

**2001 DRAFTING REQUEST**

**Assembly Amendment (AA-ASA1-SB55)**

Received: 06/28/2001

Received By: **champra**

Wanted: **Today**

Identical to LRB:

For: **Assembly Republican Caucus**

By/Representing: **Emerson**

This file may be shown to any legislator: **NO**

Drafter: **champra**

May Contact:

Addl. Drafters:

Subject: **State Finance - miscellaneous  
State Government - miscellaneous**

Extra Copies:

Submit via email: **NO**

Requester's email:

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**Pre Topic:**

ARC:.....Emerson -

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**Topic:**

Use of purchasing cards by state agencies

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**Instructions:**

See Attached.

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**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	champra 06/28/2001	csicilia 06/28/2001	kfollet 06/28/2001	_____	lrb_docadmin 06/28/2001		
/2	champra 06/28/2001	csicilia 06/28/2001	pgreensl 06/28/2001	_____	lrb_docadmin 06/28/2001		

FE Sent For:

**<END>**

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/1	champra 06/28/2001	csicilia 06/28/2001	kfollet 06/28/2001	<i>[Handwritten initials]</i>	lrb_docadmin 06/28/2001		

FE Sent For:

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 2 eps 6/27  
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 <END> sent

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/1	champra	1 cjs 6/27/01	6/28	6/28	6/28		

FE Sent For:

<END>

# Memo

**To:** RAC

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**From:** JTK

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**Subject:** Purchasing card rebates

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**Date:** 6/27/01

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Rick,

Tony has uncovered another "lost motion" that needs to be drafted for ARC and confirmed with R.J.. It seems to require creation of authority for DOA to enter into an agreement for purchasing cards, which appear to be custom-designed debit or credit cards for major users, and to permit agencies to use them to make minor purchases in an amount not exceeding [\$5,000][an amount specified by the secretary]. Then the secretary needs to be directed to credit any rebate received on account of any purchase to the fund from which the appropriation is made for payment of the obligation incurred as a result of the purchase.

Then, in a nonstat, the secretary needs to be directed to transfer from the appropriation account under s. 20.505 (1) (ka) to each fund from which appropriations are made an amount equal to the amount that would have been credited to that fund had the statutory provision been in effect at the time that a purchase was made through the use of a purchasing card prior to the effective date of the subsection. I don't know whether you need to exclude from this transfer \$170,000 (already spent for the consultant's study) and if you do, out of which fund's or funds' share it should be drawn.

Jun. 27. 2001 7:24PM LFB

No. 2555 P. 1/2



**Legislative Fiscal Bureau**

One East Main, Suite 301 - Madison, WI 53703 - (608) 266-3847 - Fax: (608) 267-6873

Date: June 27, 2001

DELIVER TO: JTK

Addressee Fax #: \_\_\_\_\_ Addressee Phone #: \_\_\_\_\_

# of Pages, Including Cover: 2 Sender's Initials: TM

From: TONY MASON, LFB

Message:

Jeff--

One of the things the ARC did was to "incorporate" into the various fund balances certain savings identified in a LAB letter dated July 21, detailing the results of the Bureau's single audit reviews. One of the items identified was the presence of purchasing card rebate funds. These rebates have been credited to DOA's 20.505(1)(ka) appropriation. The LAB believes that \$285,000 is currently on hand in this appn account and that an additional \$200,000 will be received annually in both 2001-02 and 2002-03. About 90% is attributable to general fund operations.

These balances need to be lapsed to their respective source funds. The amounts already received prior to 2001-02 should be credited back to their source funds in 2001-02 as a one-time revenue. Current rebate receipts in 2001-02 and 2002-03 should also be credited to their source funds. It seems to me that this treatment may require some statutory and nonstatutory language.

I will indicate this to RJ in Jensen's office.

Tony Mason, LFB

6-8744

### Purchasing Card Rebates

The State established the purchasing card program in FY 1996-97 to reduce the need for purchase orders, invoices, and check payments for purchases that have small dollar-values. The use of a purchasing card allows state agencies a simple, controlled way to make purchases of less than \$5,000 with little paperwork. As part of this program, the State earns rebates based on the value of purchases made by state agencies. As of December 31, 2000, the State had received \$285,000 in rebates under the program. We estimate an additional \$400,000 will be received during the 2001-03 biennium. The Department of Administration (DOA) has credited these funds to its appropriation created under s. 20.505(1)(ka), Wis. Stats., which is intended to fund materials and services provided to state agencies. As of May 31, 2001, the Department had spent approximately \$170,000 of the rebate funds, largely for an outside consultant's statewide procurement system feasibility study.

