

Scott Walker  
Governor

Dennis G. Smith  
Secretary



**State of Wisconsin**  
Department of Health Services

DIVISION OF ENTERPRISE SERVICES

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September 30, 2011

Mr. Mike Linton, President, Board of Directors  
Coalition of Wisconsin Aging Groups, Inc.  
131 Lake Arie Drive  
Chetek, WI 54728

Mr. Waldo Asp, Treasurer, Board of Directors  
Coalition of Wisconsin Aging Groups, Inc.  
P.O. Box 205  
Birchwood, WI 54817

Mr. Anthony Amato, President/Executive Director  
Coalition of Wisconsin Aging Groups, Inc.  
2850 Dairy Drive, No. 100  
Madison, WI 53718

Dear Messrs. Linton, Asp, and Amato:

We are writing in relation to the issues for funding from the Department of Health Services in the audit report for the Coalition of Wisconsin Aging Groups for the year ended December 31, 2010. These issues also affect funding from other granting agencies, some of which subgranted funds from our department to your agency, and we will share what we learn from our inquiries with those other granting agencies.

The audit findings are serious, and we need to ensure that the underlying conditions that caused the findings are corrected so that these situations do not happen again. We also need to consider whether unallowable costs were charged to grants.

1. In order to ensure that corrective action takes place for the audit findings, we request that the Coalition of Wisconsin Aging Groups provide additional detail on its corrective actions to address the underlying causes of these problems for each set of findings:
  - 2010-1 and 2010-5 – lack of adequate segregation of duties.
  - 2010-2 and 2010-6 – lack of sufficient documentation.
  - 2010-3 and 2010-7 – lack of sound control environment.
  - 2010-4 – outdated accounting manual.
  - 2010-8 – lack of independent review of reporting for reimbursement.
  - The \$14,000 contingency for a claim filed with the Equal Employment Opportunity Commission, which we are treating as a finding due to the potential that there was a violation of the civil rights conditions in our grant agreements and the potential that legal or settlement costs were charged to our programs.



By October 31, 2011, for each of the following topics, please provide copies of written policies and procedures, including evidence of approval by the Board of Directors and examples of forms, records and other documentation that provide evidence that the agency is in compliance with its policies and procedures:

- Compensation for the President/Executive Director
- Travel
- Entertainment
- Credit cards
- Affirmative action and civil rights compliance
- Legal services
- Allocation of costs to programs
- Reporting costs to funding agencies for reimbursement

2. The audit findings indicate during 2010 CWAG did not have the controls and procedures that are needed to ensure that only allowable costs are reported to granting agencies for payment. It seems likely that these conditions continued into 2011 until the agency was able to fully implement its corrective action for the audit findings. The concerns include:

- the President/Executive Director did not submit time sheets timely or at all, and timesheets that were submitted were not approved by a member of the board
- the President/Executive Director's request for a year's mileage reimbursement request was made at the end of the year and it was not approved by a member of the board
- deductions were made for the President/Executive Director's 403(b) account, but paperwork for the account had not been done
- travel and entertainment expenses did not contain sufficient documentation to comply with IRS requirements
- invoices did not include proper approvals
- direct deposit for payroll did not have proper approval
- credit card usage was extensive and did not have adequate scrutiny and approval of charges, raising concern that charges incurred for personal use of credit cards or that were otherwise unnecessary for grants were inadvertently passed on to the grants
- operating reserve draw did not have proper approval
- merit pay did not have proper approval
- increase in the President/Executive Director's vacation time did not have proper approval
- whether legal or settlement costs related to the EOC complaint were charged to grants
- whether international travel costs were charged to grants without necessary approval by granting agency
- whether unnecessary and/or unreasonable travel and/or conferences costs were charged to grants



The federal policy 2 CFR Part 230 "Cost Principles for Non-Profit Organizations" defines the costs that are allowable for reimbursement from grants. All such costs must be reasonable and adequately documented. The policy provides extensive guidance on the allowability of many kinds of costs, for example costs associated with entertainment are flat out unallowed, and international travel is allowed only with prior approval from the granting agency.

By October 31, 2011, we ask that CWAG provide additional supplemental schedules with detail on the makeup of costs charged to grant programs, and that the auditor issue an opinion on these schedules.

The schedules shall be in the format of the schedule that is attached to this letter, with a separate schedule for each grant and a separate column within the schedule for each period under the grant in which payments were received or expenses claimed. A catch-all schedule for expenditures that were not charged to grants should be also be included.

