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☞ Details: Miscellaneous correspondence from Legislative Audit Bureau

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WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2003-04

(session year)

Joint

(Assembly, Senate or Joint)

Committee on Audit...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (September 2012)



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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April 30, 2003

Senator Carol A. Roessler
and Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator Roessler and Representative Jeskewitz:

At your request, we have compiled some information on the provision of child welfare services in Milwaukee County.

As of January 1, 1998, the State of Wisconsin assumed responsibility for providing child welfare services in Milwaukee County. Budgeted expenditures for the State's Bureau of Milwaukee Child Welfare are \$110.6 million in fiscal year (FY) 2002-03. In calendar year 2002, the Bureau received a total of 15,004 referrals of child abuse or neglect and opened 1,812 cases for service.

The State assumed responsibility for Milwaukee County child welfare services in response to a number of actions by the American Civil Liberties Union (ACLU) beginning in 1993. Those actions alleged systemwide deficiencies, including failure to adequately investigate complaints of abuse or neglect and to promptly terminate parental rights and secure permanent placements for children when appropriate.

The most recent actions filed by the ACLU were resolved in September 2002, when the State and the plaintiffs reached a settlement agreement. The agreement contains a number of quantifiable performance standards intended to improve the provision of child welfare services. For example, in 2003, 80 percent of reports of alleged abuse or neglect are to be referred for investigation within three working days; the percentages increase to 85 percent in 2004 and 90 percent in 2005. These standards will be phased in and monitored by the State over a three-year period that began January 1, 2003.

I hope you find this information useful. Please contact me if you have additional questions.

Sincerely,

Janice Mueller
State Auditor

JM/KM/bm

MILWAUKEE COUNTY CHILD WELFARE SYSTEM

Historically, child welfare services in Wisconsin have been administered by county human services agencies. However, the Department of Health and Family Services (DHFS) is responsible for establishing standards and providing oversight of the services provided.

In 1993, the American Civil Liberties Union (ACLU) filed suit in the United States District Court, Eastern District of Wisconsin, alleging that the administration of Milwaukee County's child welfare system was ineffective and failed to:

- adequately investigate complaints of abuse and neglect;
- provide services to avoid unnecessary out-of-home placements;
- provide appropriate out-of-home placements when necessary; or
- promptly terminate parental rights and secure permanent placements for children who could not be returned to their birth families.

In response to the lawsuit and persistent concerns about operation of the child welfare system, 1995 Wisconsin Act 27, the 1995-97 Biennial Budget Act, and 1995 Wisconsin Act 303 directed DHFS to assume responsibility for administration of the child welfare system in Milwaukee County, effective January 1, 1998. All of Wisconsin's other counties have continued to administer their own child welfare systems. Appendix 1 provides a time line of key developments related to Milwaukee County child welfare.

Administrative Structure

The Bureau of Milwaukee Child Welfare is currently authorized 166.0 full-time equivalent positions within DHFS to administer child welfare services in Milwaukee County. DHFS has a central administrative office located in the city of Milwaukee from which it operates a child welfare intake unit. This unit is responsible for receiving all incoming reports of possible child abuse or neglect.

In addition, DHFS contracts for the provision of a variety of child welfare services to children, their families, and foster parents. Two contracts—one for recruitment and licensing of foster parents and one for provision of adoption services—require the vendors to provide these services for the entire county. In contrast, contracts for safety services, which are provided when a child is allowed to remain in the home after a substantiated report of abuse or neglect, and ongoing case management, which is provided when a child is removed from the home, are let by region within the county. DHFS has divided Milwaukee County into five regions with boundaries intended to evenly distribute anticipated caseloads. Table 1 shows the vendors currently responsible for safety and case management services in the five regions.

Table 1

Milwaukee Child Welfare Service Providers by Region

<u>Region</u>	<u>Safety Services Provider</u>	<u>Case Management Provider</u>
1	Wisconsin Community Services Network	Wisconsin Community Services Network
2	SafeNow Safety Services, Milwaukee County Mental Health Division	Wisconsin Community Services Network
3	Innovative Family Partnerships, Inc.	Innovative Family Partnerships, Inc.
4	La Causa	La Causa
5	SafeNow Safety Services, Milwaukee County Mental Health Division	Innovative Family Partnerships, Inc.

