STATE OF WISCONSIN

REFORMING GOVERNMENT

ELIMINATING WASTE

SAVING TAXPAYER DOLLARS

THE GOVERNOR'S COMMISSION ON WASTE, FRAUD, AND ABUSE

FINAL REPORT

JANUARY 2012

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COMMISSION MATERIALS ARE AVAILABLE ON THE INTERNET

To save taxpayer dollars and promote transparency in government, the Commission's final report has been published on the internet for the public's view.

All Commission documents can be viewed via the Governor's website at, http://walker.wi.gov/section.asp?linkid=1727&locid=177.

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[1] Sections included in the interim report have been updated with addenda.

Savings Estimates

Putting the 'Integrity' in Program Integrity	*$177,000,000* [2]
Overtime Management	*$5,200,000*
LEAN Government Initiative[3]	**----**
State vs. Contract Engineers[4]	**----**
Shared Services	*$45,000,000*[5]
School Health Insurance	*$2,250,000*
Collective Procurement Initiative	*$35,400,000*
Tax Collection Reports	*$10,000,000*
UI System Reform	*$27,000,000*
Community Sensitivity Design Accountability	*$5,500,000*
Statewide Wellness	*$9,400,000*
Review State Agency Leases	*$5,300,000*
Improve State Court Debt Collections	*$5,400,000*
Spending Restraint	*$50,000,000*
Veterans Health and Benefit Enhancement Program	*$2,500,000*
Agency Survey Responses	*$20,600,000*
Improve the Effectiveness of Grants	*$16,000,000*
Agency Efficiency Ideas	*$39,000,000*
Local Savings	***$82,650,000***
State Savings	***$372,900,000***
Total 'Annual' Savings[6]	***$455,550,000***

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[2] Savings are a conservative annual estimate when eligibility oversight changes, training, and increased fraud collection efforts are in full effect. The estimate includes some changes made with authority given in the 2011-13 budget and savings projections if certain statutory changes are made as recommended by the Department of Children and Families.

[3] The savings due to implementing LEAN government initiatives are continuous.

[4] The Department of Transportation continues to hire state engineers to fill vacancies and maximize taxpayer savings through optimizing the state and contract engineer ratio (see addendum to section F).

[5] These are annual savings after energy audits are complete and efficiency upgrades are performed for school districts only. If local governments do the same the savings would be higher. Some school districts may have already performed audits and upgrades. This estimate attempts to exclude those already completed.

[6] Conclusions were derived from information obtained from agency reports, testimony, and input from the public. The Commission did not have time to make first-hand observations.

	One Year Cost Avoidance/Savings	Ten Year Cost Savings/Avoidance
Putting the 'Integrity' in Program Integrity	$177,000,000	$836,000,000[7]
Overtime Management	$5,200,000	$52,000,000
LEAN Government Initiative	----	----
State vs. Contract Engineers	----	----
Shared Services	$45,000,000	$450,000,000
School Health Insurance[8]	$2,250,000	$22,500,000
Collective Procurement Initiative	$35,400,000	$354,000,000
Tax Collection Reports	$10,000,000	$100,000,000
UI System Reform	$27,000,000	$166,000,000[9]
Community Sensitivity Design Accountability	$5,500,000	$55,000,000[10]
Statewide Wellness	$9,400,000	$94,000,000
Review State Agency Leases	$5,300,000	$53,000,000
Improve State Court Debt Collections	$5,400,000	$54,000,000
Spending Restraint	$50,000,000	$500,000,000
Veterans Health and Benefit Enhancement Program	$2,500,000	$25,000,000
Agency Survey Responses		
Procurement Card Use	$6,500,000	$65,000,000
Paper Payroll/Direct Deposit	$500,000	$5,000,000
Purchasing from Master Contracts		
Permit/License Renewal	200,000	$2,000,000
Reduce Travel, Per diem, etc.	$2,400,000	$24,000,000
Grants Outstanding	$1,000,000	
Staff to Supervisor Ratio	$10,000,000	$100,000,000
Improve the Effectiveness of Grants	$16,000,000	$160,000,000
Agency Efficiency Ideas[11]	$39,000,000	
Totals	**$455,550,000**	**$3,117,500,000**

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[7] This total includes actual collections only, not all claims established.

