



State of Wisconsin FY 2023-24 Single Audit

As a condition of receiving federal funds, state agencies must meet the audit requirements of the federal Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Single Audit Act of 1984, as amended. The Single Audit Act requires there to be one comprehensive audit of federal programs.

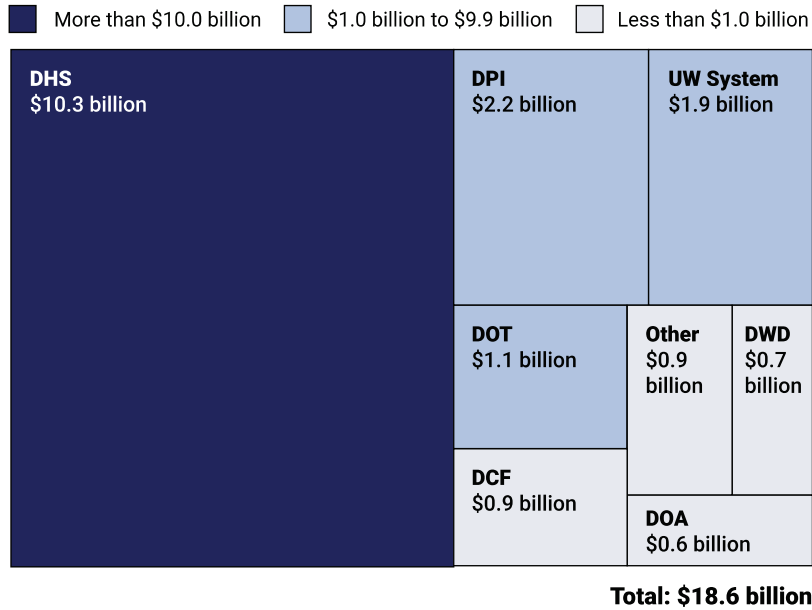
Report 25-04 focused on 25 federal programs that accounted for 68.7 percent of the federal financial assistance administered by state agencies in fiscal year (FY) 2023-24. This single audit also incorporates our annual audit of the State's FY 2023-24 financial statements. These financial statements were included in the State's Annual Comprehensive Financial Report (ACFR) issued in December 2024 by the Wisconsin Department of Administration (DOA).

We provided an unmodified opinion on federal compliance for 22 of the programs we reviewed. However, we qualified our opinion on compliance for certain requirements for three of the programs we reviewed. An auditor provides a qualified opinion on compliance when the compliance concerns are material in relation to a specific compliance area tested for a federal program or cluster.

State agencies administered \$18.6 billion in federal financial assistance during FY 2023-24

The federal financial assistance administered by state agencies during FY 2023-24 included \$16.9 billion in cash assistance, \$1.6 billion in noncash assistance, and \$47.5 million in outstanding loan balances. Seven agencies administered 95.0 percent of the federal expenditures during FY 2023-24: the Department of Health Services (DHS), the Department of Public Instruction (DPI), the University of Wisconsin (UW) System, the Department of Transportation (DOT), the Department of Children and Families (DCF), the Department of Workforce Development (DWD), and DOA.

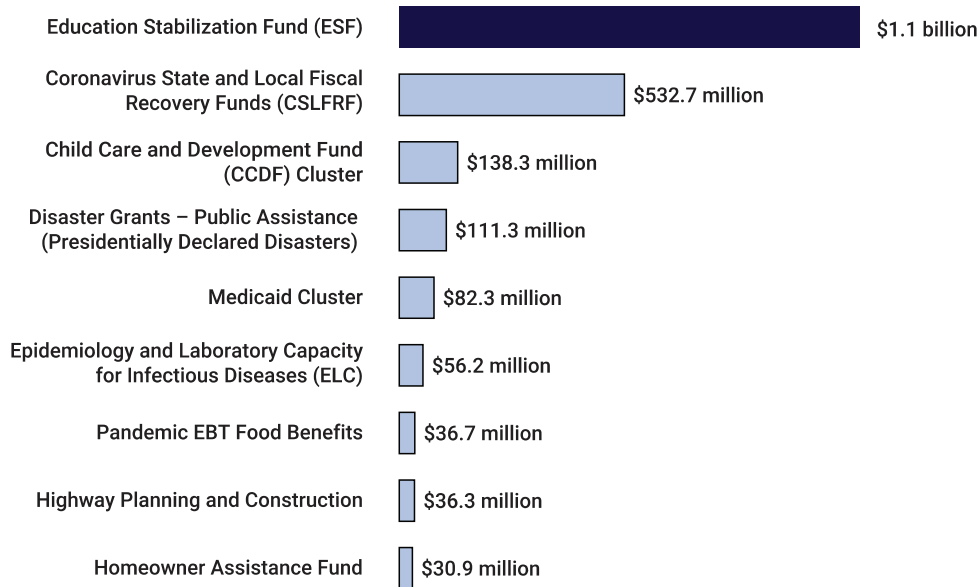
Federal Financial Assistance Administered by State Agencies FY 2023-24



