



STATE OF WISCONSIN

Senate Journal

Ninety–Fourth Regular Session

10:00 A.M.

THURSDAY, August 5, 1999

The Senate met.

The Senate was called to order by Senator Fred Risser.

The Chair, with unanimous consent, asked that the proper entries be made in the journal.

INTRODUCTION, FIRST READING AND REFERENCE OF BILLS

Read first time and referred:

Senate Bill 215

Relating to: deferred payment agreements between public utilities and customers.

By Senator Plache; cosponsored by Representatives Miller, Riley, Lassa and Young.

To committee on **Health, Utilities, Veterans and Military Affairs**.

PETITIONS AND COMMUNICATIONS

State of Wisconsin Legislative Audit Bureau

August 3, 1999

The Honorable, The Senate:

We have completed a financial and compliance audit of the State of Wisconsin, as requested by state agencies to meet the audit requirements of the federal Single Audit Act of 1984, as amended, and the provisions of federal Office of Management and Budget Circular A-133. In addition, the audit assists us in meeting state audit requirements under s. 13.94, Wis. Stats. The audit covers the period from July 1, 1997 through June 30, 1998, during which state agencies, including the University of Wisconsin System, administered \$5.4 billion in cash and non-cash federal assistance.

Report 99-12 contains the auditor's reports on internal control and compliance, findings of noncompliance with federal requirements, the results of our follow-up work to prior audit findings, agencies' responses to our recommendations and their plans for corrective action, and the Schedule of Expenditures of Federal Awards. We identified \$293,474 in questioned costs, which is significantly less than the amounts questioned in the fiscal year 1996-97 and 1995-96 single audits. The amount the State may have to repay the federal government is likely to be less than the amount questioned because the federal government may resolve our findings in a manner that does not require funds to be returned. For example, the federal government may allow the State to substitute other expenditures to replace the expenditures that we question.

The largest area of questioned costs relates to lost interest earnings by the federal government because the Department of Workforce Development (DWD) requested and received federal reimbursements before incurring eligible grant expenditures. Federal rules and effective cash management require state agencies to draw federal reimbursement for eligible grant expenditures as soon as possible, but not before reimbursable costs are incurred. However, during FY 1997-98, DWD initially received federal reimbursement for 100 percent of certain grant administrative expenditures, including those expenditures that should have been funded from non-federal sources. Although DWD transferred administrative expenditures to state accounts and returned funds to the federal government in the following month, we estimate that the State earned over \$170,000 of interest at the expense of the federal government.

The next largest area of questioned costs related to program income, which the federal government generally requires to be used to offset its share of grant expenditures or for other program purposes. We question \$49,200 in program income that a nonprofit corporation under contract with which the Department of Administration (DOA) received to administer a federal grant program that helps low-income individuals acquire houses.

Our final area of questioned costs includes federally ineligible expenditures. We found that federal grants may have been charged twice for over \$29,000 in costs that DOA both allocated among state agencies and billed as direct costs. We also question almost \$24,000 of overhead allocated to three subgrants administered by DOA. In addition, we question approximately \$10,000 in costs charged to federal programs administered by the University of Wisconsin System, which is a very small portion of all federal grants the system administers. We identified a variety of instances of noncompliance with rules related to the administration of student financial assistance. For example, we note that some campuses did not refer defaulted loans to the U.S. Department of Education in a timely manner; some loans have been in default for more than ten years. Finally, we question approximately \$11,000 in costs for a variety of other findings at various state agencies.

In addition to questioning some program costs, we also reviewed agency cash management to ensure the State does not lose interest earnings by temporarily subsidizing federal grant programs. We found that because DWD did not receive timely federal reimbursement of over \$2.3 million for one of its grant programs, the State lost an estimated \$77,000 in interest earnings. Untimely federal reimbursement requests by the Department of Natural Resources resulted in an additional loss of interest

earnings estimated at \$68,000. We include recommendations for these agencies to correct these deficiencies.

Our audit opinion on the State's financial statements was included in the State's Comprehensive Annual Financial Report for the fiscal year ended June 30, 1998, which was published by the Department of Administration in December 1998 and is available from the State Controller's Office in the Department of Administration.

Our single audit report is lengthy and detailed. Therefore, we are limiting our initial distribution to those required by law to receive copies, the audited state agencies, and the federal agencies to which our findings relate. If you are interested in receiving a copy of the single audit report, please contact our office and request report 99-12. The report is also available on line at www.legis.state.wi.us/lab/windex.htm.

Sincerely,

JANICE MUELLER
State Auditor

**State of Wisconsin
Department of Administration**

July 30, 1999

The Honorable, The Legislature:

This report is transmitted as required by sec. 20.002(11)(f) of the Wisconsin Statutes, (for distribution to the appropriate standing committees under sec. 13.172(3) Stats.), and confirms that the Department of Administration has found it necessary to exercise the "temporary reallocation of balances" authority provided by this section in order to meet payment responsibilities and cover resulting negative balances during the month of June 1999.

On June 1, 1999 the **Wisconsin Health Education Loan Repayment Fund** balance was -\$5 thousand. This shortfall continued until June 30, 1999 when the balance reached \$39 thousand. This shortfall was due to the timing of revenues.

On June 1, 1999 the **Wisconsin Health Insurance Risk Sharing Plan Fund** balance was -\$20 thousand. This

shortfall continued until June 8, 1999 when the balance reached \$18 thousand. This shortfall was due to the timing of revenues.

On June 1, 1999 the **Support Collection Trust Fund** balance was -\$1.03 million. This shortfall continued until June 2, 1999 when the balance reached \$1.1 million. On June 11, 1999 the balance was -\$702 thousand. This shortfall increased to -\$801 thousand on June 14, 1999 and continues until June 15, 1999 when the balance reached \$2.02 million. These shortfalls were due to the timing of revenues.

On June 25, 1999 the **University Trust-Principal Fund** balance was -\$204 thousand. This shortfall continued until July 6, 1999 when the balance reached \$187 thousand. This shortfall was due to the timing of revenues.

The Wisconsin Health Education Loan Repayment Fund, Wisconsin Health Insurance Risk Sharing Plan Fund, support Collection Trust Fund, and University Trust-Principal Fund shortfalls were not in excess of the statutory interfund borrowing limitation and did not exceed the balances of the Funds available for interfund borrowing.

The distribution of interest earnings to investment pool participants is based on the average daily balance in the pool and each fund's share. Therefore, the monthly calculation by the State Controller's Office will automatically reflect the use of these temporary reallocations of balance authority.

Sincerely,

MARK D. BUGHER
Secretary

Referred to the joint committee on **Finance**.

ADJOURNMENT

Senator Risser, with unanimous consent, asked that the Senate adjourn until Tuesday, at 10:00 A.M..

Adjourned.

10:01 A.M.