[8] School health insurance savings could vary widely over ten years, but the savings are expected to rise over time.

[9] This ten year total backs out IT upgrade savings after the first year.

[10] This is a conservative estimate based on 2009-11 spending totals. If construction spending rises this total will be larger.

[11] These savings are not estimated over ten years because some agency items are one time savings however some are also avoided long term costs.

A. Letter from the Chairman

State of Wisconsin:

Respectfully,

Craig A. Rakowski
Chairman
Governor Walker's Commission on Waste, Fraud, and Abuse

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B. Overview of the Final Report

The Executive Order creating this Commission required a final report be submitted to the Governor by January 1, 2012. This report fulfills the requirement.

The most popular topic of both public comments and in discussions with government employees was state public assistance programs. As a result public assistance is the largest part of the interim report. The other topics that were the most popular to the public were state agency overtime, state contracting and procurement, and roundabouts. The Commission includes a section on overtime and state engineer usage in this report and also on procurement and contracting among other various topics.

State agencies formed waste, fraud, and abuse task forces to assist in finding topics for this Commission to review. Some of the topics they identified are included in this report.

Public Assistance Programs

Public comments and suggestions focused on Wisconsin's public assistance programs more than any other topic discussed by the Commission. With well over 1 million beneficiaries and Medicaid expenditures alone expected to eclipse $7 billion this fiscal year, this is understandable.

What the Commission found was an explosion in public assistance spending and program expansions over the last decade with no corresponding investment in program integrity. Actually, program integrity spending went down, reduced by 76% at the same time FoodShare enrollment more than doubled and Medicaid enrollment grew by 50%.

In part, because of the discussions of this Commission the Department of Health Services has created an Office of Inspector General and has invested in cracking down on fraud in public assistance programs. Results have already been seen with FoodShare fraud collections alone climbing by 46% in October compared to the first month of 2011.

What the Commission also found is that Wisconsin has a recent successful example of bringing program integrity to public assistance programs to follow. When Wisconsin Shares fraud was identified and stricter oversight and enrollment laws were passed, Shares spending dropped. The results were that Shares budget is projected to drop from $375 million in 2009 to less than $300 million this fiscal year.

Overtime Misuse

State agency overtime costs and how to reduce them have been a discussion of the state for quite some time. Many public comments to the Commission related to state agency overtime abuse.

What the Commission found was maybe more than anything else, the cause of this has been a provision inserted into local Department of Corrections union contracts beginning in 1975. The provision allows employees to call in sick for a shift and work subsequent shifts in a week for

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premium overtime pay. This allows employees to be paid overtime for never working over 40 hours in a week. The system is easily abused.

The Commission found that sick leave days taken by Corrections employees averaged 11 per year and only 5 for the rest of state employees. Correction's overtime costs are estimated to be nearly $5 million less per year with this provision gone. Due to passage of 2011 Wisconsin Act 10 this provision is no longer in correctional union contracts.

The Commission also found that correctional employees can be paid for not even working if supervisors don't follow laborious and antiquated call procedures. Corrections conservatively estimates 2,623 hours of premium overtime was paid due to this in fiscal year 2010. This cost too can be eliminated because of Act 10.

LEAN Government Initiative

The Commission heard testimony regarding Lean which is a philosophy of continuous improvement. It has been used by private companies throughout Wisconsin and implemented in states like Minnesota and Iowa. It has only been used on a limited basis in Wisconsin state government. This philosophy can reduce government permitting time, reduce costs, and improve the quality of government services.

