



STATE OF WISCONSIN  
**Legislative Audit Bureau**  
NONPARTISAN • INDEPENDENT • ACCURATE

Report 25-33  
December 2025

# State of Wisconsin

## FY 2024-25 Financial Statements



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# State of Wisconsin

## FY 2024-25 Financial Statements



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The Legislative Audit Bureau supports the Legislature in its oversight of Wisconsin government and its promotion of efficient and effective state operations by providing nonpartisan, independent, accurate, and timely audits and evaluations of public finances and the management of public programs. Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

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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The Bureau accepts confidential tips about fraud, waste, and mismanagement in any Wisconsin state agency or program through its hotline at 1-877-FRAUD-17.

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### Team Leaders

Kasey Bernard  
Nathan Heimler  
Joshua Jesko  
Zachary Johnson  
Julia Langer  
Matthew Owensby  
Elizabeth Spiker  
Elizabeth Voelz Temple  
Audrey Woller  
Chloe Zhang

### Auditors

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Lamin Njie  
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Fechi Odocha  
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Phillip Stapel

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**Responses**

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From the Department of Administration  
From the Legislative Audit Bureau

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**Opinions Published Separately**

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The financial statements and our opinions on them are included in the State of Wisconsin's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025.



STATE OF WISCONSIN

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# Legislative Audit Bureau

Joe Chrisman  
State Auditor

22 East Mifflin Street, Suite 500  
Madison, Wisconsin 53703

Main: (608) 266-2818  
Hotline: 1-877-FRAUD-17

[www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)  
[AskLAB@legis.wisconsin.gov](mailto:AskLAB@legis.wisconsin.gov)

December 19, 2025

Senator Eric Wimberger and  
Representative Robert Wittke, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Wimberger and Representative Wittke:

We have completed our financial audit of the State of Wisconsin as of and for the fiscal year ended June 30, 2025, and issued unmodified opinions dated December 17, 2025, 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) prescribed by the Governmental Accounting Standards Board (GASB) and are included in the State's fiscal year (FY) 2024-25 Annual Comprehensive Financial Report (ACFR), which may be found on DOA's website.

The ACFR 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 financial statements of the Unemployment Reserve Fund and the University of Wisconsin (UW) System; report one material weakness in internal control over financial reporting at the Department of Transportation; report four significant deficiencies in internal control over financial reporting at DOA; and provide information on certain other matters we identified during the course of our audit.


We again recommend DOA address continued noncompliance with Wisconsin Statutes regarding its responsibilities for monitoring state agency compliance with the State of Wisconsin *IT Security Policy Handbook* and related standards, and complete certain updates to the *Wisconsin Accounting Manual*. We also provide information regarding DOA's continued errors in reporting interest earnings on Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) advanced to the State.

As a future consideration, we highlight the need for proactive communication from UW System Administration to DOA to ensure implementation of UW System's new enterprise resource planning system does not delay DOA's financial reporting for the State of Wisconsin for FY 2025-26.

During our FY 2025-26 audit, we will follow up on the progress of state agencies in implementing our recommendations.

A response from DOA follows our report.

Respectfully submitted,



Joe Chrisman  
State Auditor

JC/ES/ss



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General Fund  
Transportation Fund  
Long-Term Debt  
Unemployment Reserve Fund  
University of Wisconsin System  
Findings Related to Internal Control over Financial Reporting  
Federal Funding for the Public Health Emergency  
Other Matters of Interest  
Future Considerations

# FY 2024-25 Annual Comprehensive Financial Report

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***We have provided  
unmodified opinions  
on the State's financial  
statements as of and  
for the year ended  
June 30, 2025.***

The Department of Administration (DOA) prepares the Annual Comprehensive Financial Report (ACFR), which contains the State's financial statements prepared in accordance with generally accepted accounting principles (GAAP) prescribed by the Governmental Accounting Standards Board (GASB). The ACFR helps to describe the State's fiscal condition and contains information on state funds, including the State's General Fund, the Transportation Fund, the Unemployment Reserve Fund, the University of Wisconsin (UW) System, and the Wisconsin Retirement System. In addition to the financial statements and notes, the ACFR includes the Management's Discussion and Analysis, which describes the State's financial performance for the year; information comparing the budgetary balances to the financial statements; and other required supplementary information related to infrastructure and postemployment benefit programs. Finally, the ACFR includes a statistical section, which provides the reader with information to assist in understanding the State's economic condition, such as financial trends and debt capacity. We have completed a financial audit of the State's ACFR and have provided unmodified opinions on the State's financial statements as of and for the year ended June 30, 2025.

## General Fund

***As reported on a  
GAAP basis, the General  
Fund total fund balance  
decreased from \$4.5 billion  
as of June 30, 2024, to  
\$3.9 billion as of  
June 30, 2025.***

On a GAAP basis, the General Fund total fund balance decreased by \$0.6 billion from \$4.5 billion as of June 30, 2024, to \$3.9 billion as of June 30, 2025, as shown on page 46 of the ACFR. In accordance with standards established by GASB, the General Fund fund balance is classified into five components based on the level of constraints placed on the specific purposes for which the available funds can be spent.

These five components are:

- nonspendable, which are resources that are not in a spendable form such as inventory;
- restricted, which are resources that have constraints placed on them externally by creditors or grantors, laws and regulations of other governments, or by law through constitutional provisions or enabling legislation;
- committed, which are resources that can only be used for specific purposes, pursuant to constraints imposed by passage of state laws;
- assigned, which are resources that state officials have expressed an intent to use for specific purposes; and
- unassigned, which are resources that have not been restricted, committed, or assigned.

*The State’s rainy day fund had a balance of \$2.0 billion as of June 30, 2025.*

As shown in Table 1, the largest component of total fund balance is the committed fund balance of \$2.0 billion and is made up of the balance in the statutory Budget Stabilization Fund, which is also known as the State’s rainy day fund. The balance in the Budget Stabilization Fund increased by \$91.7 million in fiscal year (FY) 2024-25, primarily from interest income. DOA did not make a transfer to the Budget Stabilization Fund for FY 2024-25 because the balance in the Budget Stabilization Fund exceeded the maximum balance allowed under Wisconsin Statutes.

Table 1  
**General Fund**  
**Fund Balance Components<sup>1</sup>**  
 June 30, 2025  
 (in millions)

	Balance	Percentage of Total
Committed	\$1,991.0	50.8%
Unassigned	1,080.3	27.6
Restricted	555.9	14.2
Assigned	277.5	7.1
Nonspendable	14.4	0.4
<b>Total Fund Balance</b>	<b>\$3,919.1</b>	<b>100.0%</b>

<sup>1</sup> As reported on the General Fund Balance Sheet, June 30, 2025, as shown on page 43 of the ACFR.

The second largest component of total fund balance is the unassigned fund balance, which was \$1.1 billion as of June 30, 2025. The unassigned fund balance represents that, as of June 30, 2025, more resources were available than were spent or obligated in the short term.

***Total General Fund revenue increased by \$292.8 million and totaled \$38.7 billion for FY 2024-25.***

In the Management's Discussion and Analysis on page 30, DOA reported that total General Fund revenue increased by \$292.8 million and totaled \$38.7 billion for FY 2024-25. This increase was largely attributed to an increase in tax revenues of \$934.5 million. This increase was partially offset by a decrease in federal revenues of \$525.5 million.

***Total General Fund expenditures increased by \$459.8 million and totaled \$36.4 billion for FY 2024-25.***

In the Management's Discussion and Analysis on page 30, DOA reported that total General Fund expenditures increased by \$459.8 million and totaled \$36.4 billion for FY 2024-25. This increase was attributed to an \$802.8 million increase in expenditures for grants and aids to individuals and organizations, including those for the Medical Assistance (MA) Program, a \$333.5 million increase in shared revenue payments to county and other local governments, and a \$157.6 million increase in tax relief. These increases were partially offset by a decrease of \$488.6 million in education expenditures due to a decrease in federal expenditures, and a decrease of \$525.0 million for a one-time payment that was made in FY 2023-24 to the Wisconsin Housing and Economic Development Authority to establish and administer revolving loan programs.

## Transportation Fund

***On a GAAP basis, the total fund balance of the Transportation Fund decreased slightly but remained at \$2.0 billion as of June 30, 2025.***

On a GAAP basis, the total fund balance of the Transportation Fund decreased slightly but remained at \$2.0 billion as of June 30, 2025, as shown on page 46 of the ACFR. In the Management's Discussion and Analysis on page 32, DOA reported that the majority of the Transportation Fund's balance (97.4 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. In the Management's Discussion and Analysis on page 32, DOA reported that total revenues increased by \$54.4 million to a total of \$3.4 billion primarily as a result of increases in federal revenues. In addition, Transportation Fund expenditures increased by \$185.4 million to a total of \$3.3 billion in FY 2024-25.

## Long-Term Debt

***The State's long-term debt decreased from \$11.6 billion as of June 30, 2024, to \$10.9 billion as of June 30, 2025.***

On a GAAP basis, the State's long-term debt decreased by \$678.3 million from \$11.6 billion as of June 30, 2024, to \$10.9 billion as of June 30, 2025, as shown in the Management's Discussion and Analysis on page 35. The State repaid long-term debt in excess of new debt issuances during FY 2024-25, which resulted in the decrease in overall debt. As shown in the Management's Discussion and Analysis on page 35, \$1.8 billion in new general obligation bonds and notes were issued during FY 2024-25. This amount includes \$666.9 million for UW System academic facilities and \$403.0 million for transportation projects. The amount of outstanding

annual appropriation bonds as of June 30, 2025, was \$1.9 billion, and the amount of outstanding revenue bonds as of June 30, 2025, was \$2.0 billion.

## Unemployment Reserve Fund

*The Unemployment Reserve Fund's net position increased from \$1.9 billion as of June 30, 2024, to \$2.2 billion as of June 30, 2025.*

Wisconsin's Unemployment Insurance program is accounted for in the State's ACFR in the Unemployment Reserve Fund, which is administered by the Department of Workforce Development (DWD). The Unemployment Reserve Fund collects contributions made by employers that accumulate to make payments to certain employees who have lost their jobs. As shown on page 52 of the ACFR, the Unemployment Reserve Fund's net position increased from \$1.9 billion as of June 30, 2024, to \$2.2 billion as of June 30, 2025, or by \$228.1 million.

In the Management's Discussion and Analysis on page 33, DOA reported unemployment benefit payments increased from \$350.1 million for FY 2023-24 to \$359.7 million for FY 2024-25. DOA attributed this increase to an increase in the average unemployment rate from 2.9 percent during FY 2023-24 to 3.1 percent during FY 2024-25.

