



BRIEFING SHEET

Report 18-3
February 2018State Auditor
[Joe Chrisman](#)**State of Wisconsin**
Fiscal Year 2016-17 Financial Statements**Background**

The Department of Administration (DOA) prepares the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting principles (GAAP). The report includes the State's financial statements for the past fiscal year and other information that describes the State's fiscal condition. To prepare the statements, DOA uses information from a variety of sources, including information provided by other agencies and the State's accounting system, which is part of the State's enterprise resource planning system (STAR). STAR implementation for the Department of Transportation (DOT) occurred on July 1, 2016, and affected the timing of financial reporting for fiscal year (FY) 2016-17.

We conducted a financial audit of the State by auditing its financial statements in accordance with applicable government auditing standards, issuing our auditor's opinions, reviewing internal controls, and making recommendations for improvements.

Audit Results and Key Findings

We provided unmodified opinions on the State's FY 2016-17 financial statements presented in the CAFR, which can be found on DOA's website. We provide an unmodified opinion when audit evidence supports the conclusion that the financial statements provide a fair view of an entity's financial activity in accordance with GAAP. Our audit report includes the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

We also found:

- The General Fund's fund balance was a deficit of \$1.6 billion as of June 30, 2017.
- The balance of the Transportation Fund decreased from \$717.3 million as of June 30, 2016, to \$582.4 million as of June 30, 2017.
- The State's long-term debt decreased from \$13.7 billion as of June 30, 2016, to \$13.6 billion as of June 30, 2017.
- During FY 2016-17, the State issued \$1.3 billion in new general obligation bonds and notes, of which \$484.4 million was for transportation projects.
- The State disclosed a reduction of \$78.2 million in tax revenues in FY 2016-17 resulting from tax abatement agreements under five programs administered by the Wisconsin Economic Development Corporation and one program administered by the Wisconsin Historical Society.

Audit Recommendations

We identified one material weakness and eight significant deficiencies in internal control over financial reporting. The material weakness and several significant deficiencies related to the weakness in information technology (IT) security policies and procedures and in IT controls, including those related to STAR. We include specific recommendations in our report for DOA, the Department of Revenue, and the University of Wisconsin System to make improvements related to these concerns. We also identified significant deficiencies in certain financial reporting processes at DOA and DOT, and recommend each agency take steps to address the identified control deficiencies.

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