

**Report 19-30  
December 2019**

# **State of Wisconsin**

## FY 2018-19 Financial Statements

STATE OF WISCONSIN



Legislative Audit Bureau ■



# **State of Wisconsin**

## **FY 2018-19 Financial Statements**

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Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau.

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# CONTENTS

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<b>Letter of Transmittal</b>	<b>1</b>
<hr/>	
<b>FY 2018-19 Comprehensive Annual Financial Report (CAFR)</b>	<b>3</b>
<hr/>	
General Fund	3
Transportation Fund	4
Long-Term Debt	4
University of Wisconsin System Financial Statements	4
Benefits Administration System at the Department of Employee Trust Funds	5
Local Government Property Insurance Fund Transfers	5
Findings Related to Internal Control over Financial Reporting	6
Injured Patients and Families Compensation Fund	6
Department of Transportation	6
Department of Administration	6
Statutory Noncompliance	7
Department of Justice Settlement Funds	7
Department of Health Services Medical Assistance Program	8
Department of Administration Central Fuel Procurement Program	9
<b>Auditor's Report</b>	<b>11</b>
<hr/>	
<b>Findings and Responses Schedule</b>	<b>17</b>
Finding 2019-001: STAR Security Concerns	17
Finding 2019-002: Implementation of IT Procedures by the Department of Administration Division of Enterprise Technology	19
Finding 2019-003: Department of Administration Information Technology Oversight Responsibilities	21
Finding 2019-004: Financial Reporting for the Transportation Fund	24
Finding 2019-005: Financial Reporting Process for the Injured Patients and Families Compensation Fund	25
<b>Corrective Action Plans as Prepared by Agency Management</b>	<b>29</b>
<hr/>	
Finding 2019-001: STAR Security Concerns	30
Finding 2019-002: Implementation of IT Procedures by the Department of Administration Division of Enterprise Technology	31
Finding 2019-003: Department of Administration Information Technology Oversight Responsibilities	32
Finding 2019-004: Financial Reporting for the Transportation Fund	34
Finding 2019-005: Financial Reporting Process for the Injured Patients and Families Compensation Fund	35

**Response**

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From the Department of Administration

**OPINIONS PUBLISHED SEPARATELY**

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The financial statements and our opinions on them are included in the State of Wisconsin's CAFR for the fiscal year ended June 30, 2019



# STATE OF WISCONSIN | Legislative Audit Bureau

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Joe Chrisman  
State Auditor

December 23, 2019

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

We have completed our financial audit of the State of Wisconsin as of and for the fiscal year ended June 30, 2019, and issued unmodified opinions dated December 20, 2019, on the State's financial statements. The financial statements were prepared by the Department of Administration (DOA) in accordance with generally accepted accounting principles (GAAP) and are included in the State's fiscal year (FY) 2018-19 Comprehensive Annual Financial Report (CAFR), which may be found on DOA's website.

The CAFR helps to describe the State's fiscal condition and contains information on the funds administered by the State. In our report, we discuss the financial condition of the General Fund and Transportation Fund, which are the State's two largest governmental funds; quantify the State's long-term debt; provide information on the University of Wisconsin System's financial reporting; report five deficiencies in internal control over financial reporting, one of which we consider to be a material weakness; and provide information on certain other matters we identified during the course of our audit.

We appreciate the courtesy and cooperation extended to us by DOA and other state agencies during the audit. During our FY 2019-20 audit, we will follow up on the progress of state agencies in implementing our recommendations.

A response from the Secretary of DOA follows the corrective action plans.

Respectfully submitted,

Joe Chrisman  
State Auditor

JC/CS/ss



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# FY 2018-19 Comprehensive Annual Financial Report (CAFR) ■

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***We provided unmodified opinions on the State's financial statements as of and for the year ended June 30, 2019.***

The Department of Administration (DOA) prepares the CAFR, which contains financial statements prepared in accordance with generally accepted accounting principles (GAAP). The CAFR helps to describe the State's fiscal condition and contains information on state funds, including the State's General Fund, the Transportation Fund, the University of Wisconsin (UW) System, and the Wisconsin Retirement System. In addition to the financial statements and notes, the CAFR includes the Management's Discussion and Analysis, which describes the State's financial performance for the year, as well as a statistical section, which provides the reader information to assist in understanding the State's economic condition. The statistical section includes information such as financial trends and debt capacity. We have completed a financial audit of the State's CAFR and have provided unmodified opinions on the State's financial statements as of and for the year ended June 30, 2019.

## General Fund

***As reported on a GAAP basis, the General Fund's fund balance improved from a deficit of \$1.3 billion as of June 30, 2018, to a deficit of \$773.5 million as of June 30, 2019.***

On a GAAP basis, the General Fund's fund balance improved by \$480.1 million from a deficit of \$1.3 billion as of June 30, 2018, to a deficit of \$773.5 million as of June 30, 2019, as shown on page 42 of the CAFR. On page 29 of the Management's Discussion and Analysis, DOA noted that total General Fund revenue increased by \$1.5 billion and totaled \$27.9 billion for fiscal year (FY) 2018-19. Increases in income taxes, sales taxes, and federal revenue were the primary contributors to the increase in General Fund revenue. Total General Fund expenditures increased by \$1.2 billion and totaled

\$25.5 billion for FY 2018-19. Increases in Medical Assistance costs and school aids payments were the largest contributors to the increase in General Fund expenditures.

## Transportation Fund

On a GAAP basis, the balance of the Transportation Fund increased \$38.6 million from \$655.9 million as of June 30, 2018, to \$694.5 million as of June 30, 2019, as shown on page 42 of the CAFR. On page 31 of the Management's Discussion and Analysis, DOA noted that the majority of the Transportation Fund's balance (96.8 percent) was "restricted" by the Wisconsin Constitution to be used for transportation purposes. Primary revenue sources in the Transportation Fund include motor fuel taxes, federal revenues, and registration fees. On page 31 of the Management's Discussion and Analysis, DOA noted that total revenues increased by \$160.2 million to a total of \$2.8 billion, primarily as a result of increases in federal revenues. Transportation Fund expenditures increased by \$194.0 million to a total of \$2.7 billion in FY 2018-19.

## Long-Term Debt

***The State's long-term debt decreased from \$13.9 billion as of June 30, 2018, to \$13.4 billion as of June 30, 2019.***

On a GAAP basis, the State's long-term debt decreased from \$13.9 billion as of June 30, 2018, to \$13.4 billion as of June 30, 2019, as shown on page 34 of the Management's Discussion and Analysis. The State repaid long-term debt in excess of new debt issuances during FY 2018-19, resulting in the decrease in overall debt. As shown on page 34 of the Management's Discussion and Analysis, during FY 2018-19, \$342.3 million in new general obligation bonds and notes were issued of which \$145.6 million was for UW System academic facilities and \$98.9 million was for transportation projects. The amount of outstanding annual appropriation bonds decreased by \$41.6 million while revenue bonds increased by \$41.6 million.