## University of Wisconsin System

*UW System's net position increased from \$6.7 billion as of June 30, 2024, to \$7.0 billion as of June 30, 2025, or by \$250.0 million.*

As required by s. 13.94 (1) (t), Wis. Stats., we performed a financial audit of UW System, which rebranded itself as the Universities of Wisconsin, for the year ended June 30, 2025 (report 25-32). UW System's financial statements are also presented in the State's ACFR. As shown on page 52 of the ACFR, UW System's net position increased from \$6.7 billion as of June 30, 2024, to \$7.0 billion as of June 30, 2025, or by \$250.0 million.

In Management's Discussion and Analysis on page 33, DOA reported operating revenues increased \$88.9 million to a total of \$4.6 billion. This increase was largely attributed to a \$100.0 million increase in other operating revenues that offset decreases in tuition and fees and grants and contracts revenues in FY 2024-25. DOA reported UW System's operating expenses increased \$427.6 million and totaled \$6.9 billion in FY 2024-25. Personnel costs were the largest component of UW System's operating expenses and totaled \$4.6 billion. As shown in the Management's Discussion and Analysis on page 33, DOA also reported \$1.1 billion in a general purpose revenue supplement from the General Fund during FY 2024-25.

## Findings Related to Internal Control over Financial Reporting

***We identified four significant deficiencies and one material weakness in internal control over financial reporting.***

We identified five internal control deficiencies during our audit that are required to be reported under *Government Auditing Standards*. Specifically, we identified four significant deficiencies in internal control at DOA and one material weakness in internal control at the Department of Transportation (DOT). 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. In comparison, a material weakness is a deficiency or 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 will not be detected and corrected on a timely basis. The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which begins on page 21, discusses each concern and includes the response from management of the responsible agency. The corrective action plans from agency management begin on page 40.

### Department of Administration

***We report three significant deficiencies in DOA's IT security related to insufficient reviews of documentation of access and insufficient IT policy exception procedures.***

Wisconsin Statutes assign DOA responsibility for the State's information technology (IT) services. Under s. 16.971 (2), Wis. Stats., DOA is required to work with executive branch agencies to establish IT policies, procedures, and planning processes. In addition, DOA is required to monitor adherence to these policies, procedures, and processes. We first made recommendations to DOA regarding the establishment of IT policies during our FY 2014-15 audit, ten years ago. In subsequent audits, we have recommended that DOA take steps to identify, assess, and address risks for the State's IT environment. Although DOA took some steps by June 30, 2025, to address our prior findings, we continued to identify significant deficiencies in DOA's IT security over the operations of the State's data center, including insufficient documentation of reviews of access (Finding 2025-001) and insufficient documentation of the IT policy exception process (Finding 2025-002). We recommend DOA take steps to address these deficiencies.

***DOA continued to be in noncompliance with Wisconsin Statutes that require it to provide oversight and monitoring of executive branch agency IT operations.***

In addition, during FY 2024-25, DOA continued to be in noncompliance with s. 16.971 (2), Wis. Stats., which requires DOA to provide oversight and monitoring of executive branch agency IT operations and adherence to the State of Wisconsin *IT Security Policy Handbook* and related standards (Finding 2025-003). DOA began execution of a monitoring plan to assess the accuracy of agency-reported information for certain IT security controls and in May and June 2025 met with each agency to review information to support agency-reported information. However, DOA did not document its assessment of whether the documentation it reviewed supported those controls were implemented.

***We recommend DOA report quarterly in 2026 to the Joint Legislative Audit Committee on the status of its efforts to provide oversight and monitoring of State agency IT operations in compliance with statutes.***

Given the connections among agencies in the State's network, IT weaknesses at one agency can affect IT security for other agencies. Therefore, it is important that DOA perform sufficient monitoring of executive branch agency adherence to the State of Wisconsin *IT Security Policy Handbook* and related standards and document the results of its monitoring steps. Because these audit concerns have not been fully resolved, there continues to be an increased risk that the State's IT systems are not being properly controlled. Although DOA has taken steps to address our concerns, given that these overall concerns have continued for several years, DOA should continue to take proactive corrective actions to implement the recommendations we made to provide oversight and monitoring of State agency IT operations in compliance with statutes and report quarterly in 2026 to the Joint Legislative Audit Committee on the status of its efforts to do so.

### **☑ Recommendation**

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*We recommend the Wisconsin Department of Administration report to the Joint Legislative Audit Committee by March 31, 2026; June 30, 2026; September 30, 2026; and December 30, 2026, on the status of its efforts to monitor agency compliance with the State of Wisconsin IT Security Policy Handbook and related standards.*

Finally, we continued to identify a significant deficiency in internal control related to DOA's reporting of interest earned on advanced federal funding. During our FY 2023-24 audit, we found that DOA did not correctly report the interest earnings on federal funding advanced to the State under the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) program. After we identified the error, DOA adjusted the financial statements to reflect the interest earnings as earned revenue, but in doing so misstated both unassigned and restricted fund balance. DOA disagreed with our finding and recommendations and did not make an adjustment to change the presentation of the General Fund fund balances as of June 30, 2024.

***We report a significant deficiency in internal control over financial reporting at DOA related to the reporting of interest earned on advanced CSLFRF funding.***

During our FY 2024-25 audit, we again identified that DOA incorrectly reported the interest earned on federal funding advanced to the State under the CSLFRF program. We recommend DOA review its existing procedures for financial reporting to ensure unearned revenue is appropriately reported and amounts are properly classified within the General Fund fund balance and correct the presentation of General Fund fund balance as of June 30, 2025 (Finding 2025-005).

During our FY 2024-25 audit, we again identified that DOA incorrectly reported the interest earned on federal funding advanced to the State under the CSLFRF program. First, although DOA correctly adjusted its calculation of unearned revenue for interest earned during FY 2024-25 on advanced CSLFRF funds, it did not adjust its calculation for interest earned prior to FY 2024-25 that remained in the appropriation used to account for the CSLFRF. Second, we again found that DOA did not correctly report the accumulated interest earnings on funding advanced to the State under the CSLFRF program by reporting the interest earnings as Fund Balance—Restricted. We recommended that

DOA review its existing procedures for financial reporting to ensure unearned revenue was appropriately reported and amounts were appropriately classified within the General Fund fund balance. We also recommended that DOA correct the presentation of General Fund fund balance as of June 30, 2025 (Finding 2025-005). DOA agreed with our recommendation to review its existing procedures for financial reporting, but DOA disagreed with our recommendation to correct the presentation of the General Fund fund balance as of June 30, 2025, and DOA did not make an adjustment. DOA’s corrective action plan, and our rebuttal, can be found beginning on page 44.

### **Department of Transportation**

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

We identified a material weakness in internal control related to financial reporting for infrastructure capital assets at DOT (Finding 2025-004). For FY 2024-25, DOT increased infrastructure capital assets by \$896.5 million as a result of alterations it made to assumptions used in the infrastructure capital assets estimation methodology without fully considering relevant GASB requirements for financial reporting under the modified approach. We recommended that DOT identify and document within its accounting procedures the historical basis of the established infrastructure capital assets estimation methodology, consider this methodology when proposing alterations, document its analysis prior to making alterations, and consider financial reporting standards to correctly determine how any proposed alterations should be shown for financial reporting.

### **Federal Funding for the Public Health Emergency**

***Federal legislation to address the public health emergency provided additional federal funding to Wisconsin.***

In March 2020, the federal government and the State declared a public health emergency in response to COVID-19. In response to the public health emergency, the federal government enacted several pieces of legislation, including the American Rescue Plan Act (ARPA) of 2021. Under these federal laws, the State received additional federal funding for certain existing programs, including the MA Program, as well as funding under new programs, including the CSLFRF program.

As a condition of receiving federal funds, state agencies must meet the audit requirements of the federal Single Audit Act of 1984, as amended, and of the federal Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). We are currently performing this audit for FY 2024-25 and anticipate its issuance in spring 2026.

Although the public health emergency expired on May 11, 2023, which was prior to the beginning of FY 2024-25, state agencies continued to spend federal funding provided to address the public health emergency, and this funding affected financial reporting in

FY 2024-25. As part of our audit of the State’s ACFR, we reviewed and summarized information regarding the CSLFRF and the MA Program.

## Coronavirus State and Local Fiscal Recovery Funds

*The State was advanced a total of \$3.0 billion in funding under the CSLFRF program during FY 2020-21 and FY 2021-22.*

ARPA created the CSLFRF program to distribute money directly to state, local, tribal, and territorial governments. The State was advanced \$1.5 billion in May 2021, including \$205.8 million to be distributed to local governments; \$1.3 billion in May 2022; and \$205.8 million in June 2022 to be distributed to local governments. The CSLFRF funding included certain stipulations, including that the funds must be used to:

- respond to the public health emergency or its negative economic impacts;
- respond to the needs of workers performing essential work during the public health emergency;
- provide government services to the extent revenue losses due to the public health emergency reduced revenues; and
- make necessary investments in water, sewer, or broadband infrastructure.

In December 2022, the Consolidated Appropriations Act, 2023, expanded the existing eligible uses of CSLFRF funding to allow the funding to be used to:

- provide emergency relief from natural disasters or the negative economic impacts of natural disasters;
- invest in community development in line with the U.S. Department of Housing and Urban Development (HUD) community development block grant; and
- invest in surface transportation infrastructure in line with certain U.S. Department of Transportation (U.S. DOT) programs.

Further, federal regulations stipulate that eligible expenditures must be “incurred” between March 3, 2021, and December 31, 2024, and be expended by September 30, 2026, for the investments in HUD and U.S. DOT programs, and through December 31, 2026, for all other eligible uses.

In November 2023, an interim final rule from the U.S. Department of the Treasury (U.S. Treasury) was published to amend the definition of obligation with respect to the CSLFRF program. The new interim final rule did not change requirements related to “obligation” periods. However, the new interim final rule provided that an obligation exists

as of December 31, 2024, for requirements under federal law or regulation that a recipient is subject to as a result of receiving or expending CSLFRF funding. For example, the U.S. Treasury interim final rule allows the State to use CSLFRF funds to pay for its costs to prepare quarterly reporting to the U.S. Treasury and to meet other federal requirements with respect to administration of the funding.

***During FY 2024-25, \$458.6 million in expenditures at 21 state entities was incurred and paid by the CSLFRF.***

As shown in Table 2, DOA reported that \$458.6 million in expenditures at 21 state entities was incurred and paid by the CSLFRF during FY 2024-25. The majority of the CSLFRF activity was recorded in the General Fund. According to amounts reported by DOA in the State’s accounting system, the largest total expenditures were incurred by DOA, the Department of Children and Families (DCF), DWD, and the Department of Health Services (DHS).