During 2002, the Bureau received 15,004 referrals for service. Based on those referrals, a total of 1,812 cases were opened. Of the cases that were opened, 1,245, or 68.7 percent, were provided with safety services intended to prevent the need to remove children from the home. The remaining 567 cases, or 31.3 percent, involved the removal of children from the home.

In 2002, a total of 1,110 children were reunited with their families after being removed from the home, while another 504 were adopted and 371 were placed with a legal guardian. As of December 2002, a total of 4,570 children in Milwaukee County were placed outside the home. That is a decrease of 22.8 percent from December 2001, when 5,917 children were in out-of-home placement.

Program Budget

As shown in Table 2, funding for Milwaukee child welfare services comes from three sources: general purpose revenue (GPR); federal revenues from Title IV-E funds provided for foster care costs; and program revenue received from Temporary Assistance to Needy Families (TANF), Medical Assistance matching funds, and third-party revenue such as child support payments from parents that are used to pay for out-of-home care for children.

Table 2

Bureau of Milwaukee Child Welfare Budget
FY 2002-03

	<u>GPR</u>	<u>Federal Funds</u>	<u>Program Revenue</u>	<u>Total</u>
Placement costs ¹	\$23,845,200	\$11,011,100	\$ 0	\$ 34,856,300
Vendor contracts				
Ongoing services	10,161,300	2,066,500	1,871,000	14,098,800
Case management services	10,826,600	3,075,000	0	13,901,600
Wraparound services	8,810,500	1,371,600	0	10,182,100
Safety services	0	0	7,094,100	7,094,100
Out-of-home placement services	4,070,100	1,156,000	0	5,226,100
Adoption services	1,718,500	1,406,000	0	3,124,500
Prevention services	0	0	1,489,600	1,489,600
Independent investigation services	248,400	0	0	248,400
Family intervention and support services	206,600	0	0	206,600
Miscellaneous vendor costs ²	1,340,900	298,300	0	1,639,200
Operations costs ³	<u>11,555,900</u>	<u>6,362,300</u>	<u>630,000</u>	<u>18,548,200</u>
Total	\$72,784,000	\$26,746,800	\$11,084,700	\$110,615,500

¹ Funds paid to foster care providers.

² Includes costs for services such as psychiatric evaluations, reviews of permanency plans for children, evaluations for safety services, and costs associated with terminations of parental rights.

³ Costs of state staff, the child support information system, rent, training, supplies and services, and miscellaneous other costs.

Program Issues

Although the State assumed responsibility for Milwaukee child welfare in January 1998, it contracted for many services from the Milwaukee County Department of Human Services until May 2001. During this period, concerns about the system's effectiveness continued, and news accounts continued to report instances of apparent failures within the system. For example, in June 2001, a seven-month-old infant suffocated while sleeping in an adult bed in a foster home that was not equipped with a crib.

The ACLU filed additional complaints in June 1999 and December 2000, alleging that systemwide problems persisted. Various problems with the system, both in service delivery and program management, were identified by several audits by DHFS and the Milwaukee County Department of Audit.

During this period of critical findings, 1999 Wisconsin Act 9, the 1999-2001 Biennial Budget Act, requested the Joint Legislative Audit Committee to direct the Audit Bureau to complete an evaluation of DHFS's administration of Milwaukee County child welfare services by January 1, 2003. The Joint Legislative Audit Committee has not, to date, directed the Audit Bureau to complete that evaluation.

Future Considerations

At the time the 1999-2001 biennial budget was enacted, there was considerable concern about the extent of problems with Milwaukee child welfare. An audit at that time could have independently documented the degree to which services were failing to meet standards and could have included recommendations for improved management and service delivery. Since the enactment of that budget, several events have taken place to begin addressing concerns about the program. First, in May 2001, DHFS discontinued the contract with the Milwaukee County Department of Human Services for foster care services and adoption services countywide, and for ongoing case management at regions 2 and 5. Nevertheless, the State continues to contract with Milwaukee County's Division of Mental Health for safety services in regions 2 and 5.