## University of Wisconsin System Financial Statements

2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act, required UW System to hire an external auditor to conduct a financial statement audit of UW System for FY 2017-18 and FY 2018-19. The Legislative Audit Bureau continues to serve as the external auditor of the State of Wisconsin for purposes of auditing the State's CAFR. UW System is a state agency, and its activity is reported in the State's CAFR. Therefore, in accordance with auditing standards, we determined that we would rely on the audit work performed by UW System's external auditor for purposes of rendering our opinion on the State's CAFR for FY 2018-19. In addition, in compliance with

s. 13.94 (1) (t), Wis. Stats., the Legislative Audit Bureau is currently auditing selected aspects of UW System's financial management and financial operations for FY 2018-19.

## **Benefits Administration System at the Department of Employee Trust Funds**

***Lawsuits are pending related to the Benefits Administration System.***

In 2010, the Department of Employee Trust Funds (ETF) began an initiative to modernize the administration of the benefit programs. One component of this modernization project was the development of the Benefits Administration System (BAS), which began in 2014 and was expected to be implemented in three phases over several years. The first phase of the project, which replaced ETF's imaging, workflow, and document management systems, was implemented in November 2015. Work on the remaining phases of the project stopped in March 2018 due to a contract dispute. ETF and the vendor were unable to resolve the dispute and, in March 2019, ETF filed a complaint in Dane County Circuit Court for damages suffered as a result of the contractor failing to fulfill the contract. The contractor subsequently filed a counterclaim in June 2019, as discussed in Note 7 on page 104 of the CAFR. In report 19-17, we reported on the status of ETF's progress in modernizing its business processes and integrating its information technology systems.

## **Local Government Property Insurance Fund Transfers**

***As of June 30, 2019, the Local Government Property Insurance Fund had a net position on a GAAP basis of approximately \$2.0 million, which was available to OCI to make final payments for the Fund.***

The Local Government Property Insurance Fund (Property Fund), which is administered by the Office of the Commissioner of Insurance (OCI), was created to provide property insurance to units of local government in Wisconsin, such as municipalities and school districts. 2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act, created a timeline to cease operations of the Property Fund. As permitted by statutes, in FY 2018-19 DOA transferred \$3.3 million from the State's General Fund to the Property Fund to pay claims. Note 9 on page 110 of the CAFR reports on this transfer. As we noted in report 19-22, from FY 2015-16 through FY 2018-19 a total of \$29.9 million was transferred from the General Fund to the Property Fund of which the Property Fund had repaid \$15.1 million. As of June 30, 2019, the Property Fund's net position on a GAAP basis was approximately \$2.0 million. The net position represents assets available to make final claim payments and pay administrative costs. In report 19-22, we recommended OCI report to the Joint Legislative Audit Committee on the amounts transferred from or repaid to the General Fund.

## Findings Related to Internal Control over Financial Reporting

***We identified five reportable deficiencies in internal control, one of which is a material weakness.***

We identified internal control deficiencies during our audit that are required to be reported under *Government Auditing Standards*. Specifically, we identified five reportable deficiencies in internal control, one of which we consider to be a material weakness in internal control. We consider the remaining deficiencies to be significant deficiencies in internal control. The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which begins on page 13, discusses each concern and includes the responses from management of the responsible agency. The corrective action plans from management begin on page 30.

### Injured Patients and Families Compensation Fund

***We report a material weakness in internal control over financial reporting at OCI.***

We identified an internal control deficiency that we consider to be a material weakness at OCI related to financial reporting requirements for the Injured Patients and Families Compensation Fund (Finding 2019-005). We had previously identified significant deficiencies in financial reporting at OCI, as we discussed in report 18-20. We recommend OCI adequately understand and appropriately apply financial reporting requirements.

### Department of Transportation

A significant deficiency in internal control over financial reporting was also identified at the Department of Transportation (DOT) (Finding 2019-004). We recommend DOT improve its procedures for preparing and reviewing financial information as part of its financial reporting.

### Department of Administration

***We recommend DOA improve IT security over the State's data center and monitor the progress of executive branch agencies in implementing IT policies and standards.***

We continued to identify deficiencies in information technology (IT) security over the operations of the State's data center (Finding 2019-002) and with DOA's oversight of the implementation of IT policies and standards by executive branch agencies (Finding 2019-003). We report these concerns as significant deficiencies in internal control. Although DOA developed the State of Wisconsin *IT Security Policy Handbook*, which provides the IT policies and standards to be followed for the State's data center and by executive branch agencies, additional steps are needed to ensure that these policies and standards are fully implemented. We recommend DOA complete implementation of policies and standards

related to the State's data center and develop and implement a plan for monitoring the progress of executive branch agencies.

***We continued to identify concerns with IT security over STAR.***

Since its implementation in October 2015, we have identified concerns related to the security over STAR, which is the State's enterprise resource planning system and includes the accounting, payroll, and purchasing systems for the State. These concerns have included deficiencies in policies, standards, and procedures related to security, as well as areas of inappropriate or excessive access to STAR. Although DOA established policies and procedures related to security, reduced some of the excessive or inappropriate access identified, and implemented an annual user attestation process to review and adjust user access to STAR, we continued to identify concerns and we again report a significant deficiency in internal control (Finding 2019-001).

Because these concerns have not been fully addressed, there continues to be increased risk that the State's IT systems are not being properly controlled. Given that these concerns have continued for several years, DOA should take corrective actions to implement the recommendations we made and update the Joint Legislative Audit Committee on its progress.

**Recommendation**

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*We recommend the Wisconsin Department of Administration report to the Joint Legislative Audit Committee by April 1, 2020, on the status of its efforts to implement recommendations related to Finding 2019-001, Finding 2019-002, and Finding 2019-003.*

## **Statutory Noncompliance**

During our audit work, we identified three instances of statutory noncompliance that did not meet requirements for reporting under *Government Auditing Standards*. These instances of noncompliance have been discussed with agency management and, as appropriate, we made recommendations for improvement.

### **Department of Justice Settlement Funds**

The Department of Justice (DOJ) has historically received discretionary litigation recoveries, or settlement funds, and temporarily deposited those funds in a clearing appropriation until it determined the appropriation to which the funds should be transferred. DOJ typically transfers settlement funds that do not have a specific use to its gifts and grants appropriation for expenditure.

2017 Wisconsin Act 369, which was enacted on December 16, 2018, included provisions affecting the accounting for settlement funds received by DOJ. One provision required a lapse of funds as of the date of enactment of Act 369. Another provision required future settlement funds to be deposited into the General Fund. As part of our audit of the State's financial statements, we reviewed the status of the State's implementation of these provisions.

