

**WISCONSIN ECONOMIC  
DEVELOPMENT CORPORATION  
MADISON, WISCONSIN**

**SINGLE AUDIT REPORT**

For the Year Ended  
June 30, 2017



**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Wisconsin Economic Development Corporation  
Madison, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Wisconsin Economic Development Corporation (WEDC), a component unit of the State of Wisconsin, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise WEDC's basic financial statements, and have issued our report thereon dated October 27, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered WEDC's internal control over financial reporting (internal control) to determine the 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 WEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of WEDC'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, or 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 entity's financial statements will not be prevented, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding No. 2017-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether WEDC's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

## **WEDC's Responses to Findings**

WEDC's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. WEDC's responses were not subjected to the auditing procedures applied in the audit and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WEDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WEDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sikich LLP*

Brookfield, Wisconsin  
October 27, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Wisconsin Economic Development Corporation  
Madison, Wisconsin

**Report on Compliance for Each Major Federal Program**

We have audited Wisconsin Economic Development Corporation's (WEDC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of WEDC's major federal programs for the year ended June 30, 2017. WEDC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of WEDC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about WEDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of WEDC's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, WEDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs, identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs, for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of WEDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered WEDC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WEDC's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities and major fund of Wisconsin Economic Development Corporation (WEDC), a component unit of the State of Wisconsin as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise WEDC's basic financial statements. We have issued our report thereon dated October 27, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Sikich LLP*

Brookfield, Wisconsin  
October 27, 2017

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

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<u>Agency / Pass through Agency / Federal Program Title / Local Program Title</u>	<u>CFDA #</u>	<u>Federal Expenditures</u>
<b><u>US Department of Defense - Office of Economic Adjustment</u></b>		
State of Wisconsin (DIA) - Economic Adjustment Assistance	12.617*	\$ 410,391
<b><u>Small Business Administration</u></b>		
State Trade Expansion Program		
STEP 2015	59.061	201,336
STEP 2016	59.061	<u>163,983</u>
Total State Trade Expansion Program		<u>365,319</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 775,710</u></u>

\* Denotes Major Federal Program

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

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### **Note 1 - Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal award activity of WEDC. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of WEDC it is not intended to, and does not, present the financial position, changes in net position, or cash flows of WEDC. The reporting entity for WEDC is based upon criteria established by the Governmental Accounting Standards Board.

### **Note 2 - Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **Note 3 - Subrecipients**

Of the federal expenditures presented in this schedule, WEDC provided federal awards to subrecipients from the DOD Grant program (CFDA #12.617) in the amount of \$126,852.

### **Note 4 - Other Information**

WEDC did not receive or provide any federal insurance, free rent, or noncash assistance during the year ended June 30, 2017.

### **Note 5 - 10% De Minimis Indirect Cost Rate**

WEDC has elected to use the 10% de minimis indirect cost rate as permitted by 2 CFR Section 200.414.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2017

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**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?   X   yes        none reported

Noncompliance material to financial statements noted?        yes   X   no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?        yes   X   no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
12.617	Economic Adjustment Assistance for State Governments

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?        yes   X   no

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended June 30, 2017

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**Section II - Financial Statement Findings**

**2017-001: User Access - Significant Deficiency**

*Criteria:* User access rights should be setup and restricted so that proper segregation of duties between functions and job duties are in place.

*Condition:* We noted several individuals with administrator access rights, allowing them full access to all functions in the payroll software system.

*Context:* During our audit, we reviewed access rights in WEDC's payroll software system for proper segregation of duties.

*Effect:* Fictional employees or transactions could be created without being prevented or detected on a timely manner.

*Cause:* WEDC switched payroll providers during fiscal year 2017 and did not properly set up or review user access rights in the process.

*Recommendation:* We recommend that WEDC review all of its user access rights within the payroll software system and implement internal controls using the establishment of user rights in the system that are consistent with each individual's job duties. In addition, full administrative access should be restricted to an individual that does not have access to WEDC's assets, such as an individual in the Technology or Administrative department.

*Views of Responsible Officials:* Management agrees with the single audit finding and a response is included in the corrective action plan.

**Section III - Federal Award Findings and Questioned Costs**

None.

**Section IV - Status of Prior Year Findings**

None.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended June 30, 2017

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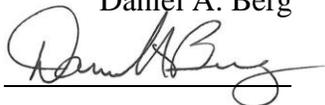
**Section V - Other Issues**

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as the auditee's ability to continue as a going concern? No

Does the auditor's report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weaknesses, significant deficiencies, management letter comments, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines? No

Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

Name and Signature of Partner

Daniel A. Berg  


Date of Report

October 27, 2017