During FY 2023-24, state agencies reported \$2.3 billion in federal expenditures related to the public health emergency

The State was required to separately identify the federal funding it expended related to the public health emergency, including funding provided under the American Rescue Plan Act (ARPA). In its Schedule of Expenditures of Federal Awards (SEFA), the State reported that it spent \$2.3 billion through federal programs or clusters for purposes related to the public health emergency during FY 2023-24. The largest portion of these expenditures was \$1.1 billion related to the Education Stabilization Fund program. These federal expenditures also included spending through the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) program, the Child Care and Development Fund (CCDF) Cluster, the Disaster Grants—Public Assistance (Presidentially Declared Disasters) program, Medical Assistance (MA) Program, the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program, the Pandemic EBT Food Benefits program, the Highway Planning and Construction program, and the Homeowner Assistance Fund.

Federal Expenditures Related to the Public Health Emergency¹
Nine Largest Programs
 FY 2023-24



¹ Does not include expenditures under an additional 61 programs as reported in the SEFA.

State agencies need to improve procedures for monitoring subrecipients of federal funds

State agencies provide funding through a subaward to local governments, nonprofit organizations, and other entities to carry out a federal program on behalf of the agency. In these cases, the state agency retains responsibility for ensuring the federal award is carried out in accordance with federal rules and regulations. To do so, state agencies conduct monitoring through review of reports and expenditure documentation, and on-site visits to the entity, as determined appropriate.

As part of our FY 2022-23 audit, we reported concerns with subrecipient monitoring procedures and made recommendations for agencies to improve procedures. As part of our FY 2023-24 audit, we found agencies took some steps to improve monitoring procedures. However, we identified concerns with subrecipient monitoring procedures. We made 18 recommendations for agencies to improve controls over subrecipient monitoring at three state agencies: DHS, the Department of Natural Resources, and UW-Madison.

Five state agencies need to improve reporting for 9 major programs

Under the Federal Funding Accountability and Transparency Act (FFATA) of 2006, state agencies are required to report subawards of \$30,000 or more in the FFATA Subaward Reporting System (FSRS). Information that is reported in FSRS is publicly available on

USAspending.gov. State agencies are required to complete the reporting for federal grant programs subject to the reporting requirement. DOA completes FFATA reporting for certain state agencies.

We followed up on state agencies progress in addressing FFATA findings from our prior single audit (report 24-3). We found most agencies took some steps to improve FFATA reporting. However, we continued to identify concerns. We identified six findings related to FFATA reporting involving 9 of the 25 major programs audited at five state agencies: DOA, DCF, DHS, DPI, and UW-Madison. We also recommend DOA improve the accuracy of reporting on *USAspending.gov* by changing its reporting of subaward modifications to follow FSRs guidance and by providing guidance and training to state agencies.

We qualified our opinion on compliance related to certain requirements for 3 federal programs

An auditor provides a qualified opinion on compliance when the compliance concerns are material in relation to a specific compliance area tested for a federal program or cluster. We qualified our opinion on compliance related to certain compliance requirements for three federal programs, including:

- the Dairy Business Innovation Initiatives program administered by UW-Madison;
- the Child Nutrition Cluster administered by DPI; and
- the Children’s Health Insurance Program (CHIP) administered by DHS.