***In December 2018, DOA did not ensure a lapse was completed nor did it obtain sufficient information to support a determination that no lapse was required.***

2017 Wisconsin Act 369 required DOJ to lapse to the General Fund from s. 20.455 (3) (g), Wis. Stats., which is DOJ's gifts and grant appropriation, "the unencumbered balance of any settlement funds in that appropriation account, as determined by the attorney general." Although the lapse was to occur on December 16, 2018, no amount was lapsed under this provision on this date nor on any subsequent date in FY 2018-19. DOA monitors state agency compliance in completing lapses required by statutes and is responsible for ensuring statutorily required lapses are completed on the State's accounting records. DOA was aware of DOJ's lapse requirement in Act 369, and DOA started to review activity in the appropriation in December 2018. We found DOA is in noncompliance with statutes because, in December 2018, it did not ensure a lapse was completed nor did it obtain sufficient information to support a determination that no lapse was required.

Subsequently, DOA requested in early June 2019 that DOJ provide detailed information to determine the amount of the required lapse. In August 2019, DOJ indicated to DOA in a letter that the former Attorney General had determined that there was no balance of settlement funds to lapse. Based on this response from DOJ, DOA indicated it took no further action.

As noted, Act 369 also required DOJ to deposit settlement funds into the General Fund. At the end of FY 2018-19, litigation was outstanding regarding the disposition of settlement funds.

### **Department of Health Services Medical Assistance Program**

***DHS used its FY 2018-19 expenditure authority to make payments related to FY 2019-20.***

Under ch. 20, Wis. Stats., state agencies are appropriated expenditure authority to pay for obligations for a specified fiscal period. State agencies are prohibited from using expenditure authority of the current year to pay for obligations of a future period to avoid lapsing funds. We found that in late June 2019, the Department of Health Services (DHS) charged \$8.0 million in FY 2019-20 expenditures to FY 2018-19 expenditure authority within a Medical Assistance (MA) Program, general purpose revenue biennial appropriation in noncompliance with state statutes. We found that DHS made the payment earlier than it had during FY 2017-18 because the

MA Program appropriations had excess FY 2018-19 expenditure authority with which to fund this expenditure. Because these expenditures related to FY 2019-20, DHS should have charged the expenditures to FY 2019-20 expenditure authority and lapsed the FY 2018-19 expenditure authority at the end of the biennium.

### **Department of Administration Central Fuel Procurement Program**

***DOA did not bill for June 2019 utility expenses until August 2019, which resulted in expenses being charged to the incorrect fiscal year.***

DOA administers the central fuel procurement program. According to DOA, the program allows the state to consolidate fuel purchases for utilities and bargain for better utility rates by providing utilities in bulk. DOA administers contracts with utility companies; approves payment of invoices from the utility companies; and bills program participants, including state agencies and municipalities, on a monthly basis. DOA made a change in its billing procedures in FY 2018-19, and billed program participants for June 2019 in late August 2019, which resulted in expenses being charged to the incorrect fiscal year. DOA did not formally communicate this change in billing procedures to program participants.

We evaluated the invoices for one of the larger program participants, and identified that the agency charged at least \$139,900 in FY 2018-19 utility expenses to its FY 2019-20 expenditure authority in noncompliance with state statutes. Expenditure authority is established for the purpose identified in the appropriation and agencies are prohibited under s. 20.002 (4), Wis. Stats., from charging appropriations for expenditures that occurred before the appropriation is in effect. DOA did not consider the effect of its change in billing procedures on statutory compliance. We recommend DOA communicate with program participants regarding billing procedures and ensure compliance with state statutes. DOA agreed to take corrective actions.

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## **Auditor's Report ■**

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Report 19-30

## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Honorable Members of the Legislature      The Honorable Tony Evers, Governor

We have audited the financial statements and the related notes of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin, which collectively comprise the State's basic financial statements, as of and for the year ended June 30, 2019, and have issued our report thereon dated December 20, 2019.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, which is issued by the Comptroller General of the United States. The basic financial statements and related auditor's opinions have been included in the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019.

Our report includes a reference to other auditors who audited the financial statements of the Environmental Improvement Fund, the University of Wisconsin (UW) System Fund, the College Savings Program Trust Fund, the Wisconsin Housing and Economic Development Authority, the UW Hospitals and Clinics Authority, and the UW Foundation, as described in our report on the State of Wisconsin's basic financial statements. The financial statements of the Environmental Improvement Fund, the UW System Fund, the College Savings Program Trust Fund, and the Wisconsin Housing and Economic Development Authority were audited in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that were reported on separately by those auditors. Although the financial statements of the UW Hospitals and Clinics Authority and the UW Foundation were audited in accordance with auditing standards generally accepted in the United States of America, they were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the UW Hospitals and Clinics Authority or the UW Foundation.

### Internal Control over Financial Reporting

Management of the State of Wisconsin is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the State's internal control to determine the

audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent misstatements, or to detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the State's basic financial statements will not be prevented, or that a material misstatement will not be detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be a material weakness or significant deficiencies.

We consider the deficiency in internal control, described in the accompanying Findings and Responses Schedule as Finding 2019-005 to be a material weakness. We consider the deficiencies in internal control, described in the accompanying Findings and Responses Schedule as Findings 2019-001 through 2019-004 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's basic financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Responses to Findings**

Agency-specific responses to the findings identified in our audit are described in the accompanying Findings and Responses Schedule. The corrective action plans begin on page 30. The responses and corrective action plans were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used when considering the State's internal control and compliance. The

purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. Accordingly, this report is not suitable for any other purpose.

LEGISLATIVE AUDIT BUREAU

A handwritten signature in black ink, appearing to read "Joe Chrisman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Joe Chrisman  
State Auditor

December 20, 2019



## FINDINGS AND RESPONSES SCHEDULE

This schedule includes one deficiency in internal control over financial reporting that we consider to be a material weakness and four deficiencies in internal control over financial reporting that we consider to be significant deficiencies. These deficiencies in internal control over financial reporting are required to be reported by auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Findings 2018-001, 2018-006, 2018-007, 2018-008, 2018-009, and 2018-010 from the prior year (report 18-20) are no longer reportable. Repeat findings from report 18-20 are indicated with an asterisk (\*).

### **Finding 2019-001: STAR Security Concerns\***

#### *Criteria:*

The Department of Administration (DOA) is responsible for the maintenance of the State's enterprise resource planning system, STAR, which includes the accounting, payroll, and purchasing systems for most state agencies. To provide proper internal control, information technology (IT) security policies and procedures are necessary to ensure data stored and processed in STAR are protected from accidental or intentional misuse or destruction. IT controls should be established to prevent inappropriate or inadvertent access to STAR and its related databases, and to provide staff with a consistent methodology for performing their job functions.

