

**2013 DRAFTING REQUEST**

**Bill**

Received: 1/10/2013 Received By: mgallagh  
Wanted: As time permits Same as LRB:  
For: Samantha Kerkman (608) 266-2530 By/Representing:  
May Contact: Drafter: mgallagh  
Subject: Legislature - miscellaneous Addl. Drafters:  
State Govt - miscellaneous Extra Copies: SRM, RAC

Submit via email: YES  
Requester's email: Rep.Kerkman@legis.wisconsin.gov  
Carbon copy (CC) to: michael.gallagher@legis.wisconsin.gov

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Changes to state audit requirements

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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> |
|--------------|-----------------------|--------------------|-----------------------|----------------|-----------------------|-----------------------|-----------------|
| /?           | mgallagh<br>1/10/2013 | evinz<br>1/10/2013 | rschluet<br>1/10/2013 | _____          |                       |                       |                 |
| /1           | mgallagh<br>2/12/2013 | evinz<br>2/12/2013 | jfrantze<br>2/12/2013 | _____          | srose<br>1/10/2013    | lparisi<br>1/11/2013  | State           |
| /2           |                       |                    |                       | _____          | sbasford<br>2/12/2013 | sbasford<br>2/12/2013 | State           |

FE Sent For:

*at intro*  
*2/19/13*

<END>

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| /?           | mgallagh<br>1/10/2013 | evinz<br>1/10/2013 | rschluet<br>1/10/2013 | _____                                      |                    |                      |                 |
| /1           |                       |                    |                       | <del>Kns</del><br><del>JF</del><br>2<br>12 | srose<br>1/10/2013 | lparisi<br>1/11/2013 | State           |

12 ev 2/12/13 JF  
2/12

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| /?           | mgallagh<br>1/10/2013 | evinz<br>1/10/2013 | rschluet<br>1/10/2013 | _____          |                    |                 |                 |
| /1           |                       |                    |                       | _____          | srose<br>1/10/2013 |                 | State           |

FE Sent For:

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Changes to state audit requirements

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|--------------|----------------|-----------------|--------------|----------------|------------------|-----------------|-----------------|
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|    |          |         |   |       |       |  |  |
|----|----------|---------|---|-------|-------|--|--|
| /? | mgallagh | 1/10/13 |  | _____ | _____ |  |  |
|----|----------|---------|---|-------|-------|--|--|

FE Sent For:

<END>

**Gallagher, Michael**

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**From:** Morrell, Alison  
**Sent:** Thursday, January 10, 2013 8:54 AM  
**To:** Gallagher, Michael  
**Subject:** audit bill draft LRB 0407/P1

Michael,

Please prepare an assembly version of LRB- 0407/P1 for Rep. Kerkman in a final form ready for introduction. No changes need to be made to the P-draft version. It is consistent with Rep. Kerkman's intent. We'll be working on this with Sens. Cowles and Vinehout. Thank you!

***Alison Morrell***

Office of State Representative Samantha Kerkman  
61st Assembly District of Wisconsin  
608-266-2530



Encl 1/0 Soon Trans

State of Wisconsin  
2013 - 2014 LEGISLATURE



LRB-0407/P1

MPG:eev:rs

Stays

1097/1

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

regen

1 AN ACT *to repeal* 13.53 (2) (d), 13.94 (1) (a), 13.94 (1) (d), 13.94 (1) (f), 13.94 (1)

2 (g), 13.94(1) (k), 13.94 (1) (mm), 13.94 (1) (n), 13.94 (1) (q), 13.94 (8) (d) 3., 49.19

3 (11m) (e), 49.67 (7m), 101.973 (11), 115.52 (7), 115.525 (7), 118.153 (6), 119.23

4 (7) (e) 2. and 229.8273 (6); *to renumber and amend* 119.23 (7) (e) 1.; *to amend*

5 13.94 (1) (b), 13.94 (1) (br) 1., 13.94 (1) (br) 2., 13.94 (1) (c), 13.94 (1) (dg), 13.94

6 (1) (dm), 13.94 (1) (eg), 13.94 (1) (em), 13.94 (1) (L), 13.94 (1s) (a), 13.94 (1s) (b),

7 13.94 (1s) (bm), 18.10 (11), 39.15 (2), 39.46 (1), 119.23 (6m) (b) 3. d., 120.135 (4)

8 (a) and 565.37 (1); and *to create* 13.94 (1) (br) 3., 13.94 (1s) (c) 7. and 71.78 (4)

9 (s) of the statutes; **relating to:** the authority and responsibilities of the

10 Legislative Audit Bureau and state auditor, eliminating certain expired audit

11 requirements, and requiring confidentiality during investigations of reports

12 made to the state fraud, waste, and mismanagement hotline.

***Analysis by the Legislative Reference Bureau***

Under current law, the Legislative Audit Bureau (LAB), headed by the state auditor, is responsible for auditing state agencies and certain other entities. LAB

conducts various kinds of financial audits and also conducts performance evaluation audits to determine, among other things, whether a given program is yielding intended results. This bill makes a number of changes to the laws governing LAB, including the following:

1. Under current law, LAB is required to perform a financial audit of the records of each state agency and authority at least once every five years and a financial audit of the records of other public and quasi-public entities, including any entity that receives more than 50 percent of its annual budget from the state, at the state auditor's discretion or when LAB is so directed. The bill eliminates that five-year timeline and requires LAB to perform all of those audits at the state auditor's discretion or as the Joint Legislative Audit Committee (JLAC) directs.