Shared Services and Procurement

In conjunction with the Wisconsin Association of School Budget Officers, the Commission conducted a survey of school districts in regards to how they procure goods and services. The survey showed 20% of districts had as one of their top five wants to work with other districts and CESA's was to reduce health insurance costs.

The survey also showed 70% of the 305 district respondents did not know what VendorNet was; the state procurement website that could reduce costs for goods and services contracted for by school districts. VendorNet allows local governments to purchase from state contracts. The state Bureau of Procurement claims savings on VendorNet can range from between 20 and 60 percent off retail prices.

Strategies to market the benefits of VendorNet and other ways to reduce costs for local governments are included in these sections.

Unemployment Insurance System

Fraud in the unemployment insurance (UI) system has grown in recent years. Some is understandable due to the increased workload during the recession. However, the Commission found that staffing has not kept up with workload. During testimony the Department of Workforce Development (DWD) indicated they had only 2 fraud investigators.

Staff levels were found to be a concern with delinquent UI taxes as well. In 2005, there were 16.5 tax collections staff and only 11 today with a much larger workload.

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Improper payment error rates for Wisconsin have more than doubled from 2001 to 2010. Cross matches with inmates began in March of 2011. From March to August 235 inmates were determined to be receiving payments fraudulently.

The Commission found that DWD is working to correct the above issues and upgrading its information technology which is expected to improve its efficiency.

Community Sensitivity Design

The Commission looked at the Department of Transportation's (DOT) community sensitivity design program. This topic was brought to the Commission's attention by a member and the public.

The Commission found that CSD has been aggressively used over the last decade, but detailed accounting of past spending on the program was lacking. DOT believes roughly 2% of a highway project's budget is for CSD. Considering this, estimated CSD spending on the 2009-11 budget would have been nearly $45 million.

Without proper accounting of CSD spending and its questionable value policymakers should take a hard look at the level of spending on CSD.

Wellness

Wisconsin does not currently have a uniform statewide wellness program for its employees. However, some participating health plans offer voluntary wellness programs. Health premiums for state employees and annuitants total over $1.3 billion per year. This is nearly a 70 percent increase since 2004. The number of state employees and retirees in HMO and PPO plans increased by 12 percent during that same time period.

The Wisconsin Enterprise Leadership Academy Class of 2011 issued a Wisconsin Works Well report exploring the option to offer a statewide employee wellness plan. In its report, this is estimated to save the state $9.4 million annually in health care costs.

Agency Leases

The State of Wisconsin and UW System spend nearly $53 million to lease space at 466 locations statewide per year. Rental rates, per square foot at these locations for the most part range from $.14 for DNR storage space in Rhinelander to $79.82 for storage in Verona.

A review by the Wisconsin Department of Veterans Affairs (WDVA) found that they could accommodate their agency staff in office space soon to be vacated by the old Wisconsin Department of Commerce. The move is estimated to save WDVA between $300,000 and $400,000 annually.

Spending Restraint

In recent biennial budgets, Wisconsin has enacted budget lapses. These have been used to balance the state's general fund and to continue state operations.

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Wisconsin state agencies have been dealing with significant lapses for the last three biennia. Because of this, agencies have become accustomed to keeping certain funds, vacancies, and other fiscal items open and/or unspent in order to comply with statutory lapse requirements.

Because of this, and the current fiscal environment, the idea of zero based budgeting does not present a significant opportunity to save money. This option has been shared with the Commission by various legislators over the past months.

However, keeping a lapse requirement in future budgets would seem like a prudent way to incentivize agencies to be frugal with and prioritize their spending. The Commission discussed how keeping a lapse amount in future budgets could be a way to incentivize prudent spending and minimize unnecessary and wasteful spending.

Veterans Health Benefit Enhancement

In 2003, Washington State began a pilot program to identify veterans receiving Medicaid through the PARIS program. From 2003 to today they identified 10,000 veterans and saved the state $30 million. States like California, Montana, and Colorado are starting similar programs. Montana has saved $900,000 in three years, Colorado has identified 1,600 veterans and could potentially save $8 million; California projects if just 10 percent of the veterans they have identified move to federal health care from Medicaid they would save $25 million annually.