The National Institute of Standards and Technology's (NIST) *Special Publication 800-53r4* discusses the importance of creating policies and procedures, ensuring proper separation of duties, and maintaining a standard for access that seeks to provide a user with least privilege, which requires that only the minimum necessary rights are assigned to complete a task. The DOA STAR Program Office, which is responsible for the overall maintenance and administration of STAR, adopted the security administration policies in the State of Wisconsin *IT Security Policy Handbook*, which are based on the NIST security framework, and developed security procedures in the *STAR Security Administration Handbook*.

#### *Condition:*

We have reported concerns related to STAR security since STAR was first implemented in fiscal year (FY) 2015-16. During our FY 2015-16, FY 2016-17, and FY 2017-18 audits of STAR, we identified weaknesses in policies, standards, and procedures related to security, as well as areas of inappropriate or excessive access to STAR. To address prior-year recommendations, DOA established policies and procedures related to security, reduced some of the excessive or inappropriate access identified, and implemented an annual user attestation process to review and adjust user access to STAR.

During our FY 2018-19 audit, we reviewed security-related controls over the STAR Finance, STAR Procurement, and STAR Human Capital Management (HCM) applications and the related databases. We considered how security-related controls ensured proper access was granted and maintained, and we followed up on recommendations we made as part of our FY 2017-18 audit. Although we found that DOA made progress on our FY 2017-18 recommendations (Finding 2018-005), including reducing access in several areas and implementing new procedures, we continued to identify concerns that need to be addressed.

For example, we found that unnecessary access continued to be reassigned for some users because of an automated process that the STAR Program Office did not sufficiently understand. Further, we found the user attestation process did not include for review all user accounts that were expected to be included. We determined that the detailed results of our review were too sensitive to communicate publicly. Therefore, we communicated the results in a confidential interim memorandum to the DOA State Controller's Office (SCO) and the STAR Program Office.

***Questioned Costs:***

None.

***Context:***

We completed testing of security administration over the STAR Finance, STAR Procurement, and STAR HCM applications and the related databases. We interviewed staff in the STAR Program Office, SCO, and the DOA Division of Personnel Management to gain an understanding of the security administration policies and procedures, and the steps taken to address recommendations from our FY 2017-18 audit. In addition, we performed queries to test access to selected accounts and roles in STAR, and we requested documentation to test other areas of security administration.

STAR functions include processing vendor payments, accounting for cash receipts, tracking and maintaining employee information, tracking employee time, and processing payroll. STAR is used by SCO and most state agencies to report financial information, monitor budgets, administer federal grants, process payroll, process transactions, and manage assets.

***Effect:***

Although it can be difficult to determine how IT concerns such as those we identified affect the financial statements and material federal compliance areas, ineffective IT controls in areas such as these may permit controls over STAR to operate improperly and may allow financial statement misstatements and noncompliance to occur and not be detected.

Weaknesses in IT security controls increase the risk that unauthorized or erroneous transactions could be processed or changes could be made to accounting, payroll, and other data in STAR. In addition, failure to provide an appropriate level of protection for systems and data increases the risk that personally identifiable information could be accidentally or maliciously exposed.

***Cause:***

DOA continues to develop its procedures and controls over the STAR environment, and does not yet have sufficient understanding about the complexities and intricacies of security in this environment. Because some procedures were not adequately implemented throughout the audit period, risks continued to exist.

**Recommendation**

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*We recommend the Wisconsin Department of Administration take corrective actions by June 30, 2020, to address the specific recommendations included in the confidential interim memorandum provided during the audit.*

**Response from the Wisconsin Department of Administration:** The Department of Administration agrees with the finding and recommendation.

## **Finding 2019-002: Implementation of IT Procedures by the Department of Administration Division of Enterprise Technology\***

### *Criteria:*

Under s. 16.97, Wis. Stats., DOA is responsible for the State's IT services, including ensuring that all state data processing facilities develop proper privacy and security procedures and safeguards. As a part of DOA, the Division of Enterprise Technology (DET) operates a data center to provide a variety of services to state agencies, including managing the mainframe for all agencies; managing servers for DOA and other executive branch agencies; and maintaining DOA-related systems. In addition, DET performs programming and security functions including maintaining the infrastructure for STAR.

Because the mainframe and servers contain financial data and confidential information, it is important that DET manage and maintain a secure environment. Managing a secure environment involves developing, approving, and following appropriate policies, standards, and procedures.

As defined by DET, IT policies are formal, brief, high-level statements or plans that reflect an agency's general beliefs, goals, rules, and objectives for a specific subject area. Standards are mandatory actions or rules designed to support policies. Procedures are a documented series of steps that align with policies and standards. Well-written policies, standards, and procedures provide staff with a consistent methodology for performing their job functions.

DET uses the NIST framework as a guide to develop policies, standards, and procedures. Because of the diverse requirements of state agencies, DET's policies, standards, and procedures must comply with Wisconsin Statutes as well as requirements of other laws and standards, such as the Internal Revenue Service (IRS) laws, Criminal Justice Information Services (CJIS) standard, Health Insurance Portability and Accountability Act (HIPAA), Payment Card Industry Data Security Standard (PCI DSS), and Family Educational Rights and Privacy Act (FERPA).

DET's policies and standards are set forth in the State of Wisconsin *IT Security Policy Handbook*, which includes the related standards by reference. In addition to establishing procedures to support conformance with its policies and standards, it is also important that DET establish settings that enforce its policies, standards, and procedures. Settings are technical configurations that enforce controls for a computer or group of computers. For instance, password settings can enforce password length, which is prescribed by DET's policies and standards. Implementation of settings enforces the controls that are in place and, therefore, helps to ensure that approved standards are being followed.

### *Condition:*

We first reported concerns regarding a lack of policies, standards, and procedures over the operations of DET's data center during our FY 2014-15 audit. In that fiscal year, and each subsequent fiscal year, we made recommendations for DET to develop policies, standards, and procedures and to address specific concerns we identified in IT practices and settings (Finding 2018-003).

During our FY 2018-19 audit, we found DET had taken steps to address some of the recommendations we made during and subsequent to the FY 2014-15 audit, including the

development of IT policies and standards. However, corrective actions have not been fully implemented and, therefore, weaknesses continue to exist in IT security over the operations of DET's data center. Specifically, DET did not complete all corrective actions to address our prior audit recommendations related to completing written procedures, reviewing settings and practices, and completing projects initiated in response to specific concerns we identified. In some areas, the corrective action plan and subsequent updates to that plan indicated that the corrective action would not be completed as of June 30, 2019. In addition, we continued to identify concerns related to DET's implementation of its policies and standards through its procedures and settings. For example:

- DET could not demonstrate that regular reviews were performed of access to the network, equipment, systems, and data in most areas;
- DET did not consistently document written procedures related to resolving failed back-ups or the resolution of failed back-ups that occurred;
- DET did not make security awareness training available during the last six months of FY 2018-19; and
- DET did not document and could not demonstrate approval for all exceptions to policies and standards that it actually employed in practice.