2. Current law also requires LAB to perform, among other audits, (a) an annual financial audit of the State Fair Park Board and certain private entities with which that board may contract; (b) an annual financial audit of certain Department of Health Services grants; (c) a biennial financial audit of the central accounting records of the Department of Administration (DOA); (d) a biennial financial audit of the Medical College of Wisconsin's expenditures of state moneys; (e) a biennial financial audit of the Higher Education Aids Board's contract for dental education; (f) a biennial performance evaluation audit of the Division of Gaming in DOA; and (g) a biennial performance evaluation audit of the state lottery.

The bill requires LAB to perform all of those audits at the discretion of the state auditor or as JLAC directs, not on an annual or biennial basis.

3. The bill eliminates a number of LAB audits under current law, including (a) an annual financial audit of the Division of Gaming; (b) a biennial financial audit of cash on hand and securities deposited in the state treasury or otherwise accounted for by the secretary of administration; (c) a biennial financial audit of DOA's books compared to moneys in the vaults of the state treasury or other state depositories; (d) a financial audit of moneys transferred from a school district's capital improvement fund; (e) unspecified audits to be performed at the direction of the Government Accountability Board; and (f) several one-time performance evaluation and financial audits that have expired or been completed.

4. Current law requires LAB to monitor state agencies' purchases and report to JLAC at least once every five years concerning the extent to which agency purchases were of materials, supplies, or equipment manufactured outside of the United States. The bill replaces that five-year reporting requirement with the requirement that LAB make such a report to JLAC at the state auditor's discretion or as JLAC directs.

5. Current law requires LAB to maintain a toll-free hotline to receive reports of fraud, waste, and mismanagement in state government. LAB must relay those reports to an LAB employee or an appropriate state agency for investigation. If an LAB employee investigates a report, the employee may consult with any state agency in connection with that investigation. LAB's records concerning the identity of a person who makes a report to the hotline are confidential.

Under the bill, LAB and any person who investigates a report made to the hotline or is consulted or interviewed in connection with that investigation must



keep confidential the report and investigation, as well as any information arising from the investigation, while the investigation is pending, except as necessary to conduct the investigation.

6. Finally, under current law, certain officials and state agencies may have access to Wisconsin taxpayers' tax records maintained by the Department of Revenue. The bill authorizes LAB and its employees to have access to those tax records to the extent necessary to conduct an audit.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

1           SECTION 1. 13.53 (2) (d) of the statutes is repealed.

2           SECTION 2. 13.94 (1) (a) of the statutes is repealed.

3           SECTION 3. 13.94 (1) (b) of the statutes is amended to read:

4           13.94 (1) (b) ~~Audit~~ At the state auditor's discretion or as the joint legislative  
5 audit committee directs, audit the records of every state ~~each~~ department, board,  
6 commission, independent agency or authority at least once each 5 years and audit  
7 the records of other departments as defined in sub. (4) when the state auditor deems  
8 it advisable or when he or she is so directed and, in conjunction therewith, reconcile  
9 the records of the department audited with those of the department of  
10 administration. Audits of the records of a county, city, village, town, or school district  
11 may be performed only as provided in par. (m). Within 30 days after completion of  
12 any such audit under this paragraph, the bureau shall file with the chief clerk of each  
13 house of the legislature, the governor, the department of administration, the  
14 legislative reference bureau, the joint committee on finance, the legislative fiscal  
15 bureau, and the department audited, a detailed report ~~thereof~~ of the audit, including  
16 its the bureau's recommendations for improvement and efficiency and including  
17 specific instances, if any, of illegal or improper expenditures. The chief clerks shall

1 distribute the report to the joint legislative audit committee, the appropriate  
2 standing committees of the legislature, and the joint committee on legislative  
3 organization.

4 **SECTION 4.** 13.94 (1) (br) 1. of the statutes is amended to read:

5 13.94 (1) (br) 1. Maintain a toll-free telephone number with voice mail at the  
6 bureau's office to receive reports of fraud, waste, and mismanagement in state  
7 government. Except as provided in subd. 2., the bureau shall relay these reports to  
8 the appropriate bureau employee for investigation. If the bureau has a bureau  
9 employee investigate the report, the employee may, subject to subd. 3., consult with  
10 any state department, board, commission, or independent agency for any purpose  
11 related to the investigation. The bureau shall publicize the toll-free telephone  
12 number on the bureau's ~~Web~~ Internet site. The bureau shall maintain records that  
13 permit the release of information provided by informants while protecting the  
14 identity of the informant. Any records maintained by the bureau that relate to the  
15 identity of informants shall be only for the confidential use of the bureau in the  
16 administration of this section, unless the informant expressly agrees to release the  
17 records. Appearance in court as a witness shall not be considered consent by an  
18 informant to release confidential records maintained by the bureau.

19 **SECTION 5.** 13.94 (1) (br) 2. of the statutes is amended to read:

20 13.94 (1) (br) 2. In lieu of requiring a bureau employee to conduct an  
21 investigation of a report received under subd. 1., the bureau may refer a report to a  
22 state department, board, commission, or independent agency for investigation. The  
23 Subject to subd. 3., the state department, board, commission, or independent agency  
24 shall conduct the investigation and deliver the results of the investigation to the  
25 bureau in a timely manner.

1 SECTION 6. 13.94 (1) (br) 3. of the statutes is created to read:

2 13.94 (1) (br) 3. The bureau and a person who conducts an investigation of a  
3 report received under subd. 1., or who is consulted or interviewed concerning that  
4 report, shall at all times before that investigation is completed keep confidential the  
5 report and investigation and any information arising from the investigation, except  
6 as necessary to conduct the investigation.

