STATE OF WISCONSIN
Legislative Audit Bureau

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TO: Senator Eric Wimberger and
Representative Robert Wittke, Co-chairpersons
Joint Legislative Audit Committee

FROM: Joe Chrisman
State Auditor

SUBJECT: Proposed Audit of State Agency Oversight of Certain Community Action Agency Expenditures—Background Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find helpful in considering an audit of state agency oversight of certain community action agency expenditures. Incorporated in 1974, the Wisconsin Community Action Program (WISCAP) Association is an anti-poverty member association serving a statewide network of community action agencies (CAA), and two special-purpose agencies.

The specific programs operated by each CAA vary. For example, the Department of Children and Families (DCF) distributed Community Services Block Grant (CSBG) funding through grants to the CAAs and two statewide agencies that focus on serving certain populations. The Department of Health Services (DHS) provided funding to WISCAP and several CAAs to hire and train community health workers. The Department of Administration (DOA) awarded weatherization funding to WISCAP and CAAs.

In recent years, concerns have been raised about state agency oversight of funds awarded to WISCAP and certain CAAs, as well as the financial management of WISCAP and certain CAAs. In the fiscal year (FY) 2020-21 Single Audit for the State of Wisconsin (report 22-5) and in the FY 2021-22 Single Audit for the State of Wisconsin (report 23-4), the Legislative Audit Bureau reported a material weakness and material noncompliance related to DOA's oversight of WISCAP and certain CAAs for the Emergency Rental Assistance Program, which subsequently ended. In 2022, the Bureau made recommendations to DOA for improvements to the oversight of the Emergency Rental Assistance Program (report 22-3). In 2025, DCF withdrew designation of the Social Development Commission (SDC) as the local anti-poverty agency in Milwaukee County due to concerns about financial mismanagement. In February 2026, the chief executive officer of NewCap, a CAA operating in the Brown County area, was placed on administrative leave due to concerns about financial management. After ceasing operations, NewCap filed for bankruptcy in April 2026.

An audit of the oversight by selected state agencies of certain community action agency expenditures in recent years could include:

- an evaluation of the extent to which WISCAP and CAAs have expended funding received from selected state agencies in compliance with applicable grant rules, terms, and conditions;

- a determination of whether WISCAP and CAAs were allowed to retain any funding received from selected state agencies for administrative costs and the extent to which those costs were reasonable and well supported;

- an assessment of the process used by and the effectiveness of selected state agencies in performing oversight of the funds provided to WISCAP and CAAs; and

- an analysis of whether the internal control environment of WISCAP and CAAs is sufficient to ensure program integrity over financial management, including the expenditure of funds received from selected state agencies.

If the Joint Legislative Audit Committee directs the Legislative Audit Bureau to conduct such an audit, the Bureau will independently select the state agencies and CAAs for review but will, at a minimum, include DOA, DCF, and DHS. The processes through which state agencies awarded funding, provided funding, and performed monitoring and oversight of WISCAP and CAAs is subject to the statutory audit authority of the Bureau. The expenditure by WISCAP and CAAs of any funds received from state agencies is also subject to the Bureau's audit authority. Under s. 13.94, Wis. Stats., if WISCAP or a CAA has received more than 50 percent of its annual budget from appropriations made by state law, including as subgrantee or subcontractor recipients of such funds, or if moneys were specifically appropriated to WISCAP or a CAA by state law, the Bureau's audit authority also extends to all other aspects of financial management for WISCAP or the CAA. If directed to perform this audit, the Bureau will rely not only on the cooperation of the state agencies the Bureau selects for review, but also on the cooperation of WISCAP and the CAAs.

I hope you find this information helpful. Please contact me with any questions.

JC/tl

cc: Senator Chris Kapenga
Senator Howard Marklein
Senator Robert Wirch
Senator Melissa Ratcliff

Representative Dan Knodl
Representative Mark Born
Representative Francesca Hong
Representative Sequanna Taylor

Kathy Blumenfeld, Secretary
Department of Administration

Kirsten Johnson, Secretary
Department of Health Services

Jeff Pertl, Secretary
Department of Children and Families