The Commission looked at how this could work in Wisconsin as a voluntary program to enhance the benefits our veterans receive. If implemented in Wisconsin and similar results to Washington state are realized, we could potentially save $2.5 million annually and veterans could enhance their benefits at the same time.

Agency Surveys and Task Forces

The Commission examined other state's comparable task forces and commissions. Based on items examined by these other state's bodies, a survey was conducted of Wisconsin's state agencies looking at such things as supervisor to employee ratios, working four ten hour days in select office buildings, advertising spending, and procurement among other items.

Wisconsin spends over one half million to reimburse board members for travel and lodging. Wisconsin could increase use of email to remind residents to renew licenses and permits to save thousands. Agencies spend millions on advertising and most state agencies supervisor to general employee ratios are much lower than nationally accepted levels.

The results show potential for agencies to save money and the Commission lays out options to do so.

Agency Efficiency Items

At the direction of the Governor, agencies created task forces to identify ways to save on costs. Nearly $40 million in annual savings are included in this report with processes to realize

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these savings already underway. These task forces will continue their work beyond the life of this Commission.

Common Themes

There were reoccurring themes that came up as the Commission conducted its work. When questions were asked of state agencies, often the necessary data was not available. Without a laborious research process, the questions went unanswered.

Information technology needs to be better utilized to give leaders the information they need to make good decisions. Data needs to be shared from agency to agency as well. It was surprising to learn that in some cases data was not being shared when doing so could improve programs and efficiency. This came to light in the section dealing with public assistance.

The Commission also found the state often doesn't include performance measures for its employees or for the programs it administers. This was prevalent in public assistance programs. Employee performance varied widely from worker to worker. However, this is changing with approval of a new state employee compensation plan and be direction of the Governor.

Performance measures will allow good work to be rewarded and poor performance to be improved. Wisconsin's government leaders should continue to work to implement performance measures. Hard working employees deserve recognition and Wisconsinites deserve a government that fosters a culture of continuous improvement.

Improving Wisconsinites Quality of Life

Quality is not achieved by accepting mediocrity or protecting the status quo. Government leaders should foster a "Culture of Continuous Improvement" in our state. The goal of this Commission was to make government more efficient, responsive to the public, and operate at a reduced cost.

Statutory changes for lawmakers interested in implementing the recommendations in this report are included in appendix 8. These changes would assist in reducing waste, fraud and abuse and increase the efficiency of government.

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C. Putting the 'Integrity' in Program Integrity *Savings $177,000,000*

Wisconsin provides a broad array of public assistance programs to Wisconsin residents, including health care coverage under the Medicaid programs; assistance purchasing food under the FoodShare and Women, Infants and Children (WIC) programs; child care assistance under the Wisconsin Shares program; and cash assistance through Wisconsin Works (W-2) and state supplemental payments to recipients of federal Supplemental Security Income (SSI). Combined, these programs provide a safety net to thousands of individuals each year.

April 2011 Public Benefit Enrollees	
Program	**Recipients**
SSI Caretaker Supplement	12,313
W-2	17,941
Child Care	54,473
FoodShare	803,964
Medicaid	1,163,036

Source: CARES system data, provided by the Department of Health Services and the Department of Children and Families

Protecting the integrity of these programs is essential. Strong efforts to prevent and identify fraud and errors in program eligibility and payments are needed to ensure that taxpayer dollars are spent appropriately and to focus benefits on those who need them the most. Without good oversight and enforcement mechanisms in place, the level of waste, fraud and abuse increases, endangering the sustainability of these necessary safety net programs.

