

State of Wisconsin FY 2019-20 Single Audit

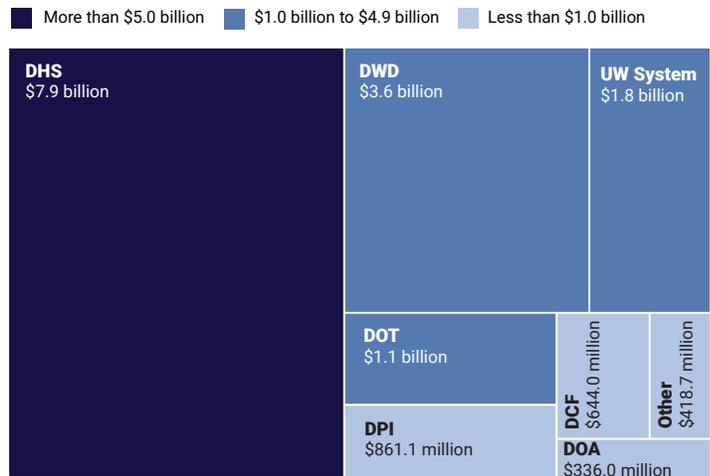
As a condition of receiving federal funds, state agencies must meet the audit requirements of the federal Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Single Audit Act of 1984, as amended. The Single Audit Act requires there to be one comprehensive audit of federal programs. This single audit also incorporates our annual audit of the State’s financial statements. These financial statements were included in the Comprehensive Annual Financial Report issued by the Department of Administration (DOA).

In fiscal year (FY) 2019-20, state agencies administered \$16.6 billion in federal financial assistance, including \$3.4 billion that was related to the public health emergency and that was separately identified in the State’s Schedule of Expenditures of Federal Awards (SEFA). Our audit focused on 22 federal programs that accounted for 77.0 percent of the federal financial assistance administered by state agencies in FY 2019-20. We found that state agencies generally complied with federal requirements, and we provided an unmodified opinion on federal compliance for 20 of the programs we reviewed. We qualified our opinion on compliance for certain requirements related to the Food Distribution Cluster and the Child Nutrition Cluster. We made 22 recommendations to improve the administration of federal programs and to address the internal control deficiencies we identified related to financial reporting. We also identified \$1.6 million of questioned costs that state agencies charged inappropriately to federal funds. The federal government will work with state agencies to resolve the concerns we identified.

State agencies administered \$16.6 billion in federal funds during FY 2019-20

Wisconsin state agencies administered \$16.6 billion in federal financial assistance during FY 2019-20, including \$15.3 billion in cash assistance, \$1.2 billion in noncash assistance, and \$161.8 million in outstanding loan balances. Seven agencies administered 97.5 percent of the federal expenditures during FY 2019-20: DOA, Department of Children and Families (DCF), Department of Health Services (DHS), Department of Public Instruction (DPI), Department of Transportation (DOT), Department of Workforce Development (DWD), and the University of Wisconsin (UW) System.

Federal Financial Assistance Administered by State Agencies | FY 2019-20

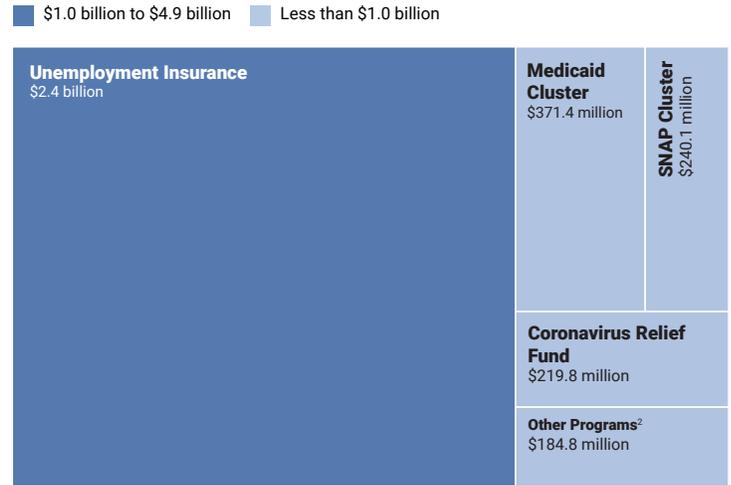


Total: \$16.6 billion

State agencies reported \$3.4 billion in federal expenditures related to the public health emergency during FY 2019-20

