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 Details: Legislative Audit Bureau Report 06-14: An Audit: Petroleum Inspection Fee Revenue Obligations Program

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(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**

An Audit

Petroleum Inspection Fee Revenue Obligations Program

2005-2006 Joint Legislative Audit Committee Members

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State Auditor - Janice Mueller

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CONTENTS

Letter of Transmittal	1
Audit Opinion	3
Independent Auditor's Report on the Statement of Changes in Program Assets of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program	
Management's Discussion and Analysis	5
Financial Statement	
Statement of Changes in Program Assets for the Fiscal Years Ended June 30, 2006 and 2005	13
Notes to the Statement of Changes in Program Assets	15
Report on Control and Compliance	25
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on Audits of the Financial Statement Performed in Accordance with Government Auditing Standards	



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Janice Mueller
State Auditor

December 5, 2006

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:

At the request of the departments of Commerce and Administration, and in accordance with s. 13.94(1s), 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, 2006, and June 30, 2005. We express our unqualified audit opinion on the Statement of Changes in Program Assets and related notes.

Since the program began in 2000, the State has issued \$387.6 million in 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. These revenue obligations are not general obligation debt of the State. Instead, they are to be repaid primarily from the fee collected by the Department of Revenue from suppliers of petroleum products sold in Wisconsin. This fee, which is established in s. 168.12(1), Wis. Stats., was reduced from \$0.03 per gallon to \$0.02 per gallon effective April 1, 2006, as provided for in 2005 Wisconsin Acts 25 and 85.

Petroleum inspection fees are initially credited to the Transportation Fund. They are then transferred by the Department of Revenue to the trustee of the Petroleum Inspection Fee Revenue Obligations Program. After satisfying debt service requirements, the trustee transfers any remaining fees back to the State for deposit to the Petroleum Inspection Fund. We found that the Department of Revenue erroneously transferred amounts in excess of actual petroleum inspection fee collections to the trustee. As a result, the Petroleum Inspection Fund was incorrectly credited for amounts that should have remained in the Transportation Fund. An estimate to correct for this error has already been included in the State's Annual Fiscal Report for 2005-06, published by the Department of Administration in October 2006. In a separate audit communication, we include recommendations for the Department of Revenue to calculate actual excess transfers and make necessary adjustments to the State's central accounting records.

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

JM/BN/ss

Audit Opinion ■

Independent Auditor's Report on the Statement of Changes in Program Assets of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program

We have audited the accompanying Statement of Changes in Program Assets of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the years ended June 30, 2006, and June 30, 2005. This financial statement is the responsibility of the program's management. Our responsibility is to express an opinion on the financial statement based on our audits.

We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Statement of Changes in Program Assets presents only the Petroleum Inspection Fee Revenue Obligations Program and does not purport to, and does not, present fairly the financial position of the State of Wisconsin and the changes in its financial position and its cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

4 AUDIT OPINION

As described in Note 2, the program's policy is to prepare its financial statement on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the Statement of Changes in Program Assets presents fairly, in all material respects, the Petroleum Inspection Fee Revenue Obligations Program's assets as of June 30, 2006, and June 30, 2005, and the program's receipts and disbursements for the fiscal years then ended, on the cash basis of accounting.

Our audits were conducted for the purpose of forming an opinion on the Statement of Changes in Program Assets of the Petroleum Inspection Fee Revenue Obligations Program. The supplementary information included as Management's Discussion and Analysis on pages 5 through 9 is presented for purposes of additional analysis and is not a required part of the financial statement. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2006, on our consideration of the program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

LEGISLATIVE AUDIT BUREAU

November 28, 2006

by



Bryan Naab
Audit Director