Table 2  
**Expenditures Incurred and Paid by the  
 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)<sup>1</sup>**  
 FY 2024-25

	Expenditures	Percentage of Total
Department of Administration	\$ 169,119,708	36.9%
Department of Children and Families	131,005,044	28.6
Department of Workforce Development	46,334,129	10.1
Department of Health Services	38,137,134	8.3
Public Service Commission	20,905,601	4.6
Department of Justice	13,940,091	3.0
Department of Natural Resources	5,587,885	1.2
Department of Agriculture, Trade and Consumer Protection	5,486,536	1.2
District Attorneys	5,208,058	1.1
State Public Defender	4,837,693	1.1
Other Agencies <sup>2</sup>	18,007,755	3.9
<b>Total</b>	<b>\$458,569,634</b>	<b>100.0%</b>

<sup>1</sup> As reported by DOA in the State’s accounting system for the fiscal year ended June 30, 2025.

<sup>2</sup> Includes 11 other state entities that had expenditures between \$93,394 and \$3.6 million.

***In FY 2024-25, DOA expended \$169.1 million in CSLFRF funds.***

DOA expended a total of \$169.1 million in CSLFRF funds in FY 2024-25 to administer a number of grant programs to assist local governments, and businesses negatively affected by the public health emergency. DOA provided:

- \$49.9 million under the Neighborhood Investment Fund program to help neighborhoods disproportionately affected by the public health emergency to recover from its negative effects;
- \$29.8 in funding for four community development projects, including Bronzeville Center for the Arts, Janesville Sports and Convention Center, Green Bay National Railroad Museum, and Milwaukee Iron District; and
- \$17.9 million under the Diverse Business Assistance Grants program, which provides grants to chamber of commerce and nonprofit organizations to assist small businesses owned by members of communities that have been disproportionately affected by the public health emergency.

***In FY 2024-25, DCF reported \$131.0 million in expenditures funded by the CSLFRF.***

According to DOA’s records in the State’s accounting system, DCF reported \$131.0 million in expenditures funded by the CSLFRF. This included \$123.0 million under the Child Care Counts program to provide funding to assist child care centers in increasing access and funding for workforce recruitment and retention.

***In FY 2024-25, DWD reported \$46.3 million in expenditures funded by the CSLFRF.***

According to DOA’s records in the State’s accounting system, DWD reported \$46.3 million in expenditures funded by the CSLFRF, including \$31.1 million under the Workforce Innovation Program, which provided funding designed to allow local and tribal governments and nonprofit organizations to develop solutions to workforce challenges.

***In FY 2024-25, DHS reported \$38.1 million in expenditures funded by the CSLFRF.***

According to DOA’s records in the State’s accounting system, DHS reported \$38.1 million in expenditures funded by the CSLFRF. This included \$21.5 million to assist local governments with response and recovery.

***As of June 30, 2025, \$380.1 million in CSLFRF funds remained to be expended.***

The \$380.1 million in remaining CSLFRF funds is reflected in Cash and Cash Equivalents and Unearned Revenue in the General Fund Balance Sheet as of June 30, 2025. As of December 9, 2025, and according to DOA’s records in the State’s accounting system, an additional \$50.9 million in expenditures was funded by the CSLFRF. This leaves a remaining balance of \$329.2 million as of December 9, 2025.

## Medical Assistance Program

***From FY 2021-22 through FY 2024-25, DHS received an additional \$404.1 million in federal funds under the MA Program, as allowed under ARPA.***

From FY 2021-22 through the end of FY 2024-25, DHS claimed and received an additional \$404.1 million in federal funds, under the MA Program, as allowed by Section 9817 of ARPA. These claims were calculated based upon a 10.0 percent increase in the Federal Medical Assistance Percentage (FMAP), which is the percentage of MA Program expenditures the federal government will fund, for certain home and community-based services provided to participants during the period April 1, 2021, through March 31, 2022. Federal regulations require that the funds derived from the increased FMAP be reinvested in the MA Program and be used to implement or supplement home and community-based services to participants. As reported in the General Fund financial statements, DHS reinvested \$384.3 million through June 30, 2025, and reinvestment of the remaining \$19.8 million will need to occur prior to December 31, 2025. At that time, any unexpended balance is required to be returned to the federal government. Because of the reinvestment requirement, the receipt of these funds does not result in general purpose revenue savings.

As of September 2025, DHS reported to the Joint Committee on Finance that it projected a \$144.1 million general purpose revenue deficit in the Medical Assistance budget for the 2025-27 biennium.

## Other Matters of Interest

During our audit work, we identified certain other matters of interest related to the State's FY 2024-25 activities. These matters include interest earnings on advanced CSLFRF funds, opioid settlement funds, the Unemployment interest and penalty account, fringe benefit variance accounts, the Local Government Fund, and noncompliance in deposits to the Bond Security and Redemption Fund. We will follow up on the status of these matters, as appropriate, during our FY 2025-26 audit.

## CSLFRF Interest Earnings

***As of June 30, 2025, the State has reported \$177.5 million in interest earnings on the CSLFRF funding advanced to the State.***

As noted, the State was advanced a total of \$3.0 billion in CSLFRF funds. Because funding was advanced to the State, it remains invested in the State Investment Fund, the State's short-term pool to invest excess cash balances, until such time as it is needed for expenditure. Through June 30, 2025, the State earned \$177.5 million in interest earnings. In FY 2025-26 and through November 30, 2025, the State earned an additional \$8.0 million in interest earnings for a total of \$185.5 million in interest earnings since the CSLFRF funding was advanced to the State.

According to U.S. Treasury guidance, the interest earned on CSLFRF funding is not subject to federal regulations regarding cash management and is not subject to any program restrictions. The U.S. Treasury's Office of the Inspector General staff indicated that the interest earnings may be expended on CSLFRF activities, non-CSLFRF activities, or both.

***Under s. 20.906 (1), Wis. Stats., all moneys paid into the treasury are to be credited to the general purpose revenues of the General Fund unless otherwise specifically provided by law.***

Under s. 20.906 (1), Wis. Stats., all moneys paid into the treasury are to be credited to the general purpose revenues of the General Fund unless otherwise specifically provided by law. Under s. 20.001 (2) (a), Wis. Stats., general purpose revenues consist of general taxes, miscellaneous receipts, and revenue collected by state agencies that are paid into a specific fund, lose their identity, and are then available for appropriation by the Legislature. DOA recorded the interest earnings in DOA's federal aid program revenue appropriation established under s. 20.505 (1) (mb), Wis. Stats. This appropriation was established to record all moneys received from the federal government to carry out the purposes for which the moneys were received. However, the interest earnings on the CSLFRF funding were not received from the federal government, and there are no program restrictions on its use. Therefore, these receipts should be reported as general purpose revenues in compliance with s. 20.906 (1), Wis. Stats.

***During our FY 2022-23 audit, we first reported that DOA had recorded the interest earnings in its federal aid program revenue appropriation, and we recommended DOA record the interest earnings as general purpose revenue subject to appropriation.***

During our FY 2022-23 audit (report 23-26), we reported that DOA had recorded interest earnings on CSLFRF funds in its federal aid program revenue appropriation, and we recommended DOA record the interest earnings on the CSLFRF funding as general purpose revenues subject to future appropriation. In addition, we recommended DOA review how it records interest earnings for other federal programs with advanced funding and record the interest earnings as general purpose revenues subject to appropriation when there are no federal cash management requirements or program restrictions on the funding; document procedures for evaluating interest earnings on advanced federal funding to ensure it is recorded in compliance with s. 20.906 (1), Wis. Stats.; and work with the State Controller's Office to update the *Wisconsin Accounting Manual* to provide guidance regarding how to record interest earnings on federal grant programs. DOA disagreed with the finding concerning the recording of the interest earnings. In December 2023, DOA indicated that it had requested that the U.S. Treasury provide further guidance regarding this issue and would reevaluate its position upon receiving that guidance.

***DOA disagreed with our prior audit recommendations and did not record the interest earnings as general purpose revenue subject to appropriation.***

During our FY 2023-24 audit (report 24-23), we followed up on the status of DOA's efforts to address our concerns. DOA continued to record interest earnings on CLSFRF funds in its federal aid revenue appropriation. DOA indicated that it evaluated how it records interest earnings for other federal programs with advanced funding; documented its procedures for evaluating interest earnings on advanced federal funding; and worked with the State Controller's Office to update guidance in the *Wisconsin Accounting Manual* regarding how to record interest earnings on federal grant programs. DOA further indicated that it did not receive a response from the U.S. Treasury to DOA's inquiry and it was no longer seeking guidance from the U.S. Treasury. We again recommended that DOA record interest earnings on the CSLFRF funding as general purpose revenue subject to future appropriation and continue to work with the State Controller's Office to complete the updates to the *Wisconsin Accounting Manual* to provide guidance regarding how to record interest earnings on federal grant programs. DOA again disagreed with the finding concerning the recording of the interest earnings, but agreed with the recommendation to continue its work with the State Controller's Office to update the *Wisconsin Accounting Manual* to

provide guidance regarding how to record interest earnings on federal grant programs.

***2025 Wisconsin Act 15 included provisions for the transfer of interest earnings to other appropriations.***

During our FY 2024-25 audit, we found that DOA continued to record interest earnings on CSLFRF funds in its federal aid program revenue appropriation. 2025 Wisconsin Act 15, the 2025-2027 Biennial Budget Act enacted and published on July 3, 2025, included provisions for transfers of CSLFRF interest earnings from DOA’s federal aid appropriation to other appropriations, including a transfer of \$1.0 million to UW System’s federal aid appropriation in FY 2025-26, a transfer of \$50.0 million to the Capital Improvement Fund in FY 2025-26 for grants for local construction projects, and a transfer of \$110.0 million to DCF for child care-related payments in FY 2025-26. Under Act 15, any interest earnings remaining after those transfers are to be transferred to DCF for the child care center teacher-student ratio pilot project. All interest earnings are to be transferred by July 1, 2027.

During our FY 2024-25 audit, we also found that the *Wisconsin Accounting Manual* was not updated to provide guidance regarding how to record interest earnings on federal grant programs. DOA should incorporate this guidance into the *Wisconsin Accounting Manual*.

**☑ Recommendation**

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*We recommend the Wisconsin Department of Administration:*

- *complete the updates to the Wisconsin Accounting Manual to provide guidance regarding how to record interest earnings on federal grant programs; and*
- *report to the Joint Legislative Audit Committee by February 13, 2026, on the status of its efforts.*

**Opioid Settlements**

In an effort to recoup state and local funds that have been used in combating the national opioid epidemic, there have been nationwide lawsuits against manufacturers, distributors, and other relevant corporations for their role in the epidemic. Wisconsin is one of many states that took part in these lawsuits.

