



## State of Wisconsin Fiscal Year 2015-16 Financial Statements

### Background

Annually, 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 new enterprise resource planning system (STAR) implemented on October 1, 2015.

The CAFR typically is published by DOA each December. However, the fiscal year (FY) 2015-16 financial statements were the State's first financial statements compiled using information obtained from STAR. Consequently, DOA indicated that the first year-end close required additional time for training, development of new procedures, and system adjustments. Similarly, new audit work associated with these new procedures and system adjustments in STAR affected the audit timeline.

We conducted a financial audit of the State by auditing its financial statements in accordance with applicable government auditing standards, issuing our auditors' opinions, reviewing internal controls, and making recommendations for improvements. Although we audited information presented in the financial statements derived from STAR that was sufficient to provide our audit opinion, we did not conduct an audit of the implementation of STAR.

### Audit Results and Key Findings

We provided unmodified opinions on the State's FY 2015-16 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 GAAP deficit remained at \$1.7 billion as of June 30, 2016.
- The balance of the Transportation Fund decreased from \$777.5 million as of June 30, 2015, to \$717.3 million as of June 30, 2016. The balance for FY 2014-15 included a one-time transfer of \$133.3 million from the General Fund to the Transportation Fund.
- The State's long-term debt increased from \$13.6 billion as of June 30, 2015, to \$13.7 billion as of June 30, 2016.
- The State's proportionate share of the Wisconsin Retirement System (WRS) net pension liability was \$455.5 million. This decrease of \$1.1 billion, from the \$686.9 million net pension asset reported for FY 2014-15, is generally related to the decline in investment performance for WRS assets in 2015.

### Audit Recommendations

As part of our audit, we identified one material weakness and six significant deficiencies in internal control. We identified a [material weakness](#) and [significant deficiencies in information technology \(IT\) security policies and procedures](#) and in IT controls, including those related to STAR. We include recommendations in our report for DOA 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, the Department of Transportation, and the Office of the Commissioner of Insurance. We recommend each agency take steps to address the identified weaknesses.