report Finding 105	Critical reviews and reconciliations were not completed for sales tax distributions, fuel tax distributions, Rebound Idaho distributions, and total monthly refunds for 9 out of 12 months during fiscal year 2021. Additionally, the Total Monthly Refunds (Allotment Ledger) contained unreconciled amounts in the months of March through June 2021.	UNCORRECTED	FY 2021 ACFR & Internal Control Reports – Idaho State Legislature
FY 2021 Internal Control Report Finding 106	The Commission submitted an Accounts Receivable closing package that lacked supporting documentation and contained errors resulting in an overstatement of \$16,500,000.	UNCORRECTED	FY 2021 ACFR & Internal Control Reports – Idaho State Legislature
FY 2021 Single Audit Report Finding 215	The Commission did not report over \$52 million of expenditures for inclusion in the Schedule of Expenditures of Federal Awards under the Coronavirus Relief Fund for fiscal year 2021.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
FY 2021 Single Audit Report Finding 216	Critical reviews and reconciliations were not completed for Rebound Idaho payments made from the Coronavirus Relief Fund for 9 out of the 12 months during fiscal year 2021.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature

REPORT AND FINDING #	FINDING TITLE	FINDING STATUS	REPORT REFERENCE
Idaho Transportation Department			
FY 2021 Single Audit Report Finding 217	The salaries and benefits costs for employees working on multiple federal grants are not supported by personnel activity reports or another approved system.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
Office on Aging			
FY 2021 Finding 1	Required closing packages were not completed, and the accounts payable closing package contained errors resulting in an overstatement.	UNCORRECTED	Accountability Report FY 2021 Aging
Office of Drug Policy			
FY 2020 Finding 1	The Office’s internal review process did not prevent or detect errors in the Schedule of Expenditures of Federal Awards (SEFA) closing package.	UNCORRECTED	Accountability Report FY 2020 Drug Policy
Industrial Commission			
FY 2020 Finding 1	The fiscal year 2020 Crime Victims Compensation Fund – Restitution accounts receivable closing package was overstated by \$6.6 million.	UNCORRECTED	Accountability Report FY 2020 Industrial Commission
Commission for the Blind and Visually Impaired			
FY 2020 Single Audit Report Finding 202	The Commission does not have controls in place to ensure that the Case Service Report (RSA-911) for the Vocational Rehabilitation Grants to States is submitted with accurate data.	PARTIALLY CORRECTED	FY 2020 Statewide Single Audit – Idaho State Legislature
Board of Medicine			
FY 2020 Finding 1	Supporting documentation for travel expenditures was not maintained in accordance with the State Travel Policy.	UNCORRECTED	Accountability Report FY 2020 Medicine Board
Lava Hot Springs Foundation			
FY 2020 Finding 1	Advertising expenditures totaling \$136,546 were made in violation of State purchasing policies.	PARTIALLY CORRECTED	Accountability Report FY 2020 Lava Hot Springs

REPORT AND FINDING #	FINDING TITLE	FINDING STATUS	REPORT REFERENCE
Lava Hot Springs Foundation			
FY 2020 Finding 2	The Sales Tax Payable balance is overstated due to the incorrect coding of sales tax collection.	PARTIALLY CORRECTED	Accountability Report FY 2020 Lava Hot Springs
Military Division			
FY 2021 Single Audit Report Finding 213	The Division did not perform subrecipient risk assessments, ensure subrecipient audits were received, or fully disclose required information to subrecipients for the Presidentially Declared Disaster Grant.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
FY 2021 Single Audit Report Finding 214	The Division did not properly submit two reports required under the Federal Funding Accountability and Transparency Act, and was lacking internal controls related to performance progress reports for the Presidentially Declared Disaster Grant.	UNCORRECTED	FY 2021 Statewide Single Audit – Idaho State Legislature
Potato Commission			
FY 2019 Single Audit Report Finding 211	The Commission is not performing subrecipient risk assessments, monitoring subrecipient activities, or reviewing subrecipient audits as required for the Specialty Crop Block Grant program.	PARTIALLY CORRECTED	FY 2019 Statewide Single Audit – Idaho State Legislature
Division of Vocational Rehabilitation			
FY 2019 Finding 1	Supporting documentation for travel expenditures was not maintained in accordance with the State Travel Policy.	PARTIALLY CORRECTED	Accountability Report FY 2019 Vocational Rehabilitation
South Central Public Health District			
Individual Entity Opinion Report Finding 1	Multiple misstatements were identified in the amounts and rates reported on the financial statements, notes to the financial statements, and notes to the Schedule of Expenditures of Federal Awards (SEFA).	UNCORRECTED	Financial Audit FY 2019-2020 Health District V

CONCLUSION

Follow-up Reports for Accountability Reports and the prior finding sections of the *Internal Control Report* and the *Single Audit Report* provide additional information about why these findings have remained uncorrected or partially corrected. We continue to work with agencies to refine both recommendations and corrective action plans to ensure that those plans will address the concern, while improving operations and the reliability of the financial information provided by the State.

For more information about this report, or any audits we perform, visit our website at www.legislature.idaho.gov/lso/audit, email us at auditcontact@lso.idaho.gov, or call us at 208-334-4875.



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