\*\*\*\*NOTE: Is the above language consistent with your intent? Note that the  
confidentiality requirement applies for both the report and the investigation while the  
investigation of the report is pending.

7 SECTION 7. 13.94 (1) (c) of the statutes is amended to read:

8 13.94 (1) (c) ~~Audit~~ At the state auditor's discretion or as the joint legislative  
9 audit committee directs, audit the central accounting records of the department of  
10 administration ~~at least once every 2 years~~. A detailed report of such audit shall be  
11 filed as provided by par. (b), and copies shall be provided to each member or  
12 member-elect of the legislature and shall be available in limited number to the  
13 public. The bureau shall also prepare a summary of such audit report, for  
14 distribution in the same manner as the Wisconsin Blue Book under s. 35.84.

15 SECTION 8. 13.94 (1) (d) of the statutes is repealed.

16 SECTION 9. 13.94 (1) (dg) of the statutes is amended to read:

17 13.94 (1) (dg) ~~Annually, by October 1~~ At the state auditor's discretion or as the  
18 joint legislative audit committee directs, perform a financial audit of expenditures  
19 made under the grants for dental services under s. 250.10.

20 SECTION 10. 13.94 (1) (dm) of the statutes is amended to read:

21 13.94 (1) (dm) ~~Annually~~ At the state auditor's discretion or as the joint  
22 legislative audit committee directs, perform a financial audit of the state fair park

1 board and of any private corporation with which the board contracts under s. 42.01  
2 (4) (b).

3 **SECTION 11.** 13.94 (1) (eg) of the statutes is amended to read:

4 13.94 (1) (eg) ~~Annually conduct a financial audit of the division of gaming in~~  
5 ~~the department of administration and biennially~~ At the state auditor's discretion or  
6 as the joint legislative audit committee directs, conduct a performance evaluation  
7 audit of the division of gaming in the department of administration. The legislative  
8 audit bureau shall file a copy of each audit report under this paragraph with the  
9 department of justice and with the distributees specified in par. (b).

10 **SECTION 12.** 13.94 (1) (em) of the statutes is amended to read:

11 13.94 (1) (em) Annually conduct a financial audit of the state lottery, and, to  
12 the extent of the department of revenue's participation, of any multijurisdictional  
13 lotteries in which the state participates under ch. 565, and ~~biennially~~ at the state  
14 auditor's discretion or as the joint legislative audit committee directs, conduct a  
15 performance audit of the state lottery and, to the extent of the department of  
16 revenue's participation, of those multijurisdictional lotteries, as provided in s. 565.37  
17 (1). The legislative audit bureau shall file a copy of each audit report under this  
18 paragraph with the department of justice and with the distributees specified in par.  
19 (b).

20 **SECTION 13.** 13.94 (1) (f) of the statutes is repealed.

21 **SECTION 14.** 13.94 (1) (g) of the statutes is repealed.

22 **SECTION 15.** 13.94(1) (k) of the statutes is repealed.

23 **SECTION 16.** 13.94 (1) (L) of the statutes is amended to read:

24 13.94 (1) (L) Monitor and review purchases and purchasing procedures of state  
25 departments, boards, commissions, and independent agencies, and, at the state

1 auditor's discretion or as the joint legislative audit committee directs, report to the  
2 joint legislative audit committee ~~at least once every 5 years~~ concerning the extent to  
3 which state departments, boards, commissions, and independent agencies  
4 purchased materials, supplies, or equipment manufactured outside of the United  
5 States since the date of the preceding report.

6 **SECTION 17.** 13.94 (1) (mm) of the statutes is repealed.

7 **SECTION 18.** 13.94 (1) (n) of the statutes is repealed.

8 **SECTION 19.** 13.94 (1) (q) of the statutes is repealed.

9 **SECTION 20.** 13.94 (1s) (a) of the statutes is amended to read:

10 13.94 (1s) (a) Except as otherwise provided in par. (c), the legislative audit  
11 bureau may charge any department for the reasonable cost of auditing services  
12 ~~which are performed at the request of a department or at the request of the federal~~  
13 ~~government which that the bureau is not required to perform under sub. (1) (a) to (d)~~  
14 ~~(b) or (k) (c) or any other law.~~ This paragraph does not apply to counties, cities,  
15 villages, towns, or school districts.

16 **SECTION 21.** 13.94 (1s) (b) of the statutes is amended to read:

17 13.94 (1s) (b) The legislative audit bureau may charge the department of  
18 revenue for the reasonable costs of ~~the audits required to be an audit~~ performed  
19 under sub. (1) (em) and for verification of the odds of winning a lottery game under  
20 s. 565.37 (5).

21 **SECTION 22.** 13.94 (1s) (bm) of the statutes is amended to read:

22 13.94 (1s) (bm) The legislative audit bureau may charge the department of  
23 administration for the cost of ~~the audits required to be an audit~~ performed under sub.  
24 (1) (eg).

25 **SECTION 23.** 13.94 (1s) (c) 7. of the statutes is created to read:

1           13.94 (1s) (c) 7. The state fair park board for the cost of an audit performed  
2 under sub. (1) (dm).

3           **SECTION 24.** 13.94 (8) (d) 3. of the statutes is repealed.