Evidence of Program Integrity Failures

Improper public assistance enrollment and payments can result from both unintentional errors and intentional fraud and impacts the eligibility of recipients and payments to providers. Examples of program integrity failures include:

	Intentional Fraud	Unintentional Errors
Providers	• Claiming for services not rendered • Medical upbilling • Permitting the purchase of unallowable items	• Incorrect medical billing codes • Incorrect recipient IDs
Recipients	• False reporting of income, including forging of documentation • False reporting of household members • Failure to report assets • Selling non-cash benefits • Allowing others to use Medicaid or FoodShare cards	• Incorrect information provided without intent to defraud • Forgetting to inform of changes • Inadequate matching of available data

An example of intentional fraud was provided to the Commission through testimony from the Department of Children and Families Collections Unit. They collect on fraudulent payments for both the Department of Health Services and the Department of Children and Families. Recently, they had a case in which a self-employed individual with a $500,000 business and high end cars made his family of five eligible for Medicaid by falsifying income. This is possible

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because of relaxed program integrity policies and reduced oversight which will be explained in greater detail later in the report. It is unknown how many cases like this there are. This example was brought to the Collections Unit by a tip from the public.

FoodShare fraud has been a frequent topic in news reports and in public comments submitted to the Commission. A Fox 6 Milwaukee news report, which ran on May 25, 2011, found FoodShare recipients selling FoodShare cards ("Quest" cards) for cash to numerous retailers. In certain instances, the reporters found recipients selling Quest cards to buy alcohol or drugs. Fifty retailers have been banned from FoodShare since 2005 but are still taking Quest cards today. Representatives of the Milwaukee County District Attorney's office and the U.S. Attorney's office quoted in the report could not name a single case of prosecuted retailer FoodShare fraud.

This report is not unique. In a June 2010 Racine Journal Times story, a Racine County FoodShare fraud supervisor said Quest cards were being sold for cash. The story noted that requiring recipients get replacement cards in person could assist with fraud prevention. Under current policy, a recipient can call an 800 number and a replacement card is sent within days because federal program rules prohibit the state from denying replacement card requests.

Another report in the Milwaukee Journal Sentinel on June 4, 2011, revealed how Quest cards are trafficked on social networking sites like Facebook. One of the individuals mentioned in the story has been receiving benefits since 1999 and has received as much as $600 per month. Interestingly, this recipient was taken off of the Shares program for violations. This issue supports the need for changes to the program to reduce fraud and illustrates the problems caused by a lack of communication between benefit programs because an individual defrauding one program is potentially doing it to another program as well.

This Milwaukee Facebook trafficking report was also covered in a Wall Street Journal article[i]. In the same article, they report the cost of food benefits has risen $44 billion since 2007 and the number of recipients has grown by 18 million. They also report only 40 inspectors are employed nationally to enforce retail fraud in the state food stamp programs.

According to research provided by Representative Kerkman[ii], a member of this Commission and current co-chair of the Joint Audit Committee, replacement FoodShare card rates were 3 percent per month in 2010. At that time, 360,000 Quest cards were active. The Department of Health Services testified that in 2010, Quest cards were replaced five or more times to the same recipient in 3,631 cases and more than 12 times in 72 cases.

The reported error rates in the FoodShare program do not reflect the testimony provided and reports of fraud in the media, which is itself a concern for the Commission.