In addition, DHFS has allocated approximately \$750,000 for the University of Wisconsin-Milwaukee's School of Social Welfare to lead an evaluation of Milwaukee child welfare. The evaluation is intended to determine DHFS's ability "to achieve appropriate and timely outcomes for children and families."

UW-Milwaukee researchers are reporting their results incrementally. A report on the provision of safety services released in March 2002 found a slight but statistically significant improvement in child well-being as a result of safety services being provided. In addition, the study found that approximately 13 percent of families experienced substantiated cases of abuse or neglect within 24 months after a case had been opened and safety services were provided. This compares favorably to studies from other parts of the country, which found rates of up to 25 percent. However, the study also noted that the assessments completed by safety services case managers did not always adequately identify the full range of services needed by families and children. A report pertaining to out-of-home placements is expected in late 2003.

The third event intended to lead to improvements to Milwaukee child welfare is the settlement agreement approved by the federal court to resolve the ACLU lawsuit. The September 2002 agreement includes specific performance standards to be measured and reported by the State over a three-year period that began January 1, 2003. The State also agreed to pay the plaintiff's legal costs of \$950,000.

The stipulated standards include specific numeric goals to be achieved in each of the three years, and most of the standards require increasing improvements in each year of the three-year period. For example, one standard measures the percentage of reports of alleged abuse or neglect that are referred for investigation within three business days. In 2003, 80 percent of reports are to be referred within that time frame; the target percentages are 85 percent in 2004 and 90 percent in 2005.

An evaluation of Milwaukee child welfare at this time could review historical performance and would likely confirm program shortcomings that led to the settlement agreement. However, performance standard measurement began in January 2003, and thus data would not be available for review at this time.

As an alternative to an audit, the co-chairs of the Joint Legislative Audit Committee could request that the Secretary of DHFS periodically report to the Committee on efforts to improve the program.

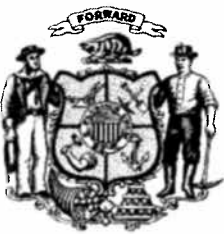
Appendix 1

Key Developments Related to Milwaukee County Child Welfare

<u>Date</u>	<u>Action</u>
June 1993	ACLU files action in U.S. District Court alleging ineffective child welfare services
July 1995	Legislature authorizes DHFS to assume responsibility for Milwaukee child welfare
January 1998	DHFS assumes responsibility for Milwaukee child welfare
November 1999	DHFS concludes a subcontractor, New Ventures, is poorly managed and terminates contracts
October 2000	DHFS issues audit that is critical of Milwaukee County safety services
May 2001	Milwaukee County issues audit that is critical of child welfare services DHFS issues audit that is critical of ongoing case management State discontinues Milwaukee County contracts to provide foster care and adoption services countywide, and ongoing case management services in regions 2 and 5 Milwaukee County Executive announces pay forfeiture for top child welfare officials
March 2002	Release of UW-Milwaukee safety services evaluation
September 2002	Settlement agreement reached between ACLU and the State of Wisconsin
January 2003	Three-year monitoring and performance improvement period required by the settlement agreement begins
December 2003	Anticipated release of UW-Milwaukee evaluation of out-of-home placement services



WISCONSIN STATE LEGISLATURE





State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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May 29, 2003

Representative Sheryl Albers and
Representative Lorraine Seratti
State Capitol
Madison, Wisconsin 53702

Dear Representatives Albers and Seratti:

In response to your inquiry, we have completed a limited review of the Department of Transportation's enforcement of ch. TRANS 233, Wis. Adm. Code, which governs the use of land that abuts state trunk highways and connecting highways. Under current code provisions, property owners must obtain the Department's permission before dividing their existing parcels of land or combining their land with adjacent parcels.

The Department's eight district offices enforce the administrative code's provisions, and most records are maintained there. The Department is currently working to create a central data base for land division requests, but efforts are not yet completed. As a result, summary information about enforcement activities is unavailable, and it is difficult to determine the number of ongoing cases. Therefore, we reviewed a sample of cases that were decided from January 2002 through March 2003 in two districts: Madison and Wisconsin Rapids.