4           **SECTION 25.** 18.10 (11) of the statutes is amended to read:

5           18.10 (11) CANCELLATION OF INSTRUMENTS. Unless otherwise directed by the  
6 commission, every evidence of indebtedness and interest coupon paid or otherwise  
7 retired shall ~~forthwith~~ be marked "canceled" and shall be ~~delivered~~ destroyed by the  
8 department of administration or destroyed by a fiscal agent accepting the surrender  
9 ~~thereof, through the department to the state auditor appointed under sub. (8) who~~  
10 ~~shall destroy them and shall forthwith deliver~~ certify that destruction to the  
11 department a ~~certificate to that effect~~ of administration.

\*\*\*\*NOTE: The above changes to s. 18.10 (11), stats., transfer the responsibility of  
destruction, and the responsibility of certification of destruction in the case of a fiscal  
agent, from the audit bureau to DOA or the appropriate fiscal agent. Is that consistent  
with your intent?

12           **SECTION 26.** 39.15 (2) of the statutes is amended to read:

13           39.15 (2) ~~The~~ At the state auditor's discretion or as the joint legislative audit  
14 committee directs, the legislative audit bureau shall ~~biennially~~ postaudit  
15 expenditures under s. 20.250 so as to assure the propriety of expenditures and  
16 compliance with legislative intent. State affirmative action policies, rules, and  
17 practices shall be applied to the Medical College of Wisconsin, Inc., consistent with  
18 their application to state agencies.

19           **SECTION 27.** 39.46 (1) of the statutes is amended to read:

20           39.46 (1) On or before July 1 of each year, the board shall initiate, investigate,  
21 and formulate for procurement, a contract for dental education services in  
22 accordance with this section. Thereafter, the board shall conduct a biennial analysis  
23 of the program and include a report on its findings and recommendations in its

1 reports under s. 15.04 (1) (d). ~~The~~ At the state auditor's discretion or as the joint  
2 legislative audit committee directs, the legislative audit bureau shall biennially  
3 postaudit expenditures under this section. Section 16.75 (1) to (5) are waived with  
4 respect to such contract.

5 **SECTION 28.** 49.19 (11m) (e) of the statutes is repealed.

6 **SECTION 29.** 49.67 (7m) of the statutes is repealed.

7 **SECTION 30.** 71.78 (4) (s) of the statutes is created to read:

8 71.78 (4) (s) The state auditor and the employees of the legislative audit bureau  
9 to the extent necessary to conduct an audit.

~~\*\*\*\*NOTE: Is this language consistent with your intent?~~

10 **SECTION 31.** 101.973 (11) of the statutes is repealed.

11 **SECTION 32.** 115.52 (7) of the statutes is repealed.

12 **SECTION 33.** 115.525 (7) of the statutes is repealed.

13 **SECTION 34.** 118.153 (6) of the statutes is repealed.

14 **SECTION 35.** 119.23 (6m) (b) 3. d. of the statutes is amended to read:

15 119.23 (6m) (b) 3. d. To the extent permitted under 20 USC 1232g and 43 CFR  
16 part 99, pupil scores on all standardized tests administered under sub. (7) (e) ~~1~~.

17 **SECTION 36.** 119.23 (7) (e) 1. of the statutes is renumbered 119.23 (7) (e) and  
18 amended to read:

19 119.23 (7) (e) In the 2009-10 school year, each private school participating in  
20 the program under this section shall administer a nationally normed standardized  
21 test in reading, mathematics, and science to pupils attending the school under the  
22 program in the 4th, 8th, and 10th grades. Beginning in the 2010-11 school year and  
23 annually thereafter, each private school participating in the program under this  
24 section shall administer the examinations required under s. 118.30 (1s) to pupils

1 attending the school under the program. The private school may administer  
2 additional standardized tests to such pupils. ~~Beginning in 2006 and annually~~  
3 ~~thereafter until 2011, the private school shall provide the scores of all standardized~~  
4 ~~tests and examinations that it administers under this subdivision to the School~~  
5 ~~Choice Demonstration Project.~~

6 **SECTION 37.** 119.23 (7) (e) 2. of the statutes is repealed.

7 **SECTION 38.** 120.135 (4) (a) of the statutes is amended to read:

8 120.135 (4) (a) Money in the capital improvement fund may not be used for any  
9 purpose or be transferred to any other fund without the approval of a majority of the  
10 electors of the school district voting on the question at a referendum. ~~If a referendum~~  
11 ~~is adopted authorizing the use of moneys in the fund, the legislative audit bureau~~  
12 ~~shall conduct an audit to determine whether the moneys have been used only for the~~  
13 ~~purposes specified in sub. (1).~~

14 **SECTION 39.** 229.8273 (6) of the statutes is repealed.

15 **SECTION 40.** 565.37 (1) of the statutes is amended to read:

16 565.37 (1) FINANCIAL AND PERFORMANCE AUDITS. The department shall annually  
17 contract with the legislative audit bureau to conduct a financial audit of the  
18 transactions and accounts of the state lottery, and, to the extent of the department's  
19 participation, of any multijurisdictional lotteries in which the state participates, for  
20 the preceding fiscal year and shall biennially, if the state auditor or the joint  
21 legislative audit committee directs that a performance audit be conducted, contract  
22 with the legislative audit bureau for a performance audit of the state lottery and, to  
23 the extent of the department's participation, of those multijurisdictional lotteries.

24 (END)



**Parisi, Lori**

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**From:** Rep.Kerkman  
**Sent:** Friday, January 11, 2013 12:50 PM  
**To:** LRB.Legal  
**Subject:** Draft Review: LRB -1097/1 Topic: Changes to state audit requirements

Please Jacket LRB -1097/1 for the ASSEMBLY.