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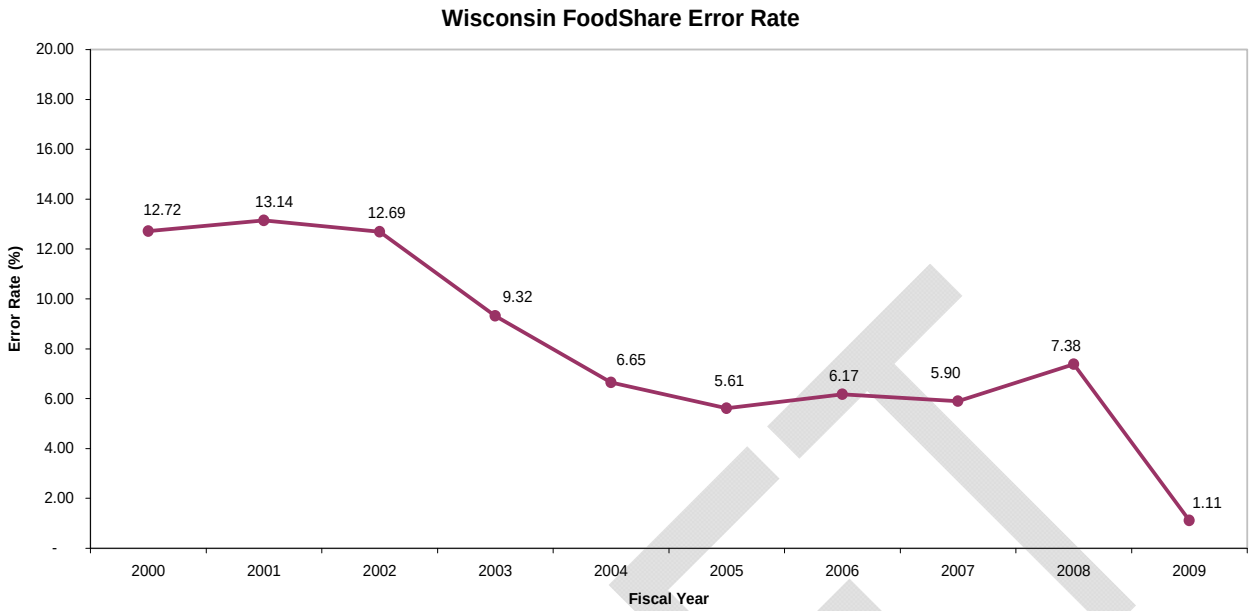


Source: Measured error rate provided by the Department of Health Services

Measured error rates in FoodShare were high in the early 2000's and gradually declined over the last decade. In 2008, Wisconsin was in jeopardy of being fined by the federal government due to its high error rate. In response, the Department of Health Services hired a contractor to make improvements, who, according to testimony, would not have been paid unless the error rate dropped.

The error rate dropped dramatically between 2008 and 2009, the state subsequently received an award of federal funding and the contractor was paid. However, it is possible that the drop in the error rate may not have resulted from improved error detection and prevention practices, but from changes in agency reporting methods. It was indicated to the Commission that some of the criteria to define an 'error' were simply removed. This reduced the number of errors reported, but did not in reality reduce those previous cases defined as errors. This issue is still unclear to the Commission and warrants further examination by the department. It is also a topic of evaluation by the Joint Audit Committee.

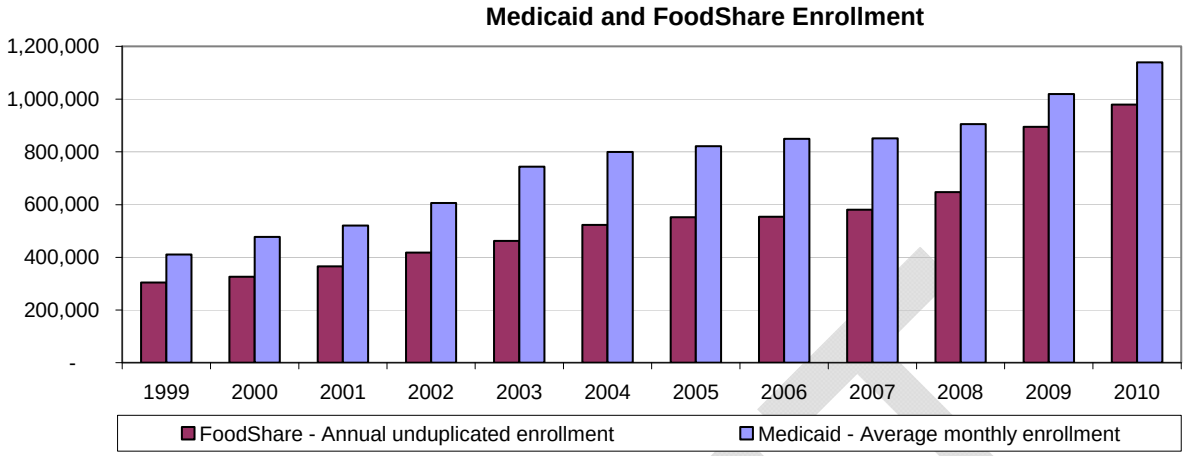
Underlying Weaknesses in Program Integrity Efforts