***Wisconsin has signed 12 opioid settlement agreements.***

As of June 30, 2025, Wisconsin has signed 12 settlement agreements related to the national opioid lawsuits. Additional settlement agreements may be finalized in future years. In exchange for the settlement funds, Wisconsin has released these companies from further litigation.

***As of June 30, 2025, DHS has received \$97.0 million from opioid settlement agreements and expended \$30.9 million.***

As of June 30, 2025, a total of \$97.0 million has been received through these 12 agreements and \$30.9 million has been expended by DHS. Although each settlement agreement has its own timeline, these payments generally occur on an annual basis over many years. DHS recorded a receivable of \$173.5 million for expected future payments

from the settled cases. The amounts received from the settlement agreements are restricted for use on programs that will provide support across the continuum of prevention, harm reduction, treatment, and recovery.

In accordance with 2021 Wisconsin Act 57, for opioid settlement agreements under the National Prescription Opiate Litigation, Case No. MDL 2804, DHS will be paid 30.0 percent of opioid settlement funds awarded to Wisconsin and the remaining 70.0 percent will be paid to the local governments in Wisconsin that participated in the litigation. Of the total \$97.0 million that has been received from all settlement agreements, \$76.7 million has been received through settlement agreements under this case as of June 30, 2025. DHS reports quarterly to the Joint Finance Committee regarding the use of funds under the settlement agreements for this case.

### **Unemployment Interest and Penalty Account**

*There was a deficit balance of \$41.9 million in the unemployment interest and penalty account in the General Fund as of June 30, 2025.*

During FY 2021-22, the Unemployment Reserve Fund received reimbursement totaling \$69.8 million from the interest and penalty account in the General Fund, which is a program revenue appropriation established under s. 20.445 (1) (gd), Wis. Stats. As allowed under 2019 Wisconsin Act 185, this amount was received for a portion of benefit payments made during the public health emergency to former employees of reimbursable employers, which are employers such as the State of Wisconsin that reimburse benefits paid by the Unemployment Reserve Fund for its former employees. As of June 30, 2025, the interest and penalty account in the General Fund was in a deficit, or overdraft, position of \$41.9 million. In a plan submitted to DOA, DWD reported that, based upon a review of the annual historical net revenues received into this account, it will take approximately 15 years before the overdraft will be eliminated.

### **Fringe Benefit Variance Accounts**

In processing payroll, DOA is responsible for deducting amounts from employee's paychecks for health insurance benefits. The Department of Employee Trust Funds (ETF) bills DOA for these amounts and for the employer share of health insurance premiums. When certain changes in benefits occur, such as a new hire, a termination, or a change in benefit type, there can be a timing difference between the amount deducted from an employee's paycheck and the employer's share of those benefits, and what ETF bills the agency for these amounts. In these cases, DOA pays the amount billed by ETF and charges the fringe benefit variance account for the amount billed for the employee.

DOA is responsible for reviewing the balance in variance accounts and working with state agencies to research and resolve the variances. Although it would not be unexpected to have a balance in the health insurance fringe benefit variance account, the balance would be expected to be resolved in a timely manner. However, as we first reported in our FY 2020-21 audit (report 21-23), balances in the

health insurance fringe benefit variance account had been steadily increasing since 2016, when the State implemented STAR HCM, which is the State's payroll system.

***The balance in the health insurance fringe benefit variance account increased from \$10.6 million as of June 30, 2024, to \$18.0 million as of June 30, 2025.***

We reported in our FY 2023-24 audit (report 24-23) that the balances in the health insurance fringe benefit variance account had decreased to \$10.6 million as of June 30, 2024. However, the balance in the health insurance fringe benefit variance account increased to a balance of \$18.0 million as of June 30, 2025. DOA indicated that there are ongoing efforts to resolve the variance. It is important that DOA address the variance as it will become increasingly more difficult to resolve over time. We note that a similar fringe benefit variance account exists for life insurance, which had a balance of \$3.1 million as of June 30, 2025.

### **Noncompliance Related to the Local Government Fund**

***During FY 2024-25, DOA did not make statutorily required transfers to the Local Government Fund in a timely manner.***

As noted in report 25-11, we found DOA did not make required transfers from the General Fund to the Local Government Fund during FY 2024-25 in accordance with timelines established in statutes and, as a result, DOA exceeded its statutory authority in temporarily making cash available to the Local Government Fund in November 2024 when there were insufficient balances to cover expenditures. In June 2025, we recommended that DOA review and update its procedures for monitoring statutorily required transfers.

### **Noncompliance in Deposits to the Bond Security and Redemption Fund**

***As of November 2025, UW-Madison had not deposited \$60,147 in the Bond Security Redemption Fund as it was statutorily required to do following a 2017 property sale.***

During our FY 2024-25 audit, we identified that UW-Madison did not deposit in the State's Bond Security and Redemption Fund any of the proceeds from a July 2017 property sale until September 2024. UW-Madison was required to do so under s. 36.335, Wis. Stats., because the State had issued debt financed with general purpose revenue to improve the property prior to the sale.

At the time of the sale, the remaining principal and interest payments on the debt outstanding totaled \$68,234. However, as of November 2025, \$60,147 remained to be deposited by UW-Madison. According to UW-Madison staff, it was not aware that the debt was funded with general purpose revenue until November 2025 and had instead deposited only \$8,087, which was the amount outstanding as of June 2024. We recommended that UW-Madison deposit the remaining \$60,147 to the State's Bond Security and Redemption Fund as statutorily required and take steps to improve. UW-Madison agreed with our findings and recommendations.

## Future Considerations

***UW System implemented a new enterprise resource planning system, which will affect financial reporting for FY 2025-26.***

As noted in report 25-32, UW System implemented a new cloud-based enterprise resource planning system, on July 7, 2025. With the implementation of the new system, significant changes will be necessary for UW System Administration to complete financial reporting for FY 2025-26. UW System Administration indicated it will begin planning for the compilation process in early 2026. In addition, the new system will also be used to meet federal regulations for UW System grant programs audited for the FY 2025-26 single audit.

Because UW System is part of the State's financial reporting entity, it must meet timelines established by DOA related to the compilation and preparation of the State's FY 2025-26 ACFR. UW System Administration will need to take steps to develop a new financial reporting compilation process that can be completed accurately soon after the fiscal year closes. For FY 2024-25, UW System Administration was late in submitting information for audit. However, for FY 2025-26, it will need to deliver information in time to allow audit work to be completed. UW System Administration will also need to work more closely with DOA during the FY 2025-26 financial reporting process, including proactively communicating to ensure UW System Administration does not delay DOA's financial reporting for the State of Wisconsin in December 2026.

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# Auditor's Report





22 East Mifflin Street, Suite 500  
Madison, Wisconsin 53703Main: (608) 266-2818  
Hotline: 1-877-FRAUD-17[www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)  
[AskLAB@legis.wisconsin.gov](mailto:AskLAB@legis.wisconsin.gov)

## 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, 2025, and have issued our report thereon dated December 17, 2025.

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025.

Our report includes a reference to other auditors who audited the financial statements of the Environmental Improvement Fund, the Deferred Compensation Fund, the Wisconsin Housing and Economic Development Authority, the University of Wisconsin (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 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 Deferred Compensation Fund, 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 on instances of reportable noncompliance and other matters associated with the Deferred Compensation Fund, the UW Hospitals and Clinics Authority, or the UW Foundation.

### Report on 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 as a basis for designing 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 of Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Wisconsin'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. 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 material weaknesses or significant deficiencies.

We consider the deficiency included in the accompanying Findings and Responses Schedule, as Finding 2025-004, to be a material weakness. We consider the deficiencies described in the accompanying Findings and Responses Schedule, as Findings 2025-001 through 2025-003, and 2025-005 to be significant deficiencies.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of Wisconsin'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 financial statements. 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**

*Government Auditing Standards* require the auditor to perform limited procedures on the agency-specific written response to the findings identified in the audit and described in the accompanying Findings and Responses Schedule. The corrective action plans begin on page 40. The responses and corrective action plans were not subjected to other 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 of Wisconsin'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

*Legislative Audit Bureau*

December 17, 2025

## FINDINGS AND RESPONSES SCHEDULE

This schedule includes five deficiencies in internal control over financial reporting. We consider one deficiency to be a material weakness and four deficiencies 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*. Repeat findings from report 24-23 are indicated with an asterisk (\*).

### **Finding 2025-001: Department of Administration Information Security Access Review Process\***

#### ***Background:***

Under s. 16.971 (2), Wis. Stats., the Department of Administration (DOA) is responsible for the State's information technology (IT) services, including ensuring that all state data-processing facilities develop and implement proper privacy and security procedures and safeguards. DOA's Division of Enterprise Technology (DET) operates data centers to provide a variety of services to state agencies, including managing servers and the mainframe for DOA and other executive branch agencies and maintaining DOA-related systems. DOA also performs programming and security functions at its data centers, including maintaining the infrastructure for STAR, which is the State's enterprise resource planning system that includes accounting, payroll, and purchasing functions used by most state agencies.

We have reported concerns related to DOA-managed access reviews since our fiscal year (FY) 2015-16 audit, and have made recommendations to DOA to review access, update access based on the reviews, and retain documentation of such reviews. For FY 2021-22, we reported a significant deficiency in internal control over financial reporting related to a lack of access reviews, and we recommended that DOA develop and complete a process to perform access reviews in accordance with the State of Wisconsin *IT Security Policy Handbook* and associated standards (report 22-26). DOA agreed with our recommendation and timeline for implementing corrective action by June 30, 2023.

In FY 2022-23, DOA developed access review procedures but did not complete access reviews. We again reported a significant deficiency in internal control over financial reporting, and we recommended that DOA perform access reviews by June 30, 2024 (report 23-26). DOA agreed with our recommendation and timeline for implementing corrective action.

In FY 2023-24, DOA performed one access review for mainframe privileged accounts but could not provide documentation that it performed an access review for non-privileged mainframe accounts, and DOA did not complete access reviews for active directory accounts or other types of accounts DOA manages. We again reported a significant deficiency in internal control over financial reporting and recommended that DOA complete access reviews for active directory accounts by December 30, 2024, complete access reviews for mainframe accounts by June 30, 2025, establish a plan by December 30, 2024, for how it will complete access reviews for other types of accounts, and update access review procedures by December 30, 2024, to include a process for managing the intake of access reviews and an escalation process (report 24-23). DOA agreed with our recommendations and agreed to implement corrective action during FY 2024-25.

#### ***Criteria:***

National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53 revision 5, *Security and Privacy Controls for Information Systems and Organizations*, indicates that the need for certain assigned user privileges may change over time to reflect changes in organizational mission and business functions, environments of operation, technologies, or threats. A periodic review of

assigned user privileges is necessary to determine if the rationale for assigning such privileges remains valid. DOA adopted NIST 800-53 when establishing the State of Wisconsin *IT Security Policy Handbook* and related standards, including the Access Control Standard, which states that the privileges assigned to roles or classes of users must be reviewed to validate the need for such privileges.

An effective access review process contains the following key elements:

- identification of all user accounts, both non-privileged and privileged, that should be reviewed;
- a timeline to review identified user accounts within appropriate time frames;
- approval of each user account's access by staff at an appropriate level within the entity who understand the user's access requirements; and
- a process to validate that access changes resulting from the review were completed.

The DOA and DOA Supported Access Review Process (Access Review Process) and the Access Review Plan—Other Types of Accounts (Access Review Plan) indicate that DOA system owners and supervisors shall review account usage at least annually for individual standard account access granted to all employees and at least every six months for privileged accounts, such as administrator accounts, that have high-level access for managing systems.

In addition, it is important that responsibilities for the access review process are communicated to the appropriate entity staff and that sufficient and appropriate documentation is maintained in order to assess the results of the access reviews. According to the Access Review Process, the DET Bureau of Security Audit and Compliance team is responsible for ensuring system owners and supervisors complete access reviews and for maintaining documentation of access reviews performed.

**Condition:**

In our review of a selection of 12 access reviews that were performed by DOA during FY 2024-25, we found DOA did not document these reviews in a manner that consistently provided sufficient and appropriate evidence that the access review process was completed effectively. For example, we found:

- four access reviews for which DOA's documentation indicated that supervisors attested to their own access;
- seven access reviews for which there was no DOA documentation to indicate that supervisors or systems owners reviewed all user access or if any access changes were required as a result of their review; and
- eight access reviews for which there was no DOA documentation to demonstrate that necessary access changes identified as a result of the review were made.

We also found that the access reviews DOA performed during FY 2024-25 did not include vendors or agency staff who had privileged access through user accounts managed by DOA. In addition, we found that privileged access remained in place for one user who left state service prior to FY 2024-25.

**Context:**

We reviewed the State of Wisconsin *IT Security Policy Handbook* and related standards, reviewed the Access Review Process, reviewed the Access Review Plan, and made inquiries of key DOA staff to gain an understanding of the process for reviewing access and to assess progress DOA made in addressing our FY 2023-24 recommendations. We reviewed DOA's documentation for non-privileged and privileged access reviews performed by DOA during FY 2024-25.

**Questioned Costs:**

None.

**Effect:**

Access reviews are important to ensure access remains appropriate based on user responsibilities and the principle of least privilege, which requires restricting the access privileges of users to the minimum necessary to accomplish assigned tasks. Without sufficient and appropriate documentation, DOA cannot be assured that access reviews were completed effectively, and DOA did not have information available to allow it to assess the results of the access review process. Because DOA hosts and supports a significant number of executive branch agency systems at its data centers, users with inappropriate access have the opportunity to negatively affect the computing resources and data of all agencies with resources connected to the DOA network environment.

**Cause:**

Since DOA began developing its access review process in FY 2022-23, the access reviews performed in FY 2024-25 were the first to include all types of accounts. DOA staff stated they identified issues when completing access reviews, such as determining how to obtain access reports and identifying the appropriate staff to review access. DOA staff indicated that some DOA application owners were not aware of their responsibility to perform an access review for their application. In our review of DOA's documentation of access reviews for FY 2024-25, we also observed communications from supervisors and system owners to the DET Bureau of Security Audit and Compliance team indicating that they did not know how to develop, perform, and document the completion of an access review. Finally, DOA's access review procedures did not include a process to review vendor and agency privileged access through user accounts managed by DOA.

 **Recommendation**

*We recommend the Wisconsin Department of Administration:*

- *update existing access review procedures by December 30, 2025, to include all active user access and all types of accounts, including vendor accounts and agency staff accounts that have privileged access through user accounts managed by DOA;*
- *update existing access review procedures to clearly define documentation requirements to ensure all accounts are reviewed and to ensure sufficient and appropriate documentation of each review is created and maintained;*
- *provide guidance to individuals completing access reviews on the requirements for developing, performing, and documenting the completion of an access review; and*
- *monitor the access review process by obtaining and reviewing documentation of access reviews to ensure compliance with access review procedures.*

**Type of Finding:** Significant Deficiency

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

## Finding 2025-002: Department of Administration Information Technology Security Policy Exception Process\*

### **Background:**

Under s. 16.971 (2), 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. Statutes also require DOA to provide oversight and monitoring of state agency IT operations. DET operates data centers to provide a variety of services to state agencies, including managing the mainframe for all executive branch agencies, managing servers for DOA and other executive branch agencies, and maintaining DOA-related systems.

In FY 2018-19, DOA implemented the State of Wisconsin *IT Security Policy Handbook*, which includes policies for IT security and the related standards. Executive branch agencies are expected to comply with these policies and standards or obtain an approved exception to a policy or standard if compliance cannot be achieved. An exception is a known deviation from policies in the *IT Security Policy Handbook* and related standards. For example, DOA may approve an exception to allow an agency to deviate from an established IT security policy, such as a password policy. In May 2024, DOA implemented the IT Security Control Exception Plan, which outlines the requirements agencies must follow for identification and documentation of security control exceptions. In developing this plan, DOA established a risk register by assessing the controls identified in the *IT Security Policy Handbook* and assigning a score to each control based on the risk impact and risk likelihood if the control is either partially implemented or not implemented. Further, in June 2024 DOA published a risk assessment plan, which included consideration of the risks related to known deviations from the policies in the *IT Security Policy Handbook* and related standards.

In our FY 2018-19 audit, we first reported concerns with the process for requesting an exception, and we recommended that DOA improve its process (report 19-30). For FY 2021-22, we first reported a significant deficiency in internal control over financial reporting directly related to the exception process, and we again recommended that DOA improve its process (report 22-26). DOA agreed with our recommendations, including the timeline for implementing corrective action. For FY 2022-23, we again reported a significant deficiency in internal control over financial reporting, and we recommended that DOA develop a plan and begin to identify and document exceptions by April 30, 2024 (report 23-26). DOA agreed with our recommendation, including the timeline for implementing corrective action. For FY 2023-24, we again reported a significant deficiency in internal control over financial reporting related to the exception process, and we recommended that DOA obtain and document by December 30, 2024, its review of exception documentation plans for those controls that pose the highest risk if not implemented, and develop and execute a strategy for identifying and reviewing agency-specific exception documentation for other controls (report 24-23). DOA agreed with our recommendations, including the timeline for implementing corrective action.

### **Criteria:**

The compliance section of the *IT Security Policy Handbook* states that if compliance with particular policies or related standards is not feasible or technically possible, or if a deviation from a policy or standard is justifiable to support a business function, agency representatives can request an exception through the exception procedures established by the DOA Bureau of Security. Further, the Security Policy and Standards Review and Maintenance section of the *IT Security Policy Handbook* indicates that the DOA Bureau of Security is responsible for coordinating the review and tracking of exception requests to executive branch agency IT security policies and standards. In accordance with best practices, an effective exception process contains the following key elements:

- identification of situations where established processes or configurations do not comply with established policies;

- a process to report exceptions to these policies by agency staff at an appropriate level within the agency;
- an assessment of the requested exception, including consideration of the risks to the agency of authorizing the exception and of the potential to implement compensating controls;
- approval of exceptions by staff at an appropriate level within the agency that understand the policies and risks; and
- regular review of approved exceptions, such as annually, to ensure risks remain acceptable and to consider if changes can be made to alleviate the need for an exception.

In addition, it is important that documentation of exception requests and approvals be created and maintained and that the responsibilities for the exception process are appropriately communicated.

***Condition:***

DOA did not take adequate steps to improve the exception process during FY 2024-25. Although DOA indicated it obtained and reviewed agency specific exception documentation plans for the controls that pose the highest risk if not implemented, DOA did not provide us with these plans or with evidence of its review. In addition, DOA did not consistently document its assessment of the risk of agency controls that were not implemented. DOA also did not effectively track exceptions and manage exception documentation. For example, the tracking spreadsheets and exception documentation maintained by DOA did not include all controls that pose the highest risk if not implemented and that executive branch agencies indicated were not actually implemented.

During our FY 2024-25 audit, we found that DOA did not update its IT Security Control Exception Plan to include a strategy for identifying and addressing moderate- and low-risk IT security controls that were determined to be not implemented. In addition, in Finding 2025-003, we again make recommendations for DOA to improve agency oversight and monitoring processes, which includes an effective exception process.

***Context:***

We reviewed the *IT Security Policy Handbook* and related standards, reviewed the IT Security Control Exception Plan, made inquiries of DOA staff regarding updates made to the exception process, and reviewed requested and approved exception documentation.

Because DOA hosts and supports a significant number of executive branch agency systems at its data centers, IT weaknesses at one agency can affect IT security for other agencies.

***Questioned Costs:***

None.

***Effect:***

Without a strong information security exception process, DOA does not have an appropriate awareness of which policies are not being followed and by which agencies. As a result, weaknesses in the overall security in the state network may not be identified or corrected.

**Cause:**

DOA staff indicated that they did not obtain formally documented exception plans from executive branch agencies and instead these plans were documented in informal meeting summaries. In addition, DOA's process to manage IT security control exceptions is manual and involves multiple tracking spreadsheets. DOA staff indicated a lack of access to a governance, risk, and compliance (GRC) tool for tracking exception requests made it difficult to effectively and efficiently track exceptions. In July 2025, DOA issued a request for proposal for a GRC tool, and in October 2025 was in the process of selecting a vendor.

DOA staff indicated that the IT Security Control Exception Plan was not updated to include a strategy for identifying and addressing moderate- and low-risk IT security controls that were determined to be not implemented because additional time was needed to complete the review of the controls that pose the highest risk if not implemented.

**☑ Recommendation**

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*We recommend the Wisconsin Department of Administration:*

- *update its IT Security Control Exception Plan by February 27, 2026, to include a strategy and timeline for identifying and evaluating the risks related to all controls that were determined to be not implemented; and*
- *comply with the IT Security Policy Handbook and track controls that are not implemented, including the status of all exception requests.*

**Type of Finding:** Significant Deficiency

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

## **Finding 2025-003: Department of Administration Information Technology Oversight and Monitoring Responsibilities\***

### ***Background:***

DOA is responsible for the State's IT services, including providing oversight and monitoring of executive branch agency IT operations. Ten years ago, and during our FY 2014-15 audit, we first recommended that DOA develop and implement executive branch agency IT policies and standards and provide oversight and monitoring of executive branch agencies' IT operations. During subsequent audits, we recommended that DOA take steps to identify, assess, and address risks to the State's IT environment. These steps were to include completion of a comprehensive risk management program across all executive branch agencies. DOA has taken steps including:

- implementing in FY 2018-19 the State of Wisconsin *IT Security Policy Handbook*, which includes policies for IT security and related standards with which executive branch agencies are expected to comply;
- implementing and configuring in FY 2021-22 a new vulnerability management tool;
- performing vulnerability scans in FY 2022-23;
- publishing an annual dashboard of executive branch agency compliance with the *IT Security Policy Handbook* and related standards based on information self-reported by executive branch agencies since FY 2022-23;
- establishing a risk register in FY 2023-24 by assessing the controls identified in the *IT Security Policy Handbook* and assigning a score to each control based on the risk impact and risk likelihood if the control is either partially implemented or not implemented;
- communicating in FY 2023-24 to executive branch agencies an Information Security Continuous Monitoring (ISCM) plan to monitor executive branch agency adherence to the *IT Security Policy Handbook* and related standards; and
- publishing in June 2024 a risk assessment plan, which included consideration of the risks related to known deviations from the policies in the *IT Security Policy Handbook* and related standards, as well as risks related to vulnerability assessments and penetration tests.

For FY 2021-22, we reported a significant deficiency in internal control over financial reporting because DOA did not establish a plan for important monitoring steps, such as analyzing the effectiveness of the procedures established by executive branch agencies. We recommended that DOA improve its monitoring programs and update its risk assessment program (report 22-26). DOA agreed with our recommendations, including the timeline for implementing corrective action. For FY 2022-23, we again reported a significant deficiency in internal control over financial reporting related to DOA's oversight and monitoring, and we recommended that DOA improve its monitoring program and update its risk assessment program (report 23-26). DOA agreed with our recommendations, including the timeline for corrective action. For FY 2023-24, we again reported a significant deficiency in internal control over financial reporting related to DOA's oversight and monitoring and recommended that DOA document its assessment of agency-reported information for controls that pose a higher risk if not implemented, and document its evaluation of risk related to policy exceptions, vulnerability assessments, and penetration tests (report 24-23). DOA agreed with our recommendations and agreed to implement corrective actions during FY 2024-25.

**Criteria:**

Under s. 16.971 (2), Wis. Stats., DOA has responsibility for the administration of State IT services and is required to work with executive branch agencies to establish IT policies, procedures, and planning processes. Statutes also require DOA to monitor adherence to these policies, procedures, and processes. In addition, statutes require DOA to provide oversight and monitoring of executive branch agency IT operations, which includes 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 the development and maintenance of policies and programs to protect the privacy of individuals who are the subjects of information contained in the databases of agencies.

NIST SP 800-137, *ISCM for Federal Information Systems and Organizations*, indicates that ongoing monitoring is a critical part of an organization's risk management process. In addition, an organization's overall IT security architecture and accompanying security program should be monitored to ensure that organization-wide operations remain within an acceptable level of risk despite any changes that occur. In accordance with best practices, key steps in effective monitoring include:

- developing and communicating the policies, procedures, and standards that form the security framework;
- collecting information on the effectiveness of the policies, standards, and procedures;
- analyzing the information collected;
- responding to the results of the analysis; and
- reviewing and updating the monitoring program.

NIST SP 800-30, *Guide for Conducting Risk Assessments*, indicates that risk assessment is a key component of a holistic, organization-wide risk management process. Risk assessments address the potential adverse effects to organizational operations and assets, individuals, and other organizations, arising from the operation and use of information systems and the information processed, stored, and transmitted by those systems. In accordance with best practices, key steps in an effective risk assessment process include steps to prepare for the assessment, conduct the assessment, communicate assessment results, and maintain documentation of the assessment. In addition, risk assessments are not intended to be one-time activities, but are tools organizations employ on an ongoing basis throughout the system development life cycle and across all of the tiers in the risk management hierarchy. DOA adopted NIST SP 800-137 and NIST SP 800-30 into its ISCM plan and risk assessment plan.

**Condition:**

During our FY 2024-25 audit, we again found that DOA did not have sufficient oversight and monitoring in place to ensure executive branch agency adherence to the *IT Security Policy Handbook* and related standards. As part of the ISCM plan, DOA began execution of a monitoring plan to assess the accuracy of agency-reported implementation status information for those IT security controls that posed the highest risk if not implemented. In May and June 2025, DOA met with each agency to review supporting documentation. DOA maintained meeting summaries, but did not document its assessment of whether the documentation reviewed supported that the controls were implemented by each agency.

During our audit, we found that DOA did not update its ISCM plan to include a strategy to examine agency-reported information for IT controls that posed a moderate- or low-risk if not implemented. Further, DOA indicated it contracted with a third-party assessor to perform vulnerability assessments and penetration testing of the DOA data center environment on an annual basis. Although the vendor performed a vulnerability assessment and penetration test during FY 2024-25, DOA did not provide us with sufficient and appropriate documentation of its evaluation of the risks identified as a result of the vulnerability assessment or penetration test. Further, in Finding 2025-002, we again recommend DOA improve the information security policy exception process.

**Context:**

We reviewed the *IT Security Policy Handbook* and related standards, reviewed DOA's ISCM plan and risk assessment plan, and made inquiries of key DOA staff to gain an understanding of the process for oversight and monitoring and to assess progress DOA made in addressing our FY 2023-24 recommendations.

DOA has responsibility to provide oversight and monitoring of IT operations for executive branch agencies. Because DOA hosts and supports a significant number of executive branch agency systems at its data centers, IT weaknesses at one agency can affect IT security at other agencies.

**Questioned Costs:**

None.

**Effect:**

For FY 2024-25, DOA did not comply with s. 16.971 (2), Wis. Stats., which requires DOA to provide oversight and monitoring of executive branch agency IT operations and adherence to the *IT Security Policy Handbook* and related standards. State agencies rely on computer systems to complete critical functions, including processing checks, accounting for cash receipts, preparing financial statements, and administering federal grant programs. Insufficient monitoring of the State's IT environment can 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 *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 systems, or failure of systems. Further, an agency can face financial penalties and reputational damage when its confidential or sensitive data is compromised.

**Cause:**

DOA has a manual process to monitor agency-reported information. DOA staff further indicated resource constraints, combined with manual processes, resulted in the delay of its review of the agency-reported information for controls and of the supporting documentation. DOA indicated it remediated all identified vulnerabilities from the vulnerability assessment and penetration testing within 90 days of receiving the report and, therefore, did not document its evaluation of the risks.

**☑ Recommendation**

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*We recommend the Wisconsin Department of Administration comply with its statutory responsibilities to provide oversight and monitoring of executive branch agency adherence to the State's IT policies by:*

- *updating its Information Security Continuous Monitoring plan to include a strategy and timeline to examine and assess agency-reported information for controls that pose a moderate or low risk if not implemented;*
- *documenting by June 30 2026, its assessment of the accuracy of agency-reported information for those IT security controls that pose the highest risk if not implemented; and*
- *documenting by February 27, 2026, its evaluation of risks related to vulnerability assessments and penetration tests.*

**Type of Finding:** Significant Deficiency

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

## **Finding 2025-004: Financial Reporting for Changes to Infrastructure Capital Assets at the Wisconsin Department of Transportation**

### ***Background:***

The Wisconsin Department of Transportation (DOT) is responsible for administering transportation infrastructure projects throughout the State, including developing and maintaining roads and bridges. DOT also is responsible for compiling infrastructure capital assets and reporting them to DOA for inclusion in the State's ACFR. Infrastructure capital assets are separately reported in the State's government-wide Statement of Net Position and within the related note disclosures in the ACFR.

During FY 2001-02, DOT established the original infrastructure historical cost and developed an estimation methodology to determine how road and bridge construction expenditure projects should be treated for purposes of financial reporting under generally accepted accounting principles (GAAP). To determine which road and bridge project expenditures should be capitalized and which should be expensed for purposes of financial reporting, DOT used this estimation methodology for each year since FY 2001-02 with only minimal changes.

### ***Criteria:***

GAAP requires capital assets of governmental funds to be reported in the government-wide Statement of Net Position. This statement includes infrastructure capital assets, which DOT is responsible for compiling. Instead of reporting depreciation, DOT capitalized expenditures that improved roads and bridges and expensed maintenance and preservation costs under the modified approach permitted by GAAP.

The Governmental Accounting Standards Board (GASB) also establishes standards for changes that affect financial reporting. Specifically, GASB Statement Number 100, *Accounting Changes and Error Corrections*, defines accounting changes and prescribes the financial reporting and other disclosure requirements for each type of accounting change and for the correction of an error. Accounting changes include changes in assumptions used in an estimate methodology, such as those related to a change in circumstance, the availability of new information, or more experience, and are to be implemented prospectively. In contrast, corrections due to an error, which relate to information that should have been known, are recorded retrospectively through a prior period adjustment to the beginning balance of an account.

### ***Condition:***

For FY 2024-25, DOT adjusted its infrastructure capital asset estimation methodology by altering its assumptions regarding how existing project codes would be capitalized or expensed when reporting information for inclusion in the ACFR. We found that when making these alterations, DOT did not fully consider relevant GAAP requirements for financial reporting of infrastructure capital assets under the modified approach. Specifically, for FY 2024-25 DOT incorrectly capitalized costs related to two infrastructure project codes that had historically been expensed under its established estimation methodology. In addition, even had the alterations to the established estimation methodology been appropriate, DOT did not correctly determine that such alterations were required to be classified as a change in accounting estimate and did not apply the alterations prospectively for financial reporting as required under GASB Statement Number 100.

### ***Context:***

We reviewed DOT's established infrastructure capital asset estimation methodology, evaluated the alterations DOT made to it for FY 2024-25, and assessed the reporting of the alterations under GASB standards. Initially, we could not determine the appropriateness of how DOT reported the alterations because DOT did not provide a comprehensive summary of its rationale nor did DOT fully assess the

related reporting requirements of GASB Statement Number 100. In response to our request, DOT returned to its established estimation methodology for infrastructure capital assets for FY 2024-25.

**Questioned Costs:**

None.

**Effect:**

For FY 2024-25, DOT incorrectly reported a \$896.5 million increase in infrastructure capital assets because DOT applied retrospectively alterations it made to its assumptions for two project codes. When completing the assessment we requested, DOT subsequently determined that the modified approach to reporting infrastructure capital assets required that the two project codes be reported as an expenditure. As a result, DOT removed the \$896.5 million increase it initially reported.

**Cause:**

In response to a prior-year audit finding related to infrastructure data, DOT updated its procedures for preparing infrastructure information for financial reporting, including assessing certain assumptions. In doing so, DOT financial staff did not adequately consider how data submitted by DOT technical staff should be interpreted for financial reporting purposes. DOT financial staff also did not have the historical documentation to readily understand how certain project codes affected the established estimation methodology. Finally, DOT financial staff did not consider and sufficiently assess all relevant GASB standards for financial reporting of infrastructure capital assets under the modified approach.

**Recommendation**

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*We recommend the Wisconsin Department of Transportation:*

- *identify and document within its accounting procedures the relevant historical basis of the established infrastructure capital assets estimation methodology;*
- *document how each proposed alteration to the established infrastructure capital assets estimation methodology will comply with accounting standards; and*
- *ensure it adequately reviews applicable financial reporting standards before preparing financial information in order to correctly determine how any proposed alteration to its established infrastructure capital assets estimation methodology should be shown for financial reporting purposes.*

**Type of Finding:** Material Weakness

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

## **Finding 2025-005: General Fund Financial Reporting Errors\***

### ***Background:***

The DOA Bureau of Financial Management is responsible for preparing information related to DOA's financial activities and providing it to the DOA State Controller's Office to compile the General Fund financial statements, which are presented in the State's ACFR. This responsibility includes ensuring financial activity is accurately reflected in the financial statements in accordance with GAAP issued by GASB.

The State was advanced \$3.0 billion in funding under the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) program and has earned interest on these cash balances since May 2021. Through June 30, 2025, the State earned \$177.5 million in interest on advanced federal funding.

### ***Criteria:***

In the General Fund Statement of Revenues, Expenses, and Changes in Fund Balance, the difference between revenues and expenditures is reported as Fund Balance, which is a measure of available resources. In accordance with GASB standards, the fund balance reported in the General Fund Balance Sheet is classified based on the level of constraints placed on the specific purposes for which the available funds can be spent. These five classifications are:

- nonspendable, which are resources that are not in a spendable form such as inventory;
- restricted, which are resources that have constraints placed on them externally by creditors or grantors, laws and regulations of other governments, or by law through constitutional provisions or enabling legislation;
- committed, which are resources that can only be used for specific purposes pursuant to constraints imposed by passage of state laws;
- assigned, which are resources for which state officials have indicated an intention to use them for specific purposes; and
- unassigned, which are resources that have not been restricted, committed, or assigned.

Through the GAAP Manual, the DOA State Controller's Office provides guidance to agencies on making these classifications for preparation of the financial statements presented in the ACFR.

GASB Codification Section 1800.743-2 provides clarification on how a government should consider interest earned on the investment of federal grant money. The guidance indicates that if the grant agreement requires the interest earned on invested grant proceeds to be used only for the same purpose as the grant award, the interest should be considered restricted. However, if the grant agreement does not include such a provision, then the interest earned should not be reported as restricted.

Further, the General Fund Balance Sheet reports unearned revenue that, in accordance with GASB standards, represents amounts that have been received but have not been earned by the State.

### ***Condition:***

In report 24-23, we found that DOA initially reported the interest earnings on funding advanced to the State under the CLSFRF grant as unearned revenue, which resulted in an overstatement in the

Unearned Revenue account and an understatement in the Intergovernmental revenues account. After we identified this error, DOA made adjustments and in doing so incorrectly reported the interest earnings as Fund Balance—Restricted. However, because there were no restrictions from the federal government on the use of these interest earnings, and the funds had not been committed to a specific purpose pursuant to law or assigned by state officials to a specific purpose, the interest earnings should have been reported in Fund Balance—Unassigned. We recommended that DOA correct the presentation of fund balance in the General Fund and review its existing procedures for financial reporting to ensure amounts are appropriately classified within fund balance. DOA disagreed with our finding and recommendations.

During our FY 2024-25 audit, we again found that DOA did not correctly report all interest earned on funding advanced to the State under the CSLFRF grant in the General Fund. First, although DOA had correctly adjusted its calculation of unearned revenue for interest earned during FY 2024-25 on advanced CSLFRF funds, it did not adjust its calculation for interest earned prior to FY 2024-25 that remained in the appropriation used to account for CSLFRF.

Second, we again found that DOA did not correctly report the accumulated interest earnings on funding advanced to the State under the CSLFRF grant by reporting the interest earnings as Fund Balance—Restricted. Because there are no restrictions from the federal government on the use of these interest earnings, and the funds had not been committed to a specific purpose pursuant to law or assigned by state officials to a specific purpose as of June 30, 2025, the interest earnings should be reported as Fund Balance—Unassigned.

***Context:***

We considered how the interest earnings were being reported in the General Fund, evaluated GASB requirements for reporting interest earnings and fund balance, and reviewed the GAAP Manual policies and procedures related to reporting of unearned revenue and fund balance. We evaluated the financial activity for the General Fund, including the presentation of fund balance components. We further considered whether there were any restrictions on the State's ability to expend the accumulated \$177.5 million in CSLFRF interest earnings.

Although 2025 Wisconsin Act 15, the 2025-2027 Biennial Budget Act, included provisions for the use of the CSLFRF interest earnings in future years, it was enacted and published on July 3, 2025, which was subsequent to the end of FY 2024-25.

***Questioned Costs:***

None.

***Effect:***

First, as a result of the errors in calculating the unearned revenue amount, DOA understated Intergovernmental revenues by \$135.4 million in the General Fund Statement of Revenues, Expenses, and Changes in Fund Balance and overstated the Unearned Revenue account by \$135.4 million in the General Fund Balance Sheet. DOA subsequently made corrections to properly reflect amounts for the Intergovernmental revenues and Unearned Revenue accounts.

Second, DOA overstated Fund Balance—Restricted by \$177.5 million and understated Fund Balance—Unassigned by \$177.5 million. This error further results in misstatements in the government-wide Statement of Net Position, including an overstatement of \$177.5 million in Net Position—Restricted and an understatement of \$177.5 million in the Net Position—Unrestricted.

**Cause:**

First, the DOA Bureau of Financial Management did not sufficiently review its calculation to identify that it would again need to adjust its calculation of unearned revenue for prior-year interest earnings. Second, because the interest earnings on advanced CSLFRF funding is reported in a federal appropriation, DOA automatically reports the funds as Fund Balance—Restricted in its compilation of the ACFR and made no adjustments to report these earnings as Fund Balance—Unassigned in the General Fund.

**Recommendation**

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*We recommend the Wisconsin Department of Administration:*

- *review its existing procedures for financial reporting to ensure unearned revenue is appropriately reported and amounts are appropriately classified within the General Fund fund balance; and*
- *correct the presentation of General Fund fund balance as of June 30, 2025, to reflect the \$177.5 million of CSLFRF interest earnings as Fund Balance—Unassigned.*

**Type of Finding:** Significant Deficiency

**Response from the Wisconsin Department of Administration:** The Wisconsin Department of Administration agrees with the audit finding and recommendation to review its existing procedures for financial reporting to ensure unearned revenue is appropriately reported and amounts are appropriately classified within the General Fund fund balance, but disagrees with the finding and recommendation related to the presentation of General Fund fund balance. DOA's corrective action plan, and our rebuttal, can be found beginning on page 44.

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## **Corrective Action Plans**

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STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Kathy Blumenfeld, Secretary  
Trina Zanow, Division Administrator

Corrective Action Plan

Finding 2025-001: Department of Administration Information Security Access Review Process

Planned Corrective Action:

Recommendation	Planned Corrective Action	Est Date
Update existing access review procedures by December 30, 2025, to include all active user access and all types of accounts, including vendor accounts and agency staff accounts that have privileged access through user accounts managed by DOA;	DOA/DET will update existing access review procedures to include all active user access and all types of accounts, including vendor accounts and agency staff accounts that have privileged access through user accounts managed by DOA.	December 30, 2025
Update existing access review procedures to clearly define documentation requirements to ensure all accounts are reviewed and to ensure sufficient and appropriate documentation of each review is created and maintained.	DOA/DET will also update existing access review procedures to clearly define documentation requirements to ensure all accounts are reviewed and to ensure sufficient and appropriate documentation of each review is created and maintained.	
Provide guidance to individuals completing access reviews on the requirements for developing, performing, and documenting the completion of an access review.	DOA/DET will continue to provide guidance to individuals completing access reviews on the requirements for developing, performing, and documenting the completion of an access review.	
Monitor the access review process by obtaining and reviewing documentation of access reviews to ensure compliance with access review procedures.	DOA/DET will continue to monitor the access review process by obtaining and reviewing documentation of access reviews to ensure compliance with access review procedures.	

Person responsible for corrective action:  
Bill Brinkley, State CISO  
Department of Administration, Division of Enterprise Technology  
william.brinkley@wisconsin.gov

Signed by:  
*William Brinkley*  
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STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Kathy Blumenfeld, Secretary  
Trina Zanow, Division Administrator

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Corrective Action Plan

**Finding 2025-002: Department of Administration Information Technology Security Policy Exception Process**

**Planned Corrective Action:** DOA/DET will update the statewide Risk Acceptance Process, previously referred to as the IT Security Control Exception Plan, by February 27, 2026, to include a strategy and timeline for identifying and evaluating the risks for all controls determined to be not implemented, supporting to ensure compliance with IT Security Policy Handbook.

**Anticipated Completion Date:** February 27, 2026

Person responsible for corrective action:  
Bill Brinkley, State CISO  
Department of Administration, Division of Enterprise Technology  
william.brinkley@wisconsin.gov

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STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Kathy Blumenfeld, Secretary  
Trina Zanow, Division Administrator

Corrective Action Plan

**Finding 2025-003: Department of Administration Information Technology Oversight and Monitoring Responsibilities**

**Planned Corrective Action:**

Recommendation	Planned Corrective Action	Est Date
Update the statewide Information Security Continuous Monitoring (ISCM) Plan to include a strategy and timeline for examining and assessing agency-reported information for controls that pose moderate or low risk if not implemented.	DOA/DET will update the ISCM Plan to incorporate a tiered monitoring strategy aligned with NIST SP 800-30 and SP 800-37 that defines both DET's and agencies' monitoring responsibilities for high, medium, and low risk statewide controls.	Feb 27, 2026
Document the assessment of agency-reported implementation status for IT security controls that pose the highest risk if not implemented	DOA/DET will document its evidence-based review of agency-reported implementation statuses for high-risk controls.	Jun 30, 2026
Document the evaluation of risks identified during vulnerability assessments and penetration tests	DOA/DET will adopt an evaluation template to document risk findings, remediation actions, and closure evidence, for vulnerability assessments and penetration tests.	Feb 27, 2026

Person responsible for corrective action:  
Bill Brinkley, State CISO  
Department of Administration, Division of Enterprise Technology  
william.brinkley@wisconsin.gov

Signed by:  
*William Brinkley*  
BD38B4C11B0F4BB...

**WisDOT Division of Business Management**  
 Bureau of Financial Management  
 4822 Madison Yards Way  
 Madison, WI 53705

**Governor Tony Evers**  
**Secretary Kristina Boardman**  
[wisconsindot.gov](http://wisconsindot.gov)



Dear Ms. Haakenson,

This letter is the Wisconsin Department of Transportation's corrective action plan for the finding and recommendations made by the Legislative Audit Bureau (LAB) in the interim memo dated December 2, 2025.

The Wisconsin Department of Transportation agrees with the finding.

Finding 2025-004: Financial Reporting for Changes to Infrastructure related Capital Assets at the Wisconsin Department of Transportation

Planned Corrective Action: The Wisconsin Department of Transportation (WisDOT) will review and document the historical foundation behind the existing infrastructure procedures and methodologies. Financial Management will use this understanding to determine if infrastructure procedures need to be updated to better align with GASB 34.

WisDOT will strengthen the collaborative process required to accurately classify projects as infrastructure assets in the State's government-wide financial statements. Financial and program staff will establish a mutual understanding of the criteria used to determine the classification of infrastructure assets and how this information effects financial reporting.

WisDOT will also meet with Financial Reporting staff at the Department of Administration to discuss any potential changes. This will ensure proposed changes meet all relevant GASB standards for financial reporting under the modified approach. Potential changes would then be submitted to LAB for discussion and review.

Anticipated Completion Date: April 30, 2026

Person responsible for corrective action:

Sarah Jones, Chief, Financial Management Section  
 Division of Business Management, Bureau of Financial Management  
[sarahe.jones@dot.wi.gov](mailto:sarahe.jones@dot.wi.gov)

Sincerely,

*M. R. Warren*

Mitchell R. Warren, Deputy Administrator  
 Division of Business Management  
 Wisconsin Department of Transportation



STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Kathy Blumenfeld, Secretary  
Richard Rydecki, Administrator

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Corrective Action Plan

**Finding 2025-005: General Fund Financial Reporting Errors**

**Planned Corrective Action:**

The Wisconsin Department of Administration (Department) agrees with the auditors that, although it correctly adjusted its calculation of unearned revenue for interest earned during FY 2024-25 on advanced Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) funds, it did not adjust its calculation for interest earned prior to FY 2024-25 that remained in the appropriation used to account for CSLFRF. Accordingly, the Department subsequently made corrections to properly reflect amounts for the Intergovernmental revenues and Unearned Revenue accounts.

The Department disagrees with the auditor's finding that it did not correctly report the accumulated interest earnings on funding advanced to the State under the CSLFRF program when the Department reported the interest earnings as Fund Balance-Restricted rather than Fund Balance-Unassigned. The Department believes that interest earnings on advanced CSLFRF funds recorded in its federal appropriation are appropriately classified within the General Fund fund balance as restricted funds, consistent with the policies and procedures of the *DOA GAAP Manual* related to reporting of the fund balance. This position is independent of but consistent with the legislature's directive for the use of the CSLFRF interest earnings as federal funds as part of provisions in 2025 Wisconsin Act 15.

Therefore, while the Department will review its existing procedures for financial reporting to ensure unearned revenue is appropriately reported and amounts are appropriately classified within the General Fund fund balance, it does not intend to make an adjustment to change the presentation of the General Fund fund balance as of June 30, 2025, as recommended by the auditors.

**Anticipated Completion Date:**

With respect to the review of existing procedures for financial reporting, corrective action is anticipated to be completed concurrently with the Department's submission to the DOA State Controller's Office of information related to the Department's General Fund financial activities for state fiscal year 2025-26, which is anticipated to be not later than October 2026. With respect to an adjustment to change the presentation of the General Fund fund balance as of June 30, 2025, corrective action is not applicable.

**Person responsible for corrective action:**

Colleen Holtan, Director  
Bureau of Financial Management  
Division of Enterprise Operations  
colleen.holtan@wisconsin.gov



STATE OF WISCONSIN

# Legislative Audit Bureau

Joe Chrisman  
State Auditor

22 East Mifflin Street, Suite 500  
Madison, Wisconsin 53703

Main: (608) 266-2818  
Hotline: 1-877-FRAUD-17

[www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)  
[AskLAB@legis.wisconsin.gov](mailto:AskLAB@legis.wisconsin.gov)

## Rebuttal from the Wisconsin Legislative Audit Bureau:

In its corrective action plan, DOA states that it “believes that interest earnings on advanced CSLFRF funds recorded in its federal appropriation are appropriately classified within the General Fund fund balance as restricted funds, consistent with the policies and procedures of the *DOA GAAP Manual* related to the reporting of the fund balance. This position is independent of but consistent with the legislature’s directive for use of the CSLFRF interest earnings as federal funds as part of provisions in 2025 Wisconsin Act 15.”

We disagree with DOA’s statement that because the interest earnings are recorded in its federal appropriation they should be classified as restricted. Regardless of where DOA recorded the interest earnings in the accounting records, there are no restrictions on use, and the amounts should not be reported as Fund Balance—Restricted. As reported in Finding 2025-005, the finding is supported by standards established by the Governmental Accounting Standards Board (GASB) and the fact that the interest earnings are not subject to program restrictions.

GASB standards indicate that Fund Balance—Restricted are resources that have constraints placed on them externally by creditors or grantors, laws and regulations of other governments, or by law through constitutional provisions or enabling legislation. As reported in Finding 2025-005, GASB provides additional clarification through an example indicating that if a grant agreement does not include a provision requiring interest earned on advanced federal funds to be used for grant purposes, the interest earned should not be reported as restricted. DOA has not sufficiently demonstrated that the constraints specified in the GASB standards exist and, therefore, that the requirements of the restricted classification have been satisfied.

In addition, the U.S. Department of the Treasury (U.S. Treasury) frequently asked questions guidance indicates that the interest earnings are not subject to program restrictions. The U.S. Treasury’s Office of Inspector General indicated to us in a November 2023 email that “Wisconsin may use SLFRF interest earned for SLFRF purposes and/or non-SLFRF purposes.”

Further, we disagree with the statement that the Legislature’s directive for use of the CSLFRF interest earnings as federal funds supports a restriction. The Legislature’s actions do not represent a constraint placed on these funds externally by creditors or grantors, laws and regulations of other governments, or by law through constitutional provisions or enabling legislation. The legislative directive in provisions of 2025 Wisconsin Act 15 became effective July 3, 2025, and is not a sufficient and appropriate basis on which to classify these funds as restricted under GASB standards.

Therefore, as of June 30, 2025, these amounts should be reported as Fund Balance—Unassigned.



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## Responses

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STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Kathy Blumenfeld, Secretary

December 17, 2025

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

Dear Mr. Chrisman:

I am writing in response to the Legislative Audit Bureau's (LAB) recently completed audit of the State of Wisconsin's fiscal year 2024-25 Annual Comprehensive Financial Report. As evidenced by this audit report, the State of Wisconsin is once again in a strong financial position and the system of internal controls used by state agencies, under the leadership of the State Controller's Office, is in a strong position as well.

With respect to the auditor's recommendations related to information technology (IT) and cybersecurity, although LAB's findings have been repeated from previous years, I wish to clarify for readers of the report that DOA has in the last year implemented certain corrective actions consistent with the auditors' recommendations. Given that the findings are structural in nature and reflect enterprise responsibilities, efforts to address them will require sustained, multiyear execution. Additionally, the scope and complexity of work under each of these findings has grown since the original findings were made by LAB, as DET's authority over other agencies' IT and its associated obligations for IT governance have also grown. This growth in responsibility has pushed the limitations of certain processes that have historically been manual and agency specific. Additionally, reliance on legacy technology in some cases creates operational and security burdens that present a challenge providing cybersecurity services to agencies.

In short, sustained remediation of LAB's findings will depend on continued modernization, increased automation, standardization, and mature governance, all of which DET is working to implement in addition to the corrective actions. While the legislature has declined in the last several budgets to fund DOA and other agencies' request for cybersecurity resources, legislative investment in this work will be imperative to ensure the long-term security needs of the enterprise. DOA will continue reporting to the Joint Legislative Audit Committee regarding progress on LAB's recommendations at the appropriate intervals.

- 1 With respect to the auditor's recommendations related to interest earnings received on advanced Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), DOA continues to believe the amounts have been properly recorded in its federal appropriation as moneys received from the federal government, and its accounting treatment of the funds is consistent with this. Notably, under 2025 Wisconsin Act 15, DOA will transfer the interest earnings at issue from DOA's federal appropriation to the specified appropriations of other agencies for certain activities, including but not limited to support for childcare providers and to fund a grant program for communities to fund capital projects. Doing so in alignment with 2025 Act 15 requires DOA to maintain the interest earnings in its federal appropriation. Therefore, DOA believes the amounts are appropriately classified within the fund balance as restricted funds, consistent with state law and the policies and procedures of the DOA GAAP Manual as related to federal funds.

Thank you for your work on this audit, and for your recommendations to help DOA continuously improve.

Sincerely,

A handwritten signature in black ink that reads "Kathy Blumenfeld". The signature is written in a cursive style with a large, looped initial "K".

Kathy Blumenfeld  
Secretary

## **LEGISLATIVE AUDIT BUREAU COMMENTS ON THE AUDIT RESPONSE FROM THE DEPARTMENT OF ADMINISTRATION**

To help the Joint Legislative Audit Committee evaluate the audit response from the Department of Administration (DOA), we offer some clarifying comments. The number below corresponds to the number we placed in the margin of the audit response.

- ① DOA's response to Finding 2025-005 (page 38), DOA's corrective action plan (page 44), and DOA's audit response do not provide a sufficient and appropriate basis for classifying CSLFRF interest earnings as restricted under the definition prescribed by the Governmental Accounting Standards Board (GASB), which we restate in our rebuttal (page 45). The requirements of 2025 Wisconsin Act 15, which became effective in July 2025 after FY 2024-25 ended, have no bearing on the financial statement presentation of General Fund fund balance as of June 30, 2025. In addition, how funds are recorded in the accounting system may differ from the presentation and classification required by GASB. Therefore, our audit finding correctly reports that the \$177.5 million of CSLFRF interest earnings should be classified within the General Fund fund balance as Fund Balance—Unassigned and not as Fund Balance—Restricted.