Companion  
-1097

LRB 1099/1  
ADDITIONAL DRAFTING INSTRUCTIONS

1. Add to 13.94 (1) a requirement for an annual financial audit of the University of Wisconsin System.
2. Add to 13.94 (1s) a requirement for the University of Wisconsin System to reimburse the Bureau for the costs of the audit performed under item 1 above.

REVISIONS TO LRB-1099/1

1. Section 3, page 3, lines 5: restore "board"
2. Section 3, page 3, line 6: restore "commission, independent agency or authority"
3. Section 3, page 3, line 11: delete "Within 30 days" and capitalize "After"
4. Section 4, page 4, line 10: delete "or" and insert "or authority" after "independent agency"
5. Section 5, page 4, line 22: delete "or" and insert "or authority" after "independent agency"
6. Section 5, page 4, line 23: delete "or" and insert "or authority" after "independent agency"
7. Section 6, page 5, line 2: replace with the following:

"13.94 (1)(br)3. The bureau in conducting an investigation of a report received under subd. 1., shall at all times before that investigation is completed keep confidential the report and investigation and any information arising from the investigation, except as necessary to conduct the investigation."

8. Section 16, page 6, line 22: restore the comma and delete "and" following "commissions" and insert "or authorities" after independent agencies
9. Section 16, page 6, line 25: restore the comma and delete "and" following "commissions" and insert "or authorities" after independent agencies
10. Section 16, page 7, line 2: delete "since the date of the preceding report"
11. Section 30, page 9, line 4: replace with the following:

"to complete its duties under s. 13.94."

## Gallagher, Michael

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**From:** Morrell, Alison  
**Sent:** Thursday, February 07, 2013 11:41 AM  
**To:** Gallagher, Michael  
**Subject:** FW: 13.94 bill  
**Attachments:** 13.94 Changes - additional instructions.docx

Michael,  
Here are the notes for our revisions of LRB 1097. Thanks.

**Alison Morrell**  
Office of State Representative Samantha Kerkman  
61st Assembly District of Wisconsin  
608-266-2530

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**From:** Smith, Joshua - LAB  
**Sent:** Thursday, February 07, 2013 11:39 AM  
**To:** Morrell, Alison  
**Subject:** 13.94 bill

Alison—here are the additional instructions. Thanks!



IN: 2/12 By end of day 2/13 (Wed.)

State of Wisconsin  
2013 - 2014 LEGISLATURE

Traverse



LRB-1097/1  
MPG:eev:rs

2/12

Stays

# 2013 BILL

Insert

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1 AN ACT <sup>regln</sup> *to repeal* 13.53 (2) (d), 13.94 (1) (a), 13.94 (1) (d), 13.94 (1) (f), 13.94 (1)

2 (g), 13.94(1) (k), 13.94 (1) (mm), 13.94 (1) (n), 13.94 (1) (q), 13.94 (8) (d) 3., 49.19

3 (11m) (e), 49.67 (7m), 101.973 (11), 115.52 (7), 115.525 (7), 118.153 (6), 119.23

4 (7) (e) 2. and 229.8273 (6); *to renumber and amend* 119.23 (7) (e) 1.; *to amend*

5 13.94 (1) (b), 13.94 (1) (br) 1., 13.94 (1) (br) 2., 13.94 (1) (c), 13.94 (1) (dg), 13.94

6 (1) (dm), 13.94 (1) (eg), 13.94 (1) (em), 13.94 (1) (L), 13.94 (1s) (a), 13.94 (1s) (b),

7 13.94 (1s) (bm), 18.10 (11), 39.15 (2), 39.46 (1), 119.23 (6m) (b) 3. d., 120.135 (4)

8 (a) and 565.37 (1); and *to create* 13.94 (1) (br) 3., 13.94 (1s) (c) 7. and 71.78 (4)

9 (s) of the statutes; **relating to:** the authority and responsibilities of the

10 Legislative Audit Bureau and state auditor, eliminating certain expired audit

11 requirements, and requiring confidentiality during investigations of reports

12 made to the state fraud, waste, and mismanagement hotline.

### *Analysis by the Legislative Reference Bureau*

Under current law, the Legislative Audit Bureau (LAB), headed by the state auditor, is responsible for auditing state agencies and certain other entities. LAB

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conducts various kinds of financial audits and also conducts performance evaluation audits to determine, among other things, whether a given program is yielding intended results. This bill makes a number of changes to the laws governing LAB, including the following:

1. Under current law, LAB is required to perform a financial audit of the records of each state agency and authority at least once every five years and a financial audit of the records of other public and quasi-public entities, including any entity that receives more than 50 percent of its annual budget from the state, at the state auditor's discretion or when LAB is so directed. The bill eliminates that five-year timeline and requires LAB to perform all of those audits at the state auditor's discretion or as the Joint Legislative Audit Committee (JLAC) directs.

2. Current law also requires LAB to perform, among other audits, (a) an annual financial audit of the State Fair Park Board and certain private entities with which that board may contract; (b) an annual financial audit of certain Department of Health Services grants; (c) a biennial financial audit of the central accounting records of the Department of Administration (DOA); (d) a biennial financial audit of the Medical College of Wisconsin's expenditures of state moneys; (e) a biennial financial audit of the Higher Education Aids Board's contract for dental education; (f) a biennial performance evaluation audit of the Division of Gaming in DOA; and (g) a biennial performance evaluation audit of the state lottery.