Enforcement Activities

Chapter TRANS 233, Wis. Adm. Code, seeks to minimize roadway access from abutting land directly onto state trunk and connecting highways and limit the number of structures and improvements in land adjacent to highways, which is known as the setback area. The provisions are meant to promote driving safety and to preserve the public's investment in the highways.

Individuals who want to divide or combine land that abuts a state trunk or connecting highway must submit a map detailing the proposed changes and pay the Department a \$110 fee. The Department may also request additional information, such as an access covenant for land that abuts the proposed land division, or a stormwater drainage analysis.

After receipt of a request to divide or combine land, the Department's district offices have 20 calendar days to decide whether to approve the request. If the request contains incomplete information, the district has 5 working days to ask for additional information, and the 20-day review period does not begin until the district receives complete information. If a district does not make a decision within 20 days after receiving all necessary information, it is considered to have no objection to the land division.

Property owners may also request a special exception from the administrative code's provisions. For example, a property owner may want to place a structure, such as a parking lot, building, or sign, within a highway setback area, or an owner may want to connect a driveway to a highway. A district office has 60 calendar days to review a request for a special exception.

Property owners formerly needed the Department's permission to place structures within 110 feet of a highway's centerline or 50 feet of the right-of-way line, whichever was farthest from the centerline. However, the Department modified its administrative code in February 2001 in response to concerns about excessive restrictions on the ability of property owners to develop their land. For example, it agreed to allow structures 15 feet or more from the right-of-way line of any state trunk or connecting highway that is not part of the national highway system, is not a principal arterial or urban highway, does not have average daily traffic greater than 5,000, or is not projected to have congestion above a certain level by the year 2020. These modified provisions apply to approximately one-third of all state trunk and connecting highways.

District Review of Land Division Requests

From January 2002 through March 2003, the Madison district office decided approximately 700 requests for land divisions and combinations under ch. TRANS 233, Wis. Adm. Code., and the Wisconsin Rapids district office decided 156 requests. Of these, we conducted a random sample of 39 requests, including 22 reviewed by the Madison district office and 17 reviewed by the Wisconsin Rapids district office. All 39 requests were approved.

As shown in Table 1, the Madison district office took an average of eight calendar days to decide requests that did not involve a special exception, and the Wisconsin Rapids district office took an average of nine days. Both district offices took less than the 20 days allowed under administrative code. For requests that involved a special exception, both district offices took less than the 60 calendar days allowed under administrative code.

Table 1

Average Number of Days Needed to Decide Land Division Requests*
January 2002 through March 2003

<u>Land Division Requests</u>	<u>Madison District Office</u>	<u>Wisconsin Rapids District Office</u>
No special exception	8	9
Special exception	11	24

* Based on a review of 39 land division requests.

Before deciding land division requests, district staff may ask property owners for additional information. Madison district staff requested more information for 9 of the 22 files we reviewed, and it took property owners an average of 27 days to provide it. Wisconsin Rapids district staff requested more information for 6 of the 17 files we reviewed, and it took property owners an average of 12 days to provide it. District staff noted that they sometimes request additional information verbally, but details about these requests were typically not included in the files.

Based on our file review, district staff sometimes asked the property owners to add notations to documents already submitted, such as identifying land owned by others or alerting individuals to highway setback provisions that prohibit certain land improvements. In other instances, district staff requested additional items, such as:

- a copy of the proposed certified survey map of the land;
- a map or sketch of the property owner's contiguous lands, showing existing access roads and other land details;
- an access covenant for unplatted, abutting lands owned by the property owner; or
- the required \$110 fee.

Appeals Process

Property owners can appeal district decisions to the Department's central office in Madison. Administrative code requires that appeals be made within 20 calendar days after the district's decision. The central office then has 60 calendar days to decide the appeal.

As shown in Table 2, the central office received 19 appeals from January 2002 through March 2003 and had made 15 rulings as of early April 2003. It fully upheld the district decision in 5 of the 15 cases, partially upheld the district decision in 7 cases, and overturned the district decision in 2 cases. In one case, the central office decided that no appeal was necessary and dismissed the case. It took the central office an average of 48 days to decide the 15 appeals. Two appeals took longer than 60 days to decide.