However, we believe a preferred accounting practice would be to treat these rebates as miscellaneous receipts of the funds through which the purchases were made, making the additional revenues generated from the cards available to each respective fund. Of the \$685,000 in total rebates that have been received, or are expected to be received through the end of the 2001-03 biennium, approximately \$620,000 relates to the General Fund, \$40,000 to the Transportation Fund, and \$25,000 to other funds. If desired, the Legislature could direct DOA to lapse the rebates already received to the funds through which the purchases were made and, in the future, record purchasing card rebates as general revenues of the various funds.

2000-01	2001-02	2002-03
285,000	200,000	200,000

### Unliquidated Encumbrances

257,900	141,000	181,000
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State agencies use encumbrance accounting to ensure sufficient budget authority is retained to pay for commitments made to purchase goods or services under contract. Agencies are allowed to encumber and carry forward budget authority from one fiscal year to the next, provided the encumbrances are for valid commitments. While DWD generally has adequate procedures to review year-end encumbrances, we identified \$638,319 in encumbrances related to the Wisconsin Conservation Corps, an agency that is attached to DWD for administrative purposes, that were not adequately reviewed and may have been mistakenly carried forward from FY 1998-99 to future years. Of this amount, \$392,319 relates to the general purpose revenue appropriation created under s. 20.445(6)(b), Wis. Stats., and \$246,000 relates to the Conservation Fund appropriation created under s. 20.445(6)(u), Wis. Stats. The Corps encumbered these funds in FY 1998-99 for tuition costs paid on behalf of its members. However, these encumbrances remained outstanding as of May 31, 2001.

We recently discussed our concerns about these encumbrances with DWD staff, who indicated they are currently reviewing them and plan to lapse the necessary amounts at the end of FY 2000-01. Based on our understanding, the majority of this amount will lapse either at the end of the current fiscal year or during the next biennium. Therefore, the Legislature may wish to take into consideration an additional \$392,319 in expected lapses to the General Fund and an additional \$246,000 in lapses to the Conservation Fund.

\*\*\*\*



*Today*

*ej*

ARC:.....Kratchowill – Use of purchasing cards by state agencies

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

**CAUCUS ASSEMBLY AMENDMENT**

**TO ASSEMBLY SUBSTITUTE AMENDMENT 1,**

**TO 2001 SENATE BILL 55**

*substitute amendment*

1 At the locations indicated, amend the bill as follows:

2 1. Page 40, line 12: after that line insert:

3 "SECTION 227r. 16.40 <sup>23m</sup> (23) of the statutes is created to read:

4 16.40 (23m) PURCHASING CARD REBATES. Authorize any state agency to use  
5 purchasing cards for purchases that do not exceed \$5,000. If the state receives any  
6 rebates from a purchasing card issuer for purchases made with a purchasing card,  
7 the department shall credit the rebates to the appropriation account from which the  
8 purchases were paid."

9 2. Page 1298, line 8: after that line insert:

10 "(19r) PURCHASING CARD REBATES.

*NON  
STAT*



*subsection*

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(a) In this ~~section~~:

- 1. "Secretary" means the secretary of administration. ✓
- 2. "State agency" has the meaning given in section 20.001 (1) of the statutes.

(b) The secretary shall determine the amount of rebates that were received by the state from purchasing card issuers for purchases made by state agencies with purchasing cards and that were credited, before the effective date of this <sup>✓</sup> paragraph, to the appropriation account under section 20.505 (1) (ka) of the statutes. In making this determination, the secretary shall also identify the appropriation accounts from which the purchases were made and on which the rebates were based.

(c) During fiscal year 2001–02, from the appropriation account under section 20.505 (1) (ka) of the statutes, the secretary shall lapse that part <sup>of</sup> (the amount determined under paragraph (a) <sup>b</sup>) to the general fund that is based on purchases made from appropriations from the general fund and shall transfer that part <sup>of</sup> (the amount determined under paragraph (a) <sup>b</sup>) to the appropriate segregated fund that is based on purchases made from appropriations from that segregated fund."

(END)

NON  
STAT



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRBb1865/12

RAC:cjs:kjf

RMK

ARC:.....Emerson - Use of purchasing cards by state agencies

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Insert  
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10 (c) During fiscal year 2001–02, from the appropriation account under section  
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14 determined under paragraph (b) to the appropriate segregated fund that is based on  
15 purchases made from appropriations from that segregated fund.”.

16 (END)

A  
the rebate  
deposit in the fund from which the  
appropriation is made for payment of  
the obligation ~~incurred~~<sup>incurred</sup> as a result  
of the purchase



ARC:.....Emerson – Use of purchasing cards by state agencies

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16

(END)