The bill requires LAB to perform all of those audits at the discretion of the state auditor or as JLAC directs, not on an annual or biennial basis.

3. The bill eliminates a number of LAB audits under current law, including (a) an annual financial audit of the Division of Gaming; (b) a biennial financial audit of cash on hand and securities deposited in the state treasury or otherwise accounted for by the secretary of administration; (c) a biennial financial audit of DOA's books compared to moneys in the vaults of the state treasury or other state depositories; (d) a financial audit of moneys transferred from a school district's capital improvement fund; (e) unspecified audits to be performed at the direction of the Government Accountability Board; and (f) several one-time performance evaluation and financial audits that have expired or been completed.

4. Current law requires LAB to monitor state agencies' purchases and report to JLAC at least once every five years concerning the extent to which agency purchases were of materials, supplies, or equipment manufactured outside of the United States. The bill replaces that five-year reporting requirement with the requirement that LAB make such a report to JLAC at the state auditor's discretion or as JLAC directs.

5. Current law requires LAB to maintain a toll-free hotline to receive reports of fraud, waste, and mismanagement in state government. LAB must relay those reports to an LAB employee or an appropriate state agency for investigation. If an LAB employee investigates a report, the employee may consult with any state agency in connection with that investigation. LAB's records concerning the identity of a person who makes a report to the hotline are confidential.

Under the bill, LAB and any person who investigates a report made to the hotline or is consulted or interviewed in connection with that investigation must

The bill also adds an annual financial audit of the University of Wisconsin System

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keep confidential the report and investigation, as well as any information arising from the investigation, while the investigation is pending, except as necessary to conduct the investigation. *Confidential*

6. Finally, under current law, certain officials and state agencies may have access to Wisconsin taxpayers' tax records maintained by the Department of Revenue. The bill authorizes LAB and its employees to have access to those tax records to the extent necessary to conduct an audit.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

Carry out LAB's duties under the law

- 1 SECTION 1. 13.53 (2) (d) of the statutes is repealed.
- 2 SECTION 2. 13.94 (1) (a) of the statutes is repealed.
- 3 SECTION 3. 13.94 (1) (b) of the statutes is amended to read:
- 4 13.94 (1) (b) Audit At the state auditor's discretion or as the joint legislative
- 5 audit committee directs, audit the records of every state each department, board,
- 6 commission, independent agency or authority at least once each 5 years and audit
- 7 the records of other departments as defined in sub. (4) when the state auditor deems
- 8 it advisable or when he or she is so directed and, in conjunction therewith, reconcile
- 9 the records of the department audited with those of the department of
- 10 administration. Audits of the records of a county, city, village, town, or school district
- 11 may be performed only as provided in par. (m). ~~Within 30 days after~~ <sup>APR</sup> completion of
- 12 any such audit under this paragraph, the bureau shall file with the chief clerk of each
- 13 house of the legislature, the governor, the department of administration, the
- 14 legislative reference bureau, the joint committee on finance, the legislative fiscal
- 15 bureau, and the department audited, a detailed report thereof of the audit, including
- 16 its the bureau's recommendations for improvement and efficiency and including
- 17 specific instances, if any, of illegal or improper expenditures. The chief clerks shall

**BILL**

1 distribute the report to the joint legislative audit committee, the appropriate  
2 standing committees of the legislature, and the joint committee on legislative  
3 organization.

**SECTION 4.** 13.94 (1) (br) 1. of the statutes is amended to read:

4 13.94 (1) (br) 1. Maintain a toll-free telephone number with voice mail at the  
5 bureau's office to receive reports of fraud, waste, and mismanagement in state  
6 government. Except as provided in subd. 2., the bureau shall relay these reports to  
7 the appropriate bureau employee for investigation. If the bureau has a bureau  
8 employee investigate the report, the employee may, subject to subd. 3., consult with  
9 any ~~state department, board, commission, or independent agency~~ for any purpose  
10 related to the investigation. The bureau shall publicize the toll-free telephone  
11 number on the bureau's ~~Web~~ Internet site. The bureau shall maintain records that  
12 permit the release of information provided by informants while protecting the  
13 identity of the informant. Any records maintained by the bureau that relate to the  
14 identity of informants shall be only for the confidential use of the bureau in the  
15 administration of this section, unless the informant expressly agrees to release the  
16 records. Appearance in court as a witness shall not be considered consent by an  
17 informant to release confidential records maintained by the bureau.  
18

**SECTION 5.** 13.94 (1) (br) 2. of the statutes is amended to read:

19 13.94 (1) (br) 2. In lieu of requiring a bureau employee to conduct an  
20 investigation of a report received under subd. 1., the bureau may refer a report to a  
21 ~~state department, board, commission, or independent agency~~ for investigation. The  
22 Subject to subd. 3., the ~~state department, board, commission, or independent agency~~  
23 shall conduct the investigation and deliver the results of the investigation to the  
24 bureau in a timely manner.  
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1           **SECTION 6.** 13.94 (1) (br) 3. of the statutes is created to read:

2           13.94 (1) (br) 3. The bureau and a person who conducts an investigation of a  
3           report received under subd. 1., or who is consulted or interviewed concerning that  
4           report, shall at all times before <sup>an</sup> that investigation is completed keep confidential the  
5           report and investigation and any information arising from the investigation, except  
6           as necessary to conduct the investigation.

