



STATE OF WISCONSIN

Assembly Journal

Ninety-Fifth Regular Session

THURSDAY, November 21, 2002

The Chief Clerk makes the following entries under the above date:

REFERRAL OF AGENCY REPORTS

State of Wisconsin
Department of Natural Resources
Madison

October 31, 2002

To the Honorable, the Legislature:

In fulfillment of the requirements under s. 299.80 (16), Wisconsin State Statutes, I am submitting to you a copy of the Environmental Cooperation Pilot Program 2002 Progress Report. Please distribute as appropriate. I am also providing a copy of the Report to the Governor and to the Honorable Chief Clerk of the Senate, Donald J. Schneider.

For more information on the Environmental Cooperation Pilot Program or additional copies of this report, please contact Mark McDermid at (608) 267-3125, or visit our web site at <http://www.dnr.state.wi.us/org/caer/cea/>.

Sincerely,
DARRELL BAZZELL
Secretary

Referred to committee on **Environment**.

State of Wisconsin
Department of Health and Family Services
Madison

November 12, 2002

To the Honorable, the Legislature:

Enclosed is the 2002 annual report for the Wisconsin Council on Physical Disabilities. Preparation and distribution of the report is required by section 46.29 (1)(f) of the state statutes.

If you have questions about the report, please contact Dan Johnson at 608/267-9582. Mr. Johnson is Director of the state Office for Persons with Physical Disabilities, the unit to which the Council is administratively attached.

Sincerely,
PHYLLIS J. DUBE
Secretary

Referred to committee on **Aging and Long-Term Care**.

AGENCY REPORTS

State of Wisconsin
Legislative Audit Bureau
Madison

November 8, 2002

To the Honorable, the Legislature:

At the request of the Department of Health and Family Services, we have completed a financial audit of the Health Insurance Risk-Sharing Plan (HIRSP) for fiscal year (FY) 2000-01. HIRSP provides medical insurance for approximately 15,300 policyholders who are unable to obtain coverage in the private market. We have provided an unqualified opinion on HIRSP's financial statements and have followed up on issues raised in prior audits.

One of these issues relates to HIRSP's financial stability. Recent actions taken to implement an accrual-based funding approach in response to our prior audit recommendations will help to address an accounting deficit of \$8.2 million. However, increasing enrollment and claims costs will present continuing challenges to the future management and funding of HIRSP. Enrollment increased 27.1 percent and claims costs increased 24.2 percent during FY 2001-02.

Second, in earlier audits we reported on the overpayment of prescription drug claims for prescriptions dispensed from July 1998 through January 2001. The Department has taken several steps to prevent additional overpayments and to improve its pharmacy claims process, including implementing an online processing system and separating drug coinsurance provisions. The Department also took steps to recover the \$5.2 million of overpayments we identified. However, as part of the 2001-03 Budget Reform Act, the Legislature directed the Department to discontinue its recovery efforts. As a result, the overpayments remain a cost that is shared by policyholders, insurers, and other health care providers.

Concerns identified during the current audit suggest that the Department needs to remain diligent in improving its financial management. Inadequate procedures and communication regarding claims data and the actuarial process led to an estimate of actuarial loss liabilities that was materially in error in HIRSP's financial statements. Further, ongoing billing problems suggest that the Department needs to increase its monitoring of administrative billings by the plan administrator, EDS.

We appreciate the courtesy and cooperation extended to us by the Department and the plan administrator for HIRSP. A response from the Department is Appendix 2.

Respectfully submitted,
JANICE MUELLER
State Auditor

State of Wisconsin
Joint Legislative Council
Madison

November 14, 2002

To the Honorable, the Assembly:

Enclosed is a copy of the General Report of the Joint Legislative Council to the 2001-02 Legislature, prepared and submitted pursuant to s. 13.81 (3), Stats.

I would appreciate your noting in the Assembly Journal, pursuant to s. 13.172, Stats., that this report has been delivered to your office. Thank you.

Sincerely,
TERRY C. ANDERSON
Director

State of Wisconsin
Legislative Audit Bureau
Madison

November 14, 2002

To the Honorable, the Legislature:

We have completed an audit of the financial statements of the State Life Insurance Fund for the period January 1, 1999 through December 31, 2001, as required by s. 13.94 (1)(de), Wis. Stats. The Fund, which was created in 1911 to provide low-cost life insurance policies to Wisconsin residents, is administered by the Office of the Commissioner of Insurance. As of December 31, 2001, the Fund had 30,407 life insurance policies in effect, and total life insurance in force of approximately \$226.4 million. The Fund is subject to the same regulatory requirements as any life insurance company licensed to operate in Wisconsin. However, it operates under other specific statutory restrictions, including a prohibition on advertising and maximum coverage to any insured person of \$10,000.

The State Life Insurance Fund prepares its financial statements in accordance with insurance accounting practices prescribed by the Commissioner of Insurance. We found the statutory-based financial statements to be fairly presented in accordance with these accounting practices.

The Fund, which is self-funded through premiums and investment earnings, returned between \$3.7 million and \$3.9 million to policyholders as dividends in each of the three years we audited. Statutes require that any fund surplus that accumulates be maintained at a level between 7.0 and 10.0 percent of fund assets, in so far as is practically possible. The Fund's surplus-to-asset ratio was 8.1 percent as of December

31, 2001. However, net losses, which totaled \$679,629 over the three years audited, contributed to a lower ratio in each of the years and may affect future dividend levels if the trend continues.

We appreciate the courtesy and cooperation extended to us by the staff of the Office of the Commissioner of Insurance in completing our audit.

Respectfully submitted,
JANICE MUELLER
State Auditor

State of Wisconsin
Legislative Audit Bureau
Madison

November 21, 2002

To the Honorable, the Legislature:

At the request of the departments of Commerce and Administration, and to meet our audit responsibilities under s. 13.94, Wis. Stats., we have completed a financial audit of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the fiscal years ending June 30, 2002, and June 30, 2001. We were able to express our unqualified opinion on the program's Statement of Changes in Program Assets and related notes.

Under the Petroleum Inspection Fee Revenue Obligations Program, the State issues revenue obligations, such as bonds and commercial paper, to provide financing for payment of claims under the Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program. The revenue obligations are to be repaid from the \$0.03 per gallon fee charged suppliers for petroleum products sold in Wisconsin and collected by the Department of Revenue. The obligations are not general obligation debt of the State.

Between January 2000, when the program was created, and June 30, 2002, the State issued \$280.25 million of revenue obligations, which allowed the State to reduce a backlog of approved but unpaid PECFA claims, as well as to pay current-year claims. However, the Department of Commerce continues to receive claims and, as of June 30, 2002, had a backlog of over \$30 million in approved claims awaiting payment and nearly \$50 million in additional claims that had been received but not yet reviewed and approved. In addition, the Department of Commerce estimates that landowners had approximately \$170 million in costs incurred under the program but not yet claimed.

To provide additional funding to pay claims, in August and September 2002 the State issued \$62.3 million of revenue obligations, which exhausted the program's debt issuance authority. Additional revenue obligations cannot be issued unless the Legislature authorizes an increase in the program's bonding authority.

We appreciate the courtesy and cooperation extended to us during the audit by staff of the departments of Commerce, Administration, and Revenue.

Respectfully submitted,
JANICE MUELLER
State Auditor