The central office did not decide 4 of the 19 appeals. In two cases, the property owners withdrew their appeals before a ruling could be made. One appeal that was received in early 2003 had not been decided as of April 2003, and the central office did not consider one appeal that was initiated more than 20 days after the district office's decision.

In November 2002, the Wisconsin Builders Association filed a lawsuit in Dane County Circuit Court alleging that the Department exceeded its authority, violated constitutional provisions pertaining to property rights, and did not comply with statutory rule-making procedures in its February 1999 revisions to ch. TRANS 233, Wis. Adm. Code. For example, one of the lawsuit's nine issues notes that s. TRANS 233.017(3), Wis. Adm. Code, specifies that land shall be considered to abut a state trunk or connecting highway if it is separated from the highway by a

service road. The lawsuit alleges that the Department exceeded its statutory authority by attempting to regulate the division of land that does not directly abut a state trunk or connecting highway.

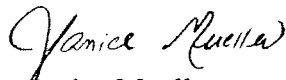
Table 2

Resolution of Appeals
January 2002 through April 2003

<u>Resolution</u>	<u>Number of Cases</u>
Central Office Ruling	
Partially upheld district decision	7
Fully upheld district decision	5
Overtured district decision	2
No appeal necessary	<u>1</u>
Subtotal	15
No Ruling Issued	
Appeal withdrawn	2
No decision as of April 2003	1
Too late to appeal	<u>1</u>
Subtotal	<u>4</u>
Total	19

I hope this information is helpful to you. Please contact me if you have additional questions.

Sincerely,


Janice Mueller
State Auditor

JM/DB/bm

cc: Senator Carol A. Roessler
Representative Suzanne Jeskewitz





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June 13, 2003

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

Earlier this year, we completed our fiscal year 2001-02 single audit and issued our report (03-5). During the course of our audit and subsequent follow-up, we identified over \$2.0 million available to the General Fund from other funds and accounts that the Legislature may wish to consider during the current 2003-05 budget deliberations.

First, we identified a bank account holding over \$1,090,000 related to Wisconsin Health Education Assistance Loan (WHEAL) revenue bonds. This account is no longer needed because the bonds have been fully repaid. If desired, the Legislature could direct the Higher Educational Aids Board, which administers the loan program, to close the account and transfer the balance, as well as any future student loan repayments, to the General Fund for general appropriation.

Second, the Department of Corrections receives federal foster care funds as reimbursement for costs incurred in caring for certain juveniles in its custody. Because these costs were either originally funded by general purpose revenues or by other program revenue sources, the Department should have lapsed the federal reimbursements to the General Fund. However, for fiscal year 2001-02, it credited a net amount of \$456,000 in federal foster care reimbursements for administrative costs to one of its own program revenue appropriations. If desired, the Legislature could direct the Department of Corrections to lapse \$456,000 to the General Fund and make these funds available for general appropriation.

Third, each biennium, the Board of Commissioners of Public Lands receives approximately \$400,000 from the sale of timber on land owned by the Normal School Fund. The Board accounts for timber sales as additions to the Normal School Fund. If the Legislature believes that timber sales should be treated in the same manner as interest income of the Normal School Fund, it could amend the statutes to direct the Board to credit timber revenues to the General Fund to be made available for appropriation.

Finally, 2001 Wisconsin Act 16 directed the Department of Administration to sell two aircraft and deposit the sales proceeds to the General Fund. The Department sold two aircraft during fiscal year 2001-02 for \$82,412. However, it deposited the sales proceeds to one of its own

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
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June 13, 2003

program revenue appropriations. The Legislature could direct the Department to account for these sales proceeds as general purpose revenues of the General Fund.

A more detailed explanation of these available funds is attached. We hope that you find this information useful. If you have any questions or comments, please contact me.

Sincerely,



Janice Mueller
State Auditor

JM/BN/bm

cc: Senator Robert Cowles Representative Samantha Kerkman
Senator Alberta Darling Representative Dean Kaufert
Senator Gary George Representative David Cullen
Senator Jeffrey Plale Representative Mark Pocan

Matthew J. Frank, Secretary
Department of Corrections

Sherrie Nelson, Interim Administrative Manager
Higher Educational Aids Board

Marc J. Marotta, Secretary
Department of Administration

Daniel E. Wisniewski, Secretary
Board of Commissioners of Public Lands

BUDGETARY ISSUES

During the course of our fiscal year (FY) 2001-02 single audit, we identified over \$2.0 million available to the General Fund from other funds and accounts that the Legislature may wish to consider during the current 2003-05 budget deliberations.

