



March 17, 2021

Senator Robert Cowles, Co-Chair
Representative Samantha Kerkman, Co-Chair
Joint Legislative Audit Committee
22 East Mifflin Street, Suite 500
Madison, WI 53703

Subject: Update on Audit of State Recycling Programs, Report 20-21

Dear Senator Cowles and Representative Kerkman:

The Department of Natural Resources (DNR) submits this report to the Joint Legislative Audit Committee to update the Committee on the DNR's actions to date in response to the Legislative Audit Bureau's (LAB) audit of State Recycling Programs (Audit Report). Attached for your reference is the Audit Report. The remainder of this response will: 1) restate LAB's Audit Report's recommendations; and 2) provide the DNR's Response and Actions Taken to the audit recommendations.

1. **Audit Report Recommendation:** Comply with statutes by spending all funds appropriated through s. 20.370 (4)(hq), Wis. Stats., on administering ch. 287, subchapter II, Wis. Stats.

DNR's Response & Actions Taken: Expenditures cited as unallowable were used primarily for the statutorily mandated beneficial use of industrial byproducts program that helps industry save significant disposal costs by recycling useful materials and keeping them out of landfills. During our year-end financial reconciliations, the DNR will ensure that all beneficial use expenditures are charged to the program revenue appropriation consistent with the recommendation of LAB for the entirety of the current fiscal year. DNR will adopt this as standard practice and apply this approach into the future.

2. **Audit Report Recommendation:** Consistently comply with statutes by annually reviewing the recycling programs of at least 5.0 percent of responsible units that were awarded recycling grants in the previous year.

DNR's Response & Actions Taken: To increase efficiency, the DNR has conducted responsible unit reviews in multiple ways over the years, including review of submitted grant applications, review of annual reports, group evaluations and individual responsible unit evaluations. In its report, the LAB did not consider group meetings to comply with statutory intent, and in response, DNR recycling staff shifted focus to individual reviews immediately upon receipt of the LAB audit report. Staff completed 52 personalized phone calls for program year 2020 that allow more in-depth review of the responsible unit files and activities. Staff also reassessed how small group evaluations could continue in a way that meets statutory intent because they provide valuable peer networking and have received positive reviews from attendees. The DNR will continue to conduct annual reviews of at least 5.0 percent of responsible units.

3. **Audit Report Recommendation:** Annually analyze the results of reviews in order to provide guidance to all responsible units on addressing common concerns.

DNR's Response & Actions Taken: The DNR follows each responsible unit review with a written summary of the call and recommendations for improvement sent to the responsible unit. The DNR acknowledges there is always room for improvement and will continue to provide clear and consistent

guidance to all responsible units to ensure continued communication of common concerns and potential solutions. The DNR recently created new internal written procedures to compile and analyze annual review results and follow up with responsible units. Statewide technical outreach efforts remain a key channel for the DNR's assistance to local recycling programs. The DNR analyzed the 2020 responsible unit reviews and based on that feedback, will incorporate guidance on common concerns, such as documenting complaints and inspection activities, in upcoming Recycling Updates newsletters, emails and other correspondence to responsible units.

4. **Audit Report Recommendation:** Establish written policies for reviewing the annual reports submitted by responsible units.

DNR's Response & Actions Taken: The DNR has drafted updated internal written procedures for reviewing the annual reports submitted by responsible units, including documenting the process for using existing automated checks within the reporting database to ensure submittals are accurate and to manage the data submitted by over 1000 responsible units in the state. In response to the LAB report, the documentation specifically includes the procedures used to review accuracy of total local eligible recycling expenses.

5. **Audit Report Recommendation:** Document reviews of the annual reports submitted by responsible units.

DNR's Response & Actions Taken: Annual reports received from responsible units have been reviewed and documented since the inception of the recycling program in order to determine whether responsible units are eligible for a grant award, whether they met the pounds per resident standard, and to compare year to year results to check accuracy. A dedicated reporting specialist was added in 2018 and efforts since have resulted in all responsible units submitting their reports before the deadline and therefore meeting that eligibility requirement for a grant award. As a result of the LAB report, the DNR has drafted updated internal written procedures to document review practices and results and ensure transfer of knowledge among staff.

6. **Audit Report Recommendation:** Update provisions in administrative rules pertaining to effective recycling programs.

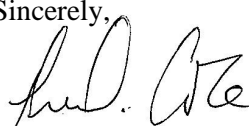
DNR's Response & Actions Taken: The DNR agrees that NR 544, Wis. Adm. Code, Effective Recycling Programs, should be updated and intends to initiate rulemaking in the next 12-18 months either as a focused effort or as part of a broader revision of the NR 500 series. Staff have already met and developed a list of potential areas of revision for NR 544. Next steps include further refinement of this list, solicitation of input from stakeholders and development of a Statement of Scope.

7. **LAB's Recommendation:** Report by April 1, 2021, to the Joint Legislative Audit Committee on efforts to implement the report recommendations.

DNR's Response & Actions Taken: This action is completed with submittal of this report to your committee.

As you can see, the department takes seriously the findings of the LAB report and has taken immediate action to resolve findings. Thank you for the opportunity to provide updates on our actions taken.

Sincerely,



Preston D. Cole
Secretary