We determined that the detailed results of our review were too sensitive to communicate publicly. Therefore, we communicated the results in a separate confidential communication to the Chief Information Officer in DOA.

***Questioned Costs:***

None.

***Context:***

We reviewed the State of Wisconsin *IT Security Policy Handbook* and related standards; interviewed the DOA Chief Information Officer, the DOA Deputy Administrator of Enterprise Operations, the DOA Chief Information Security Officer, and other DOA staff; and evaluated the design or operation of certain security settings and practices.

Most state agencies use computer systems that are located on the mainframe or on servers maintained in the DET data center and that are relied on to complete critical functions, including processing checks, accounting for cash receipts, preparing financial statements, and administering federal grant programs.

***Effect:***

Procedures and settings that do not align with approved policies and standards weaken the level of security provided by DET. For example, failure to properly manage and maintain a secure environment at the DET data center could result in inappropriate access, which could result in the issuance of erroneous or fraudulent checks or inappropriate viewing of confidential data.

Further, because DET hosts and supports a significant number of executive branch agencies and systems at its data center, risks at the data center can affect the computing resources and data of state agencies. For example, if a data center or the state network is compromised, there is an increased risk that harm could come to any of the systems or data of the agencies that use the data center or network.

*Cause:*

The policies and standards now followed by DET were approved in October 2018. Although DET has taken steps to implement procedures and review practices and settings to enforce those policies and standards, DET staff indicated that implementation is ongoing and was not completed by June 30, 2019. In some areas, DET staff indicated they were unaware that its policies and standards were not met.

**Recommendation**

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*We recommend the Wisconsin Department of Administration take steps to fully complete or update and implement the written procedures, practices, and settings of the Division of Enterprise Technology to enforce its policies and standards, and take corrective action to address the specific concerns communicated during the audit.*

**Response from the Wisconsin Department of Administration:** The Department of Administration agrees with the findings and recommendations.

**Finding 2019-003: Department of Administration Information Technology Oversight Responsibilities\***

*Criteria:*

Wisconsin Statutes give DOA responsibility for the State's IT services. Under s. 16.971 (2), Wis. Stats., DOA shall:

- in cooperation with executive branch agencies, establish policies, procedures, and planning processes for the administration of IT services, which executive branch agencies must follow;
- ensure the policies, procedures, and processes address the needs of agencies, other than the Board of Regents of UW System, to carry out their functions; and
- monitor adherence to these policies, procedures, and processes.

Further, s. 16.971 (2), Wis. Stats., requires DOA to provide oversight and monitoring of state agency IT operations, including the responsibility for ensuring:

- management reviews of IT organizations are conducted;
- all executive branch agencies develop and operate with clear guidelines and standards in the areas of IT systems development and employ good management practices and cost-benefit justifications; and

- all state data-processing facilities develop proper privacy and security procedures and safeguards.

In addition, s. 16.973 (3), Wis. Stats., states that DOA shall facilitate the implementation of statewide initiatives, including development and maintenance of policies and programs to protect the privacy of individuals who are the subjects of information contained in the databases of the agencies.

The Information Technology Executive Steering Committee (ITESC), which was initially established in April 2013 through Executive Order 99, and the Wisconsin Information Technology Directors Council (ITDC) work with DOA in fulfilling its responsibilities related to the State's IT services. ITESC members are high-level IT leaders from select agencies, including the largest agencies. The purpose of ITESC is to align enterprise IT deployment with statewide business goals. One of ITESC's stated goals is to create and maintain enterprise IT policies. The ITDC is an inter-agency group of IT staff that DOA created to encourage information sharing between itself and agency IT leaders at varying levels across the agencies.

DOA uses the NIST framework as a guide to develop and modify executive branch agency policies and standards. NIST is a federal organization that is responsible for establishing standards. Specifically, NIST developed *Special Publication 800-53r4* to "fulfill their statutory responsibilities under the Federal Information Security Management Act (FISMA) to develop information security standards and guidelines, including minimum requirements for federal information systems." This publication provides information and guidance for all areas that should be considered for maintaining a secure IT environment.

**Condition:**

We first reported concerns regarding the lack of executive branch agency IT policies and standards during the FY 2015-16 audit. During the FY 2016-17 and FY 2017-18 audits, in addition to recommendations related to the implementation of executive branch agency policies and standards, we recommended DOA take steps to identify, assess, and address risks for the State's IT environment. These steps were to include completion of vulnerability assessments, penetration testing, and a comprehensive risk assessment (Finding 2018-004).

During the FY 2018-19 audit, we found that, in October 2018, ITSEC approved the State of Wisconsin *IT Security Policy Handbook*, which includes the related standards by reference. Executive branch agencies are expected to comply with these policies and standards. DOA communicated the new policies and standards to agencies using a private state website and discussions at the ITDC meetings. However, DOA did not take specific additional steps to encourage and monitor agency progress toward compliance. For example, DOA did not establish a timeline within which agencies were expected to become compliant with the policies and standards. DOA also did not request self-assessments from agencies regarding their progress in implementing the policies and standards. As of June 30, 2019, executive branch agencies had not fully implemented procedures that conform with the policies and standards. For example, at four agencies we reviewed, procedures had not been developed or effectively implemented to review user access on at least an annual basis to ensure user access remained appropriate in accordance with the principle of least privilege. At three of these agencies, we also found that procedures for initially establishing user access did not demonstrate adequate consideration of the user's needs based on the principle of least privilege.

Although DOA took steps to address some of our other prior audit recommendations, we found additional work is needed. For example, DOA completed some work related to vulnerability assessments and penetration testing. However, DOA's timeline for completing certain steps was revised, including some dates that extended beyond June 30, 2019.

***Questioned Costs:***

None.

***Context:***

State agencies use computer systems that DOA is responsible for ensuring are properly secured and are relied on to complete critical functions, including processing checks, accounting for cash receipts, preparing financial statements, and administering federal grant programs. We interviewed the DOA Chief Information Officer, the DOA Deputy Administrator of Enterprise Operations, the DOA Chief Information Security Officer, and other DOA staff to gain an understanding of the development of executive branch agency IT policies and standards as well as the steps that have been taken to monitor and provide oversight of executive branch agency IT operations. We also interviewed certain agency IT staff and evaluated the design or operation of certain agency practices and settings, including compliance of these practices and settings with the Wisconsin *IT Security Policy Handbook* and related standards.