Available WHEAL Balances

In the early and mid 1980s, the State issued \$112 million in Wisconsin Health Education Assistance Loan (WHEAL) revenue bonds to make funds available for loans to full-time medical and dental students. The State established a separate bank account for the Higher Educational Aids Board, which administers the WHEAL program, to use to deposit student loan repayments and make subsequent payments to the bond trustee. It was expected that the loan repayments received from the borrowers would be sufficient to make scheduled revenue bond principal and interest payments. However, during 1994, the State became concerned that there would not be sufficient cash available to meet debt service obligations. Therefore, in November of that year, the State issued \$16.96 million of revenue bonds to the State of Wisconsin Investment Board (SWIB) and used the proceeds, along with cash and investments held in the WHEAL program and \$2.15 million from the Capital Improvement Fund, to redeem the original revenue bonds.

The SWIB-owned revenue bonds were fully repaid on October 1, 2001. However, the Higher Educational Aids Board continues to collect outstanding student loan repayments and deposit them to the separate bank account. As of April 30, 2003, over \$1,090,000 had accumulated in the bank account, and approximately \$1.3 million in student loans remained outstanding.

We are concerned because now that the revenue bonds have been fully paid, the bank account is no longer needed and should be closed. One option available to the Legislature is to amend statutes and direct that any available funds be deposited to the Capital Improvement Fund as reimbursement for use of that Fund's cash to redeem the original revenue bonds. Alternatively, as currently required by s. 20.906, Wis. Stats., any balance in the account must be accounted for as general purpose revenues of the General Fund. If this alternative is preferred, the Legislature may wish to direct the Higher Educational Aids Board to close the bank account and immediately transfer the proceeds to the General Fund. The Legislature may also wish to direct that all future WHEAL loan collections be treated as general purpose revenues of the General Fund.

Foster Care Reimbursements

The Department of Corrections seeks federal reimbursement under the foster care program for allowable costs incurred in caring for certain juveniles in its custody. Allowable costs include payments to group homes for the care of juveniles, which are funded by general purpose revenues, and administrative costs, which are funded by program revenue related to juvenile correctional services under the appropriations authorized in ss. 20.410(3)(hm) and 20.410(3)(hr), Wis. Stats. Because the costs have already been paid for by non-federal sources, the Department is expected to treat federal foster care reimbursements as general purpose revenues of the General Fund.

During FY 2001-02, the Department lapsed federal reimbursements related to the juvenile care costs funded by general purpose revenues. However, it credited a net amount of \$456,000 in reimbursements for administrative costs to its program revenue appropriation authorized in s. 20.410(3)(kx), Wis. Stats., for inter-agency and intra-agency programs. Recently, staff in the Department indicated that they plan to lapse the \$456,000 by the end of the current fiscal year. To ensure the lapse occurs, the Legislature could direct the Department of Corrections to immediately lapse \$456,000 to the General Fund from the appropriation authorized under s. 20.410(3)(kx), Wis. Stats., and, for FY 2002-03 and future years, to account for all federal foster care reimbursements as general purpose revenues of the General Fund.

Timber Sales

The Board of Commissioners of Public Lands manages the Normal School Fund. The principal balance of this fund as of May 31, 2003, was \$19.4 million. The Fund's assets are largely loans to local governments and cash invested in the State Investment Fund. The interest earned from loans and the State Investment Fund are deposited to the General Fund as general purpose revenues, as required by s. 24.80, Wis. Stats.

The other major asset of the Normal School Fund is 75,323 acres of land. The land generates income, primarily from timber sales. As shown in Table 1, the Board had over \$1.5 million in Normal School Fund timber sales since FY 1996-97.