The testimony provided to the Commission indicated there are four major factors leading to the inadequacies in public assistance program integrity efforts.

1. Growth in program scope and enrollment without corresponding increases in fraud prevention and identification efforts
2. Reduction in collection efforts
3. Shifts in management priorities and federal limits on enforcement actions
4. Sanctions not acting as a deterrent to fraud

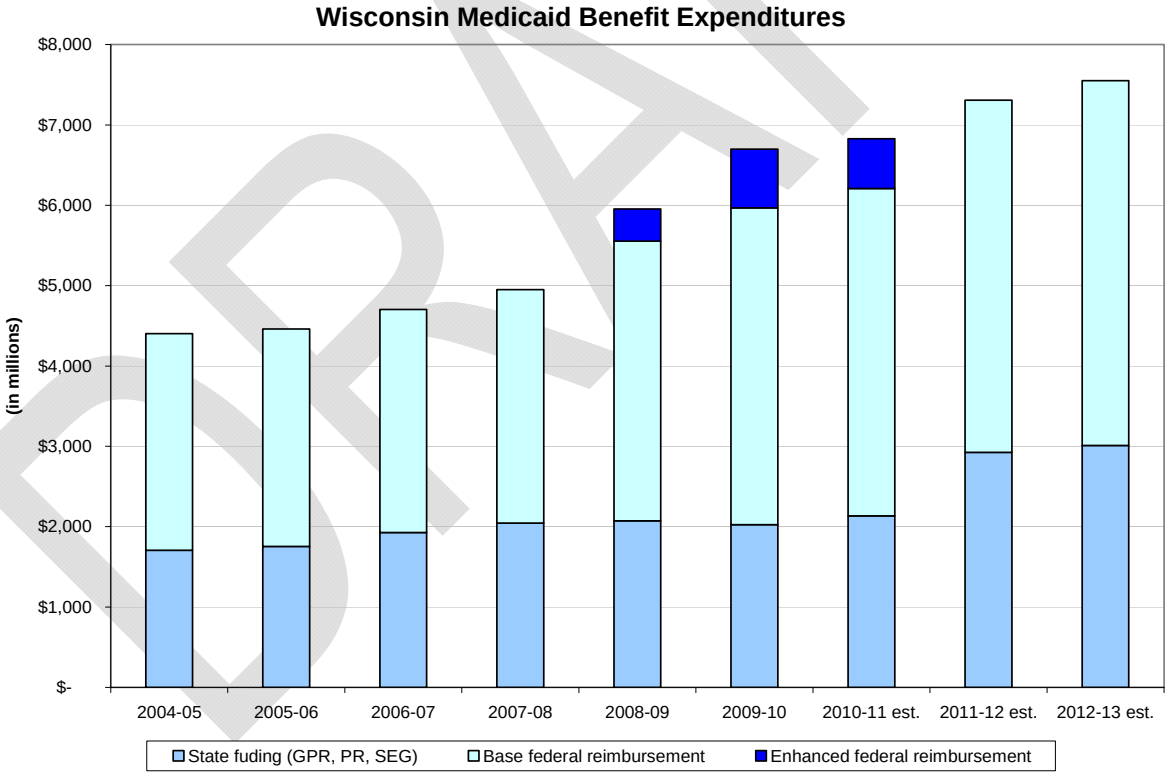
1. Declining Investment in Recipient Fraud Prevention and Identification

Enrollment in Wisconsin's public assistance programs has grown rapidly over the past few years.