***Effect:***

Because there are connections among agencies in the state's network, weaknesses at one agency can affect security for other agencies. Additionally, failure to monitor agency environments and practices can also lead to vulnerabilities in the state's network, known or unknown, because there is no assurance that all systems are meeting the minimum level of security for the State's IT environment, as established in the State of Wisconsin *IT Security Policy Handbook* and related standards. Weaknesses in the security of the network can lead to inappropriate access to confidential or sensitive data, unauthorized changes to the data within the system, or a failure of the system.

***Cause:***

DOA completed some monitoring of the executive branch agencies through discussions during ITESC and ITDC meetings. However, these discussions may not provide sufficient information to enable DOA to understand progress across all executive branch agencies in conforming to the State of Wisconsin *IT Security Policy Handbook* and related standards or to identify weaknesses that exist at an agency level and that create a risk for the overall IT environment. DOA also prioritized certain vulnerability and penetration tests over others as well as over the completion of a comprehensive risk assessment. DOA indicated that, as part of the comprehensive risk assessment, it plans to assess the extent to which agencies have conformed to the policies and standards. However, a timeline for fully completing a comprehensive risk assessment has not been established.

**☑ Recommendation**

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*We recommend the Wisconsin Department of Administration:*

- *develop and implement, by March 31, 2020, a plan for monitoring the progress of executive branch agencies in becoming compliant with the State of Wisconsin IT Security Policy Handbook and related standards;*
- *complete its corrective action plan to fully address recommendations from prior-year Finding 2018-004 within the timeline provided in its June 2019 communication to the Legislative Audit Bureau on the status of corrective actions taken; and*
- *develop and implement by June 30, 2020, a process to regularly identify, assess, and address risks for the State's IT environment, including vulnerability assessments, penetration testing, and comprehensive risk assessments that assess risk across the IT environment and include ongoing monitoring of agency compliance with the State of Wisconsin IT Security Policy Handbook and related standards.*

**Response from the Wisconsin Department of Administration:** The Department of Administration agrees with the findings and recommendations.

### **Finding 2019-004: Financial Reporting for the Transportation Fund**

**Criteria:**

The Department of Transportation (DOT) is responsible for administering transportation infrastructure projects throughout the State, including developing and maintaining roads and bridges. Activity related to transportation infrastructure projects is accounted for in the Transportation Fund, a governmental fund that is reported in the State's CAFR. DOT is responsible for preparing and submitting financial statements and required supplementary information to SCO for inclusion in the State's CAFR. In addition, DOT is responsible for maintaining effective internal controls to ensure the financial information submitted to SCO is fairly presented and that misstatements are prevented, or detected and corrected in a timely manner.

**Condition:**

DOT's process for preparing and reviewing financial information was not sufficient to prevent, or detect and correct in a timely manner substantive misstatements. For example, DOT staff prepared a new accrual related to intergovernmental revenue under advance contracts. However, the data used to prepare this entry were not adequately evaluated to identify the amounts eligible for accrual.

**Questioned Costs:**

None.

**Context:**

We reviewed the FY 2018-19 Transportation Fund financial statements submitted to SCO for inclusion in the State's CAFR and discussed the process used by DOT to compile the Transportation Fund financial statements. We reviewed financial information used to prepare the financial statements and examined supporting documentation.

**Effect:**

The Transportation Fund financial statements prepared by DOT were misstated. Specifically, we identified that Intergovernmental Revenue was overstated and Due From Other Governments was overstated by \$41.8 million. After we brought this concern to its attention, DOT corrected the misstatements and submitted revised information to SCO.

**Cause:**

Although DOT implemented a secondary review process related to the compilation of infrastructure information, it did not establish an adequate secondary review of financial information, particularly for new or changing areas. As a result, no secondary review was performed of the new accrual related to intergovernmental revenue.

 **Recommendation**

*We recommend the Wisconsin Department of Transportation review its procedures for preparing financial information and implement an adequate secondary review process to ensure:*

- *increased scrutiny of new or substantively changed areas of financial reporting;*
- *reasonableness reviews or other checks are performed to identify errors in areas that could have a substantive effect on financial reporting; and*
- *sufficient documentation of the review process.*

**Response from the Wisconsin Department of Transportation:** The Department of Transportation agrees with the finding and recommendations.

### **Finding 2019-005: Financial Reporting Process for the Injured Patients and Families Compensation Fund\***

**Criteria:**

The Injured Patients and Families Compensation Fund (IPFCF), which is administered by the Office of the Commissioner of Insurance, insures participating physicians and other health care providers in Wisconsin against medical malpractice claims that exceed the primary insurance thresholds established by statutes. IPFCF is a proprietary fund that is reported in the State's CAFR. IPFCF is responsible for preparing and submitting accurate financial statements and related note information for inclusion in the State's CAFR to SCO. To ensure accurate financial reporting, IPFCF is also responsible for understanding generally accepted accounting principles (GAAP), as promulgated by the *Governmental Accounting Standards Board (GASB)*. In addition, IPFCF is responsible for maintaining effective internal controls to ensure the financial information submitted to SCO is fairly presented and that misstatements are prevented, or detected and corrected in a timely manner.

SCO maintains overall responsibility for preparing the State's CAFR and completes a desk review of the financial information submitted to assess the reasonableness of the information. As necessary, SCO provides to, and makes suggested changes for, the preparing agency and the agency is responsible for reviewing and, if appropriate, accepting or confirming the changes.

***Condition:***

We reported concerns related to the financial reporting process for the IPFCF during our FY 2017-18 audit (Finding 2018-002) and recommended that the fund improve its process for preparing and reviewing financial statements. During our current audit, although we found IPFCF had taken some steps to improve its process, we again identified concerns and found the IPFCF did not fully consider the financial reporting implications of changes to its activity during the year. Although the information IPFCF prepared and submitted to SCO included an appropriate total amount of restricted assets, IPFCF classified a portion of the total restricted assets in an incorrect restricted account. Specifically, we found IPFCF reported \$55.1 million as restricted cash even though IPFCF had only \$34.9 million of cash available to be restricted. During its desk review, SCO recognized that IPFCF did not have sufficient cash available to cover the total restricted assets and made a suggested change. However, the change was incorrect as it eliminated all restricted assets even though IPFCF had assets that met the requirements to be restricted.

In addition, although IPFCF changed its methodology for calculating interest credited to accounts held for the benefit of specific claimants, IPFCF did not prepare an assessment of whether this change in methodology should be classified as a change in an accounting estimate or a correction of an error. Further, it was not evident in the financial information IPFCF submitted to SCO that an assessment had been completed. After we explained the GASB requirements, IPFCF determined that the change in its methodology should be reported as a correction of an error, for which a prior-period adjustment and note disclosure were required.

***Questioned Costs:***

None.

***Context:***

We reviewed the FY 2018-19 financial information that IPFCF submitted to SCO for inclusion in the State's CAFR, discussed the process used in compiling the information with IPFCF staff, and examined supporting documentation. We also reviewed communications between IPFCF and SCO regarding the revisions made throughout the preparation and review of the information.

***Effect:***

The IPFCF financial statements prepared by IPFCF were misstated. We identified the following misstatements related to restricted assets on the Statement of Net Position:

- Cash and Cash Equivalents was overstated by \$12.2 million;
- Restricted and Limited Use Assets: Cash and Cash Equivalents was understated by \$12.2 million;
- Noncurrent Investments was overstated by \$42.9 million; and
- Restricted and Limited Use Assets: Investments was understated by \$42.9 million.

In addition, we identified that Benefit Expense as well as Total Net Position, Beginning of Year, were overstated by \$11.9 million on the Statement of Revenues, Expenses, and Changes in Fund Net Position due to the change in the interest calculation methodology. We also identified related misstatements on the Statement of Cash Flows and that IPFCF did not prepare the required note information.

After we discussed our concerns with IPFCF, it corrected the misstatements we identified and submitted revised information to SCO.

**Cause:**

IPFCF did not demonstrate adequate understanding of relevant GAAP requirements in the compilation of financial reporting information or in its application of such requirements, in part, due to significant staff turnover. Although the suggested change SCO made to eliminate restricted assets was incorrect, IPFCF did not adequately question the change. As part of its corrective action plan to address a recommendation from our FY 2017-18 audit, IPFCF contracted with an external accounting firm to provide a secondary review of its financial information. However, in its first year of providing this service, IPFCF may not have adequately educated the external accounting firm on IPFCF's operations and the CAFR financial reporting process to enable the firm to be fully effective in its review of the financial information.

**☑ Recommendation**

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*We recommend the Wisconsin Office of the Commissioner of Insurance, Injured Patients and Families Compensation Fund, take steps to adequately understand and appropriately apply financial reporting requirements, including by:*

- *reviewing the State of Wisconsin GAAP Conversion Manual provided by the Department of Administration State Controller's Office;*
- *attending relevant training on financial reporting and government accounting standards;*
- *proactively seeking guidance and clarification from the State Controller's Office related to relevant financial reporting requirements and how to apply those requirements for the Injured Patients and Families Compensation Fund;*
- *proactively identifying and applying applicable changes in accounting standards; and*
- *further educating the Injured Patients and Families Compensation Fund's external accounting firm on the Fund's operations and the State's financial reporting process.*

**Response from the Wisconsin Office of the Commissioner of Insurance:** The Office of the Commissioner of Insurance IPFCF accepts the findings and recommendations but has reservations about its ability to be successful when seeking guidance and clarification from the State Controller's Office. The IPFCF will do everything in its power to do so, but the IPFCF cannot guarantee that the State Controller's Office will be open to providing the guidance and clarification requested.



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## **Corrective Action Plans as Prepared by Agency Management**

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**STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION**

Tony Evers, Governor  
Joel Brennan, Secretary  
Brian Pahnke, Administrator

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**Corrective Action Plan**

**Finding 2019-001: STAR Security Concerns**

**Planned Corrective Action:**

No later than December 30, 2019, the Department of Administration will appropriately reduce user access to the General Ledger module by implementing secondary roles and update password settings related to the STAR Finance and HCM databases.

No later than March 31, 2020, the Department of Administration will review and update its annual user attestation procedure to ensure a comprehensive review of access to STAR is performed for the next review, adjust access as necessary as a result of the review, and maintain documentation of all access reviews.

No later than June 30, 2020, the Department of Administration will develop and implement written procedures to review access automatically assigned and verify appropriateness of the access.

The Department of Administration has already completed corrective actions for some of the specific recommendations in the confidential interim memoranda and will complete the corrective actions for all other recommendations no later than June 30, 2020.

**Anticipated Completion Date:** June 30, 2020

**Persons responsible for corrective action:**

Tim LeFave, STAR Program Office Director  
Department of Administration  
TimothyD.LeFave@wisconsin.gov

Steve Slawny, Management Information Chief  
Department of Administration  
Steve.Slawny1@wisconsin.gov



STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Joel Brennan, Secretary  
David Cagigal, Division Administrator

December 2019

**Finding 2019-002: Implementation of IT Procedures by the Department of Administration Division of Enterprise Technology**

**Planned Corrective Action:**

LAB Recommendation	DOA Planned Corrective Action	Anticipated Completion Date
<p>1. We recommend the Department of Administration take steps to fully complete or update and implement the written procedures, practices, and settings of the Division of Enterprise Technology (DET) to enforce its policies and standards,</p> <p>and take corrective action to address the specific concerns communicated during the audit.</p>	<p>DET will follow the priority process identified for the remaining procedures, practices and settings. DET will review the status and completion rate by the end of January.</p> <p>Processes for settings have been defined and initiated for DET managed desktops, servers, and network devices</p> <p>DET will identify projects to address the detailed concerns. Project intake forms will be submitted for the identified projects following the DET project prioritization process.</p> <p>Initiation and scheduling of the individual projects will be based upon priority and availability of required resources.</p>	<p>January 31, 2020</p> <p>Complete</p> <p>February 28, 2020</p> <p>Timeline will be determined during the prioritization process</p>

Person responsible for corrective action:  
Bill Nash, CISO  
Division of Enterprise Technology  
[Bill.Nash@wisconsin.gov](mailto:Bill.Nash@wisconsin.gov)



STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Joel Brennan, Secretary  
David Cagigal, Division Administrator

December 2019

**Finding 2019-003: Department of Administration Information Technology Oversight Responsibilities**

**Planned Corrective Action:**

LAB Recommendation	DOA Planned Corrective Action	Anticipated Completion Date
<p>1. Develop and implement, by March 31, 2020, a plan for monitoring the progress of the executive branch agencies in becoming compliant with the State of Wisconsin IT Security Policy Handbook and related standards;</p>	<p>DET will develop and implement a plan and dashboard for use by the executive branch agencies to track compliance with the State of Wisconsin IT Security Policy Handbook and related standards.</p>	<p>March 31, 2020</p>
<p>2. Complete its corrective action plan to fully address recommendations from prior-year findings 2018-004 within the timeline provided in its June 2019 communication to the Bureau on the status of corrective actions taken; and</p>	<p>A formal process has been defined to conduct monthly reviews on network devices. Initial assessments began in July 2019. Monthly assessments starting in December 2019.</p> <p>*Note this does not include devices located in the DET data centers that are managed by other entities.</p> <p>Penetration Testing for a subset of DET managed devices and networks within the DET data centers was conducted by a third party in Fall of 2018. Additional penetration testing will be conducted by a third party after the vulnerability remediation efforts have been addressed.</p> <p>The project to create the Enterprise Risk Assessment plan is in progress. Executive branch agencies are working with DET to develop plans and timeline for risk assessments. Deliverable -Risk Assessment Plan and Timeline</p> <ul style="list-style-type: none"> <li>• Implementation of vulnerability assessments of the identified systems and data including a process for review of</li> </ul>	<p>Completed</p> <p>Anticipated completion to be determined based upon third party availability</p> <p>Due by 1/31/2020</p> <p>Begin 1/31/2020 with anticipated completion to be determined, based on plan</p>

LAB Recommendation	DOA Planned Corrective Action	Anticipated Completion Date
	<p>results, prioritization of identified issues, and tracking of remediation activity.</p> <ul style="list-style-type: none"> <li>• Some agencies including DOA have already commenced vulnerability assessments and are working on remediation activities.</li> <li>• Implementation of penetration testing of the identified systems and data including a process for review of results, prioritization of identified issues, and tracking of remediation activity.</li> <li>• Some agencies have already commenced penetration assessments and are working on remediation activities.</li> </ul>	Begin post vulnerability remediation with anticipated completion to be determined, based on plan
<p>3. Develop and implement by June 30, 2020, a process to regularly identify, assess, and address risks for the State's IT environment, including vulnerability assessments, penetration testing, and comprehensive risk assessments that assess risk across the IT environment and include ongoing monitoring of agency compliance with the State of Wisconsin IT Security Policy Handbook and related standards.</p>	<p>DET will develop and implement, in conjunction with the Executive Branch Agencies, a long term process to regularly review</p> <ul style="list-style-type: none"> <li>• Penetration testing</li> <li>• Monitoring</li> <li>• Vulnerability Management</li> <li>• Risk Assessments</li> </ul>	June 30, 2020

Person responsible for corrective action:  
 Bill Nash, CISO  
 Division of Enterprise Technology  
[Bill.Nash@wisconsin.gov](mailto:Bill.Nash@wisconsin.gov)

**WisDOT Division of Business Management**  
Scott B. Thornton  
Bureau of Financial Management  
4822 Madison Yards Way  
Madison, WI 53705

**Governor Tony Evers**  
**Secretary Craig Thompson**  
[wisconsin.gov](http://wisconsin.gov)  
Telephone: (608) 267-1215  
Email: [scott2.thornton@dot.wi.gov](mailto:scott2.thornton@dot.wi.gov)



### Corrective Action Plan

**Finding 2019-004:** Financial Reporting for the Transportation Fund

**Planned Corrective Action:** The Wisconsin Department of Transportation agrees with the finding. The department will develop and distribute a policy to the Management Accounting Section regarding a secondary review of financial information, in particular, to anything that is new or has changed from prior fiscal years. In addition, the department will develop additional procedures related to the accrual of federal revenues.

**Anticipated Completion Date:** December 31, 2019

Person responsible for corrective action:  
Scott B. Thornton, Controller  
Bureau of Financial Management  
[Scott2.thornton@dot.wi.gov](mailto:Scott2.thornton@dot.wi.gov)



# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, Governor  
Mark V. Afable, Commissioner

Wisconsin.gov

December 2, 2019

## Injured Patients and Families Compensation Fund

125 South Webster Street • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
Phone: (608) 266-6830 • Fax: (608) 226-5536  
ociipfcf@wisconsin.gov  
oci.wi.gov

### Corrective Action Plan

#### Finding 2019-005: Financial Reporting Process for the Injured Patients and Families Compensation Fund

##### Planned Corrective Action:

LAB has proposed that IPFCF take the following steps to “adequately understand and appropriately apply financial reporting requirements” by:

1. Reviewing the State of Wisconsin GAAP Conversion manual.
2. Attend relevant training on financial reporting and government accounting standards.
3. Proactively seeking guidance and clarification from the SCO related to relevant financial reporting requirements and how to apply those for the IPFCF.
4. Proactively identify and apply applicable changes in accounting standards.
5. Further educating the IPFCF’s external accounting firm on the IPFCF’s operations and the States financial reporting process.

The Fund has taken/will take the following steps:

**Item #1:** Both the IPFCF internal and external staff have a copy of the GAAP conversion manual and will be reviewing it cooperatively prior to the FY’20 CAFR filing.

**Item #2:** The IPFCF internal accountant has joined the Government Finance Officers Association (gfoa.org) and will be attending relevant training sessions. The Fund also discussed with management at SCO if there was any CAFR training available. The Fund was told that although there is no training available currently, they are anticipating offering some form of training in 2020 which the Fund and, if allowed, the external accountant will attend.

**Item #4:** The Fund will be utilizing the vast resources of the GFOA, along with any information provided by SCO, to stay up to date on relevant changes. This information will be shared with our external accountants.

**Item #5:** The Fund has already set up the following with its external accountants:

- Master Spreadsheet with location of all source documents
- Quarterly CAFR spreadsheet and Stand-Alone Financial Spreadsheet
- Quarterly meetings to review quarterly trial balances of both the CAFR and Stand-Alone Financials
- Attendance at the Finance/Audit & Actuarial Committees of the Board of Governors of the IPFCF

Fund Management has reservations regarding Item #3 as the relationship between SCO and the Fund is not collaborative in nature and historically looking to SCO for assistance and guidance has not been successful.

Fund management expressed their concerns to the management of SCO during the current CAFR year, recognizing that inherently there will always be philosophical differences between SCO and the Fund as

they represent two fundamentally different entities, but acknowledging that the Fund does participate in the CAFR and needs to work with SCO, as does the SCO with the Fund. Management will reach out to SCO management in January to attempt to find common ground between the two entities and follow-up on the proposed CAFR training.

*Anticipated Completion Date:* September 30th, 2020  
Brynn Bruijn-Hansen, IPFCF Manager  
Brynn.bruijnhansen@wi.gov

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## **Response ■**

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STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Joel Brennan, Secretary

December 20, 2019

Joe Chrisman, State Auditor  
Legislative Audit Bureau  
22 East Mifflin Street, Suite 500  
Madison, Wisconsin 53703

Dear Mr. Chrisman:

I am writing in response to the Fiscal Year 2018-19 financial audit that the Legislative Audit Bureau recently completed and want to extend our appreciation to you and your staff for your diligent work related to this annual audit.

The Department of Administration (DOA) takes very seriously all issues related to information technology across state government. Thus, I want to reiterate our concurrence with your recommendations related to STAR security; Information Technology (IT) procedures in the Division of Enterprise Technology; and IT Oversight as noted in the audit.

Further, we will work with the Department of Transportation and Office of the Commissioner of Insurance in a collaborative manner to ensure those entities fulfill each of the recommendations.

Again, thank you for your timely and important work.

Sincerely,

Joel Brennan, Secretary  
Department of Administration