Table 1

**Normal School Fund
Timber Sales
FY 1996-97 through FY 2002-03**

<u>Fiscal Year</u>	<u>Timber Sales</u>
1996-97	\$ 188,092
1997-98	267,189
1998-99	175,441
1999-2000	336,366
2000-01	216,709
2001-02	198,346
2002-03*	<u>201,564</u>
Total	\$1,583,707

* Through May 31, 2003

Timber sales are deposited to the Normal School Fund, increasing the principal balance of that fund. Board staff explained that the sale of timber may, at least temporarily, reduce the value of the land and, therefore, timber sales should be credited to the Normal School Fund in the same manner as proceeds from land sales. In addition, staff note that the Board has been treating timber sales as additions to the Normal School Fund's principal since at least 1941.

However, we note that the statutes do not require that timber sales be accounted for as additions to the principal balance of the Normal School Fund. It could be argued that timber sales are income of the Normal School Fund and could be treated in the same manner as interest earnings and deposited to the General Fund.

We reviewed the accounting treatment for timber sales from trust fund lands in other states. Some states, including Utah and Oregon, account for timber revenues in the same manner as the Board. Other states, including Colorado and Montana, account for timber sales as revenues available for distribution. If the Legislature believes Normal School Fund timber sales should be treated in the same manner as interest income, it could clarify the statutes and direct the Board of Commissioners of Public Lands to account for timber sales as general purpose revenues of the General Fund. If this were done, approximately \$200,000 annually, or \$400,000 during the 2003-05 biennium, would be available for appropriation by the Legislature.

Aircraft Sales Proceeds

In non-statutory provisions included in 2001 Wisconsin Act 16, the Legislature directed the Department of Administration to sell two aircraft of its choice and deposit the sales proceeds to the General Fund as general purpose revenues. In April 2002, the Department sold two Cessna 172 aircraft for a total of \$82,412. However, rather than treating the sales proceeds as general purpose revenues, as required, the Department deposited the proceeds to its own program revenue appropriation authorized in s. 20.505(1)(kb), Wis. Stats., for transportation and other services provided to other state agencies. The Legislature may wish to direct the Department of Administration to immediately transfer \$82,412 to the General Fund as general purpose revenues, as required by 2001 Wis. Act 16.





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July 9, 2003

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

We have completed a data center control review of the University of Wisconsin (UW)-Madison Division of Information Technology as part of our responsibilities for evaluating the control environment for the financial and federal compliance audits of UW System and for our state audit requirements under s. 13.94(1)(b), Wis. Stats.

The Division provides a variety of information systems services to UW System Administration and various schools within UW-Madison. One important function is the maintenance and operation of the servers used to process critical applications that include the UW-Madison student information system and the UW System accounting system. Another important function is the maintenance and operation of the UW-Madison mainframe, where other critical applications, including the UW System payroll system, are processed. Our review was limited to the controls over server data processing, which provide assurance that information processed on these platforms is accurate and reliable. We also followed up on concerns related to the mainframe platform that were identified during our prior review. However, we did not perform any specific testing of mainframe controls, as this platform is set to be decommissioned in the future and the applications running on this platform are being migrated to the server environment.

Our review found the Division has established a well-controlled computing environment. However, we identified several areas in which it could further improve controls, including program change controls, data security, management of electronic data, disaster recovery, and physical security. We have detailed our concerns and included a number of recommendations for improvements in a separate management letter sent to the Division. For example, we noted that the lack of independent review over changes made to the server-based applications could lead to inappropriate changes being made. These changes could have an adverse impact on the information processed and created by these applications, including files that are used to generate checks. The Division generally agrees with our recommendations and has identified plans to implement improvements.

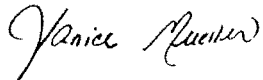
Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons

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We appreciate the courtesy and cooperation extended to us by the UW-Madison Division of Information Technology and its staff. If you have any questions regarding our work in this area, please contact me.

Sincerely,



Janice Mueller
State Auditor

JM/JG/bm

cc: Senator Robert Cowles	Representative Samantha Kerkman
Senator Alberta Darling	Representative Dean Kaufert
Senator Gary George	Representative David Cullen
Senator Jeffrey Plale	Representative Mark Pocan

Ms. Annie Stunden, Director and Chief Information Officer
Division of Information Technology

Ms. Deborah Durcan, Vice President of Finance
University of Wisconsin System Administration