The State was required to separately identify the federal funding it expended related to the public health emergency, including funding provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In its SEFA, the State reported that it spent \$3.4 billion largely through seven programs or clusters. The largest portion of these expenditures was \$2.4 billion for the Unemployment Insurance program. These federal expenditures also included spending through two new programs: the Coronavirus Relief Fund (CRF) and the Higher Education Emergency Relief Fund (HEERF). CRF funding was administered by DOA and expenditures were incurred by 29 state agencies. All UW institutions expended funding under HEERF during FY 2019-20.

Federal Expenditures Related to the Public Health Emergency, by Federal Program or Cluster ¹ | FY 2019-20



Total: \$3.4 billion

¹ Expenditures from federal funding provided under the COVID-19 Emergency Acts, and separately identified in the SEFA, including cash assistance; noncash assistance, such as food commodities; and outstanding loan balances.

² Includes the Child Nutrition Cluster, Higher Education Emergency Relief Fund (HEERF), Child Care and Development Fund (CCDF) Cluster as well as other federal programs or clusters.

We qualified our opinion on compliance related to requirements for two federal clusters

An auditor provides a qualified opinion on compliance when the internal control and compliance concerns are material in relation to a specific compliance area tested for a federal program or cluster.

We qualified our opinion on compliance related to physical inventory requirements for the Food Distribution Cluster at DHS. Specifically, we found DHS did not ensure that

an annual physical inventory of food commodities donated from the U.S. Department of Agriculture (USDA) was performed.

We also qualified our opinion on compliance related to physical inventory requirements for the Child Nutrition Cluster at DPI. Specifically, we found DPI did not ensure that an annual physical inventory of USDA-donated food commodities was performed.

We made 22 recommendations to state agencies and questioned \$1.6 million in expenditures charged to federal programs

We made 17 recommendations to improve the administration of federal programs and 5 recommendations related to internal controls over financial reporting. The recommendations pertained to 22 findings, and we consider 4 of the findings to be material weaknesses and 15 to be significant deficiencies.

We also identified \$1.6 million of questioned costs that state agencies charged inappropriately to federal funds. These questioned costs relate

to the CRF, the Medical Assistance program, HEERF, Foster Care—Title IV-E, and the Children’s Health Insurance Program.

Finally, we followed up on the progress of state agencies to address 25 recommendations we made in our FY 2018-19 single audit report (report 20-3). The federal government will work with state agencies to resolve the new and continuing concerns we identified.

Findings, by Agency | FY 2019-20

Agency	Findings, by Type			Total
	Material Weakness ¹	Significant Deficiency ²	Other ³	
DOA		3		3
DCF		1		1
ETF	1			1
DHS	1	8	2	11
DPI	1			1
DWD	1	2		3
UW System		1	1	2
Total	4	15	3	22

Questioned Costs, by Program | FY 2019-20

Federal Program	Questioned Costs
Coronavirus Relief Fund	\$ 741,766
Medical Assistance Program	428,765
Higher Education Emergency Relief Fund	400,000
Foster Care—Title IV-E	7,597
Children’s Health Insurance Program	2,966
Total	\$1,581,094

¹ A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over compliance or financial reporting, such that there is a reasonable possibility that a material misstatement or material noncompliance will not be prevented, or detected and corrected, on a timely basis.

² A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over compliance or financial reporting that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance.

³ A noncompliance finding that does not have a related material weakness or significant deficiency.