7           **SECTION 7.** 13.94 (1) (c) of the statutes is amended to read:

8           13.94 (1) (c) Audit At the state auditor's discretion or as the joint legislative  
9           audit committee directs, audit the central accounting records of the department of  
10          administration at least once every 2 years. A detailed report of such audit shall be  
11          filed as provided by par. (b), and copies shall be provided to each member or  
12          member-elect of the legislature and shall be available in limited number to the  
13          public. The bureau shall also prepare a summary of such audit report, for  
14          distribution in the same manner as the Wisconsin Blue Book under s. 35.84.

of a report + received under subd. 1.

15          **SECTION 8.** 13.94 (1) (d) of the statutes is repealed.

16          **SECTION 9.** 13.94 (1) (dg) of the statutes is amended to read:

17          13.94 (1) (dg) ~~Annually, by October 1~~ At the state auditor's discretion or as the  
18          joint legislative audit committee directs, perform a financial audit of expenditures  
19          made under the grants for dental services under s. 250.10.

20          **SECTION 10.** 13.94 (1) (dm) of the statutes is amended to read:

21          13.94 (1) (dm) ~~Annually~~ At the state auditor's discretion or as the joint  
22          legislative audit committee directs, perform a financial audit of the state fair park  
23          board and of any private corporation with which the board contracts under s. 42.01  
24          (4) (b).

25          **SECTION 11.** 13.94 (1) (eg) of the statutes is amended to read:



**BILL**

1           13.94 (1) (eg) ~~Annually conduct a financial audit of the division of gaming in~~  
2 ~~the department of administration and biennially~~ At the state auditor's discretion or  
3 as the joint legislative audit committee directs, conduct a performance evaluation  
4 audit of the division of gaming in the department of administration. The legislative  
5 audit bureau shall file a copy of each audit report under this paragraph with the  
6 department of justice and with the distributees specified in par. (b).

7           **SECTION 12.** 13.94 (1) (em) of the statutes is amended to read:

8           13.94 (1) (em) Annually conduct a financial audit of the state lottery, and, to  
9 the extent of the department of revenue's participation, of any multijurisdictional  
10 lotteries in which the state participates under ch. 565, and biennially at the state  
11 auditor's discretion or as the joint legislative audit committee directs, conduct a  
12 performance audit of the state lottery and, to the extent of the department of  
13 revenue's participation, of those multijurisdictional lotteries, as provided in s. 565.37  
14 (1). The legislative audit bureau shall file a copy of each audit report under this  
15 paragraph with the department of justice and with the distributees specified in par.  
16 (b).

17           **SECTION 13.** 13.94 (1) (f) of the statutes is repealed.

18           **SECTION 14.** 13.94 (1) (g) of the statutes is repealed.

19           **SECTION 15.** 13.94(1) (k) of the statutes is repealed.

20           **SECTION 16.** 13.94 (1) (L) of the statutes is amended to read:

21           13.94 (1) (L) Monitor and review purchases and purchasing procedures of ~~state~~  
22 ~~departments, boards, commissions, and independent agencies,~~ and, at the state  
23 auditor's discretion or as the joint legislative audit committee directs, report to the  
24 joint legislative audit committee ~~at least once every 5 years~~ concerning the extent to  
25 which ~~state~~ departments, boards, commissions, and independent agencies

**BILL**

purchase

1 ~~purchased~~ materials, supplies, or equipment manufactured outside of the United  
2 States ~~since the date of the preceding report.~~

3 **SECTION 17.** 13.94 (1) (mm) of the statutes is repealed.

4 **SECTION 18.** 13.94 (1) (n) of the statutes is repealed.

5 **SECTION 19.** 13.94 (1) (q) of the statutes is repealed.

6 **SECTION 20.** 13.94 (1s) (a) of the statutes is amended to read:

7 13.94 (1s) (a) Except as otherwise provided in par. (c), the legislative audit  
8 bureau may charge any department for the reasonable cost of auditing services  
9 ~~which are performed at the request of a department or at the request of the federal~~  
10 ~~government which~~ that the bureau is not required to perform under sub. (1) (a) ~~to (d)~~  
11 ~~(b) or (k)~~ (c) or any other law. This paragraph does not apply to counties, cities,  
12 villages, towns, or school districts.

13 **SECTION 21.** 13.94 (1s) (b) of the statutes is amended to read:

14 13.94 (1s) (b) The legislative audit bureau may charge the department of  
15 revenue for the reasonable costs of ~~the audits required to be~~ an audit performed  
16 under sub. (1) (em) and for verification of the odds of winning a lottery game under  
17 s. 565.37 (5).

18 **SECTION 22.** 13.94 (1s) (bm) of the statutes is amended to read:

19 13.94 (1s) (bm) The legislative audit bureau may charge the department of  
20 administration for the cost of ~~the audits required to be~~ an audit performed under sub.  
21 (1) (eg).

22 **SECTION 23.** 13.94 (1s) (c) 7. of the statutes is created to read:

23 13.94 (1s) (c) 7. The state fair park board for the cost of an audit performed  
24 under sub. (1) (dm).

25 **SECTION 24.** 13.94 (8) (d) 3. of the statutes is repealed.

Insert 7-5

Insert 7-24

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1           **SECTION 25.** 18.10 (11) of the statutes is amended to read:

2           18.10 (11) CANCELLATION OF INSTRUMENTS. Unless otherwise directed by the  
3 commission, every evidence of indebtedness and interest coupon paid or otherwise  
4 retired shall ~~forthwith~~ be marked “canceled” and shall be ~~delivered~~ destroyed by the  
5 department of administration or destroyed by a fiscal agent accepting the surrender  
6 ~~thereof, through the department to the state auditor appointed under sub. (8) who~~  
7 ~~shall destroy them and shall forthwith deliver~~ certify that destruction to the  
8 department ~~a certificate to that effect~~ of administration.