UW-Madison administered the Dairy Business Innovation Initiatives program for which it received its first award in 2019. Under this program, UW-Madison contracted with a subrecipient to administer the program. The subrecipient worked with UW-Madison to provide grants to farmers or dairy processors to diversify farming activities, create products, and enhance dairy exports. Federal regulations require UW-Madison to ensure procedures are in place to monitor advances of federal funding to its subrecipient to limit the time between the expenditure of funding and the drawdown of federal funds.

We found UW-Madison did not follow all federal regulations when advancing funding to its subrecipient. The subrecipient reported an average cash balance of \$3.9 million in federal funds each month of FY 2023-24. We also identified that the subrecipient did not have a required single audit of its federal funds. Finally, we reported concerns with FFATA reporting. We qualified our opinion on compliance for this program and we made recommendations to UW-Madison to implement controls and address the noncompliance concerns.

We also qualified our opinion on compliance for the Child Nutrition Cluster because DPI did not complete FFATA reporting requirements for the Cluster. We made recommendations to DPI to implement improvements and address the noncompliance concerns.

In addition, we qualified our opinion on compliance for the CHIP program administered by DHS. CHIP provides financial assistance to states to maintain and expand health care coverage for children residing in low-income families. Children under age 19 are eligible to participate in the program. Throughout the public health emergency, DHS maintained healthcare coverage for certain participants who were age 19 or older in conflict with federal requirements for the separate CHIP program (SCHIP). We also had qualified our opinion for this program during our FY 2022-23 single audit.

During our current audit, DHS continued to work on the unwinding of continuous eligibility that was in place during the public health emergency. As a result, we continued to identify participants who were age 19 or older and continued to receive benefits during FY 2023-24 under SCHIP. We questioned an undetermined amount of costs for the participants who were not eligible to receive benefits. We recommended DHS continue its efforts to perform redeterminations of eligibility and remove ineligible participants from the program.

We questioned \$35.1 million in expenditures for the Summer EBT Program

DHS began administration of the Summer Electronic Benefit Transfer Program for Children (Summer EBT) late in FY 2023-24. In setting up the program, we found DHS did not follow federal cash management and allowable cost requirements. DHS recorded expenditures and drew down \$35.1 million in federal funds that were not supported by participant food purchases. We questioned \$35.1 million in expenditures and report a material weakness related to DHS internal controls.

We made 101 recommendations to state agencies and questioned \$36.1 million in expenditures charged to federal programs

Our 101 recommendations pertained to 43 findings, including 6 findings related to internal control deficiencies we identified in our audit of the State's ACFR (report 24-23). We consider 4 of the findings to be material weaknesses and 36 to be significant deficiencies. The remaining three findings were related to other matters that did not have a related material weakness or significant deficiency.

FY 2023-24 | Findings by Agency

Agency	Type of Finding			Total	Recommendations
	Material Weakness ¹	Significant Deficiency ²	Other ³		
University of Wisconsin System	1	14	1	16	37
Department of Health Services	2	7	1	10	23
Department of Administration		7		7	20
Office of the Commissioner of Insurance		2		2	5
Department of Children and Families		2		2	4
State Public Defender's Office			1	1	4
Department of Public Instruction	1			1	3
Department of Natural Resources		2		2	2
Department of Transportation		1		1	2
Department of Tourism		1		1	1
Total	4	36	3	43	101

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

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

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

We also questioned \$36.1 million in expenditures that state agencies charged inappropriately to federal funds. These questioned costs relate to the Summer Electronic Benefits Transfer (EBT) Program for Children, CSLFRF, and the Student Financial Assistance Cluster.

FY 2023-24 | Questioned Costs

Federal Program	Questioned Costs
Summer EBT Program for Children	\$ 35,050,325
Coronavirus State and Local Fiscal Recovery Funds	969,841
Student Financial Assistance Cluster	35,159
Total	\$36,055,325

Finally, we followed up on the progress of state agencies to address recommendations we made in our FY 2022-23 single audit report (report 24-3). The federal government will work with state agencies to resolve the new and continuing concerns we identified.