The top part of the schedule is for payments your agency received from the granting agencies, and granting agencies should be able to tie out this information to their records. The expenditure categories are from the IRS 990 form, which should make it relatively straightforward to categorize expense into the appropriate buckets since that is needed anyway for the IRS reporting. Granting agencies should be able to tie out the expenditure information to the financial statements and the IRS 990 for 2010. Indicate the basis for allocating the expenses to the grant so that we understand how the expenses were allocated to our programs.

We will work with the auditor to develop an plan for auditing the schedules that will build on the work that he already did in performing the 2010 audit and that he can in turn build on when performing the 2011 audit. The auditor will issue an opinion whether the information in these additional schedules is fairly stated and provide a Schedule of Findings and Questioned Costs. The funding agencies will review the auditor's results and decide whether any funds need to be returned to the department.

[We recommend that the auditor also give particular scrutiny to any grant-related accounting and reporting services by the two new contract agencies, CK Tax Accounting and The Employee Management Group. This will help you ensure that their processes are in accordance with grant requirements.]

3. Our third primary concern is the overall control environment. We believe a key factor in addressing problems with control environment is the role of the Board of Directors in providing oversight and direction for the agency. Therefore, in addition, to the items listed above, please also provide the following information by October 31, 2011:



September 30, 2011

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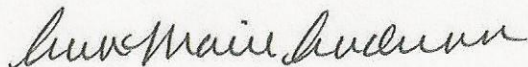
- The IRS Form 990 "Return of Organization Exempt from Income Tax" for the fiscal year ended December 31, 2010.
- Agendas, minutes and handouts for meetings of the Board of Directors, including standing committees, starting at January 1, 2010 through present and ongoing until further notice.
- The agency's conflict of interest policy.
- The agency's whistleblower policy.
- The agency's document retention and destruction policy.
- The process for determining compensation of the President/Executive Director.

Please send this information by email to [DHSAuditors@Wisconsin.gov](mailto:DHSAuditors@Wisconsin.gov) or by mail at the following address:

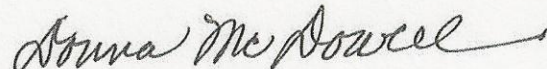
DHS Auditors  
Division of Enterprise Services  
P.O. Box 7850  
Madison, WI 53707-7850

Please send any questions by email at [DHSAuditors@wisconsin.gov](mailto:DHSAuditors@wisconsin.gov).

Sincerely,



Ann Marie Anderson, CPA  
Bureau of Fiscal Services  
Division of Enterprise Services



Donna McDowell, Director  
Bureau of Aging & Disability Resources  
Division of Long Term Care

cc: Gordon Bond, Department of Health Services  
Pris Boroniec, Department of Health Services  
Dennis Buesing, Milwaukee County  
Scott Haumersen, Wegner LLP  
Bob Kellerman, Greater Wisconsin Agency on Aging Resources, Inc.  
Becky Markgraf, Department of Justice  
Susan Oestrich, Dane County  
Kitty Rhoades, Department of Health Services  
Jim Varpness, Administration on Aging, Department of Health and Human Services



Coalition of Wisconsin Aging Groups, Inc.

HEALTH INS INFOMRATION SHIP

Settlement of Cost Reimbursement Grants and Contracts

For the year ended December 31, 2010 and nine months ended September 30, 2011

Name of award	HEALTH INS INFOMRATION		HEALTH INS INFOMRATION		HEALTH INS INFOMRATION	
	SHIP	WI DHS	SHIP	WI DHS	SHIP	WI DHS
Granting agency						
Identification number		560432		560432		560432
Award Amount		\$202,779		\$187,838		\$202,779
Award period		April 1, 2009 – March 31, 2010		April 1, 2010 – March 31, 2011		April 1, 2011 – March 31, 2012
Months within audit period and extended period		Jan 2010 – Mar 2010		Apr 2010 – Dec 2010		Apr 2011 – Sep 2011
Payments made by granting agency						
Prepayments due back to dept (when applicable)		\$ 50,695		\$ 46,960		\$ 44,460
Reported Expenses reimbursed (detail below)		202,779		187,838		38,301
Takebacks of prepayments		(50,695)		(46,960)		.....0
Total payments		\$ 202,779		\$ 187,838		\$ 82,701

Detail for Expenses Reported for Payment: Allocation basis:

Payments related to President/Executive Director (categorize further by salary, fringe, taxes, retirement, bonus, travel, entertainment and any other payment)  
<Use IRS 990 categories for other expenses>

Total reported expenses