9           **SECTION 26.** 39.15 (2) of the statutes is amended to read:

10           39.15 (2) ~~The~~ At the state auditor’s discretion or as the joint legislative audit  
11 committee directs, the legislative audit bureau shall biennially postaudit  
12 expenditures under s. 20.250 so as to assure the propriety of expenditures and  
13 compliance with legislative intent. State affirmative action policies, rules, and  
14 practices shall be applied to the Medical College of Wisconsin, Inc., consistent with  
15 their application to state agencies.

16           **SECTION 27.** 39.46 (1) of the statutes is amended to read:

17           39.46 (1) On or before July 1 of each year, the board shall initiate, investigate,  
18 and formulate for procurement, a contract for dental education services in  
19 accordance with this section. Thereafter, the board shall conduct a biennial analysis  
20 of the program and include a report on its findings and recommendations in its  
21 reports under s. 15.04 (1) (d). ~~The~~ At the state auditor’s discretion or as the joint  
22 legislative audit committee directs, the legislative audit bureau shall biennially  
23 postaudit expenditures under this section. Section 16.75 (1) to (5) are waived with  
24 respect to such contract.

25           **SECTION 28.** 49.19 (11m) (e) of the statutes is repealed.

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1           **SECTION 29.** 49.67 (7m) of the statutes is repealed.

2           **SECTION 30.** 71.78 (4) (s) of the statutes is created to read:

3           71.78 (4) (s) The state auditor and the employees of the legislative audit bureau

4           to the extent necessary to conduct an audit

5           **SECTION 31.** 101.973 (11) of the statutes is repealed.

6           **SECTION 32.** 115.52 (7) of the statutes is repealed.

7           **SECTION 33.** 115.525 (7) of the statutes is repealed.

8           **SECTION 34.** 118.153 (6) of the statutes is repealed.

9           **SECTION 35.** 119.23 (6m) (b) 3. d. of the statutes is amended to read:

10           119.23 (6m) (b) 3. d. To the extent permitted under 20 USC 1232g and 43 CFR  
11           part 99, pupil scores on all standardized tests administered under sub. (7) (e) ~~1~~.

12           **SECTION 36.** 119.23 (7) (e) 1. of the statutes is renumbered 119.23 (7) (e) and  
13           amended to read:

14           119.23 (7) (e) In the 2009-10 school year, each private school participating in  
15           the program under this section shall administer a nationally normed standardized  
16           test in reading, mathematics, and science to pupils attending the school under the  
17           program in the 4th, 8th, and 10th grades. Beginning in the 2010-11 school year and  
18           annually thereafter, each private school participating in the program under this  
19           section shall administer the examinations required under s. 118.30 (1s) to pupils  
20           attending the school under the program. The private school may administer  
21           additional standardized tests to such pupils. ~~Beginning in 2006 and annually~~  
22           ~~thereafter until 2011, the private school shall provide the scores of all standardized~~  
23           ~~tests and examinations that it administers under this subdivision to the School~~  
24           ~~Choice Demonstration Project.~~

25           **SECTION 37.** 119.23 (7) (e) 2. of the statutes is repealed.

For the Bureau to carry out its duties under S. 13.94

**BILL****SECTION 38**

1           **SECTION 38.** 120.135 (4) (a) of the statutes is amended to read:

2           120.135 (4) (a) Money in the capital improvement fund may not be used for any  
3 purpose or be transferred to any other fund without the approval of a majority of the  
4 electors of the school district voting on the question at a referendum. ~~If a referendum~~  
5 ~~is adopted authorizing the use of moneys in the fund, the legislative audit bureau~~  
6 ~~shall conduct an audit to determine whether the moneys have been used only for the~~  
7 ~~purposes specified in sub. (1).~~

8           **SECTION 39.** 229.8273 (6) of the statutes is repealed.

9           **SECTION 40.** 565.37 (1) of the statutes is amended to read:

10           565.37 (1) FINANCIAL AND PERFORMANCE AUDITS. The department shall annually  
11 contract with the legislative audit bureau to conduct a financial audit of the  
12 transactions and accounts of the state lottery, and, to the extent of the department's  
13 participation, of any multijurisdictional lotteries in which the state participates, for  
14 the preceding fiscal year and shall biennially, if the state auditor or the joint  
15 legislative audit committee directs that a performance audit be conducted, contract  
16 with the legislative audit bureau for a performance audit of the state lottery and, to  
17 the extent of the department's participation, of those multijurisdictional lotteries.

18

(END)

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FROM THE  
LEGISLATIVE REFERENCE BUREAU

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1 INSERT 7-5

2 SECTION 1. 13.94<sup>✓</sup> (1) (t) of the statutes is created to read:

3 13.94 (1) (t) Annually conduct a financial audit of the University of Wisconsin  
4 System. The legislative audit bureau shall file a copy of each audit report under this  
5 paragraph with the distributees specified in par.<sup>✓</sup> (b).

6 END INSERT 7-5

7 INSERT 7-24

8 SECTION 2. 13.94<sup>✓</sup> (1s) (c) 8. of the statutes is created to read:

9 13.94 (1s) (c) 8. The University of Wisconsin System for the cost of an audit  
10 performed under sub.<sup>✓</sup> (1) (t).

11 END INSERT 7-24