Source: CARES system data and handouts provided by the Department of Health Services

Between 2003 and March 2011, the number of individuals enrolled in Wisconsin's FoodShare program more than doubled, growing from 318,857 to 802,988 recipients. Enrollment in the Medicaid programs grew from 777,854 to 1,164,306 recipients over the same period, an increase of 50 percent[iii].



Source: Budget and expenditure data provided by the Department of Administration

Medicaid expenditures have grown an average of 11 percent per year over the last five years, with Medicaid spending totaling over $6.6 billion in fiscal year 2011.

At the same time benefit spending and recipient levels have risen, funding for recipient fraud prevention and detection has dropped. In 2002, state spending on recipient fraud detection and program integrity efforts was $2.7 million. Between 2004 and 2009, funding to identify and

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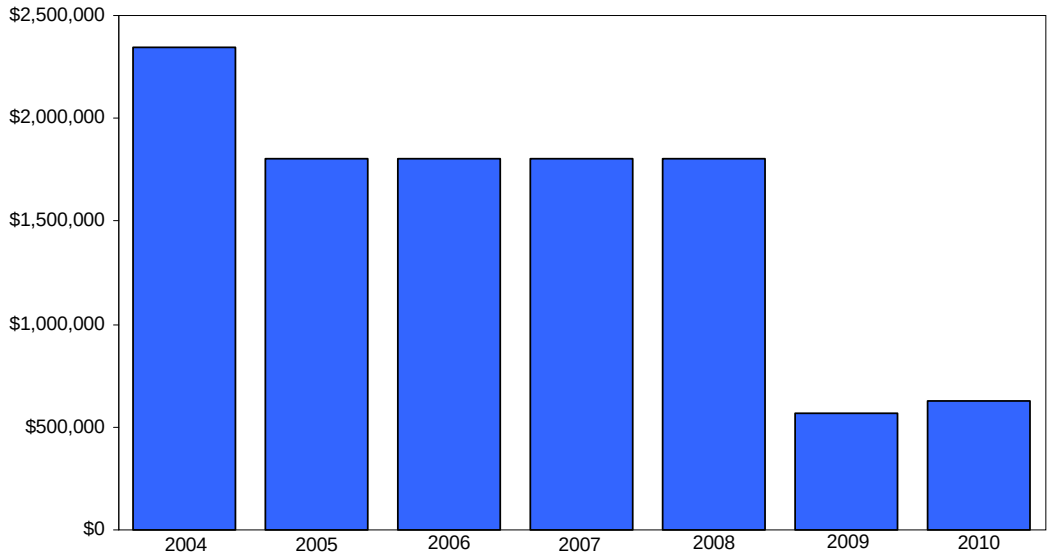
prevent recipient fraud decreased by 76 percent, from $2,340,000 to $561,892, while at the same time program eligibility expanded and new public assistance programs were created.

State Fraud Prevention Spending



Source: Budget and expenditure data provided by the Department of Children and Families

These state funds support local government 'only' anti-fraud activities of local eligibility determination agencies, including front-end verification of eligibility of referred cases, investigations and the establishment of claims for collection of improper payments. This funding does not include any additional local government fraud prevention spending.

The failure to invest in adequate program integrity processes and training is particularly costly when it allows improper payments to be made, even if those payments are later identified. The Commission learned through agency testimony that the most effective way to prevent fraud is to keep ineligible individuals from getting benefits in the first place. Good front end verification processes are key. Chasing down potentially ineligible recipients is more time consuming and cost intensive than appropriately verifying eligibility on the front end.

One strategy to do this is to redesign and streamline the eligibility determination system, building in substantial program integrity processes and strongly enforcing eligibility standards. This could result in greater efficiency and lower cost. The Governor proposed a way to do this in his budget. The final budget included a different, but much improved strategy to improve front end eligibility determinations for potential public assistance recipