



STATE OF WISCONSIN

Legislative Audit Bureau

Joe Chrisman
State Auditor

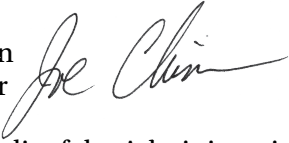
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DATE: February 26, 2025

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

FROM: Joe Chrisman
State Auditor 

SUBJECT: Proposed Audit of the Administration of State Grants—Background Information

At your request, we have gathered some background information that the Joint Legislative Audit Committee may find helpful in considering an audit of the administration of state grants, which includes grants funded by the State from general purpose revenue, program revenue, and segregated revenue. Grants made exclusively with federal revenue are subject to audit in the statewide Single Audit to meet requirements of the federal government.

State agencies typically administer state grant programs under authority granted by Wisconsin Statutes. Depending upon their purposes, state grants may be awarded directly to entities such as local units of government, universities, law enforcement agencies, nonprofit organizations, telecommunications providers, businesses, or individuals. State agencies may also award grants to an organization, which then itself will further distribute funds to entities or individuals. Some state grants may be awarded competitively while others may be awarded to any entity that meets certain criteria.

In general, competitive state grants involve management of three stages: pre-award, active grant, and closeout. In competitive grant making, the pre-award stage may include the documentation of grant management policies and procedures, an announcement of the grant application process and criteria for eligibility, the submission and review of a grant application, an assessment of any conflicts of interest for the applicant, a review of an applicant's financial condition, deliberation on a pool of applicants to select those that will advance, the awarding of a grant to a successful applicant, and the execution of a grant agreement or contract. While the grant is considered active, payments or reimbursements may be made to a grant recipient, which may submit reports and may be subject to ongoing monitoring processes based on the terms of the grant agreement or contract. After the award period for the grant ends, closeout steps such as final reporting or evaluation may occur in order for the state agency to quantify outcomes or results.

The specific grant management activities may vary based on the grant, and certain activities may be prescribed by provisions found in Wisconsin Statutes or Wisconsin Administrative Code. Many, but not all, state agencies administer state grants. However, no single state agency is responsible for the administration of all state grants.

If directed to conduct an audit of the administration of state grants, the Legislative Audit Bureau would not focus audit effort on grants made exclusively with federal funds, grants made in the form of financial assistance provided to an individual for the pursuit of higher education, or aids to local governments. Instead, the Legislative Audit Bureau would use risk-based criteria to determine the specific agencies and

state-funded grants subject to audit. Such criteria may include, but are not limited to, whether: a new state grant program was created; an existing state grant program received a significant increase or decrease in funding or experienced a significant expansion or contraction in the scope of its state grants management; a state grant program served a considerable number of entities; a state agency awarded state grants to an organization, which then further distributed funds; or a state agency had prior audit findings related to grant management.

For each grant we select, an audit of the administration of state grants could evaluate:

- the statutory authority under which the state grant program operates;
- the policies and procedures that a state agency followed when managing the state grant;
- the extent to which a state agency consistently followed its policies and procedures and whether these policies and procedures were compliant with statutory and administrative rule requirements;
- the amount of grant activity that occurred in recent years through the state grant, including the amounts awarded and expended;
- the outcomes or results attained by the state grant as reflected in the agency's documentation;
- how a state agency implemented program integrity efforts;
- the state agency's costs to administer the state grant;
- the extent to which a state agency has maintained sufficient and appropriate records to document its decisions in administering the state grant; and
- the extent to which an agency can improve its administration of state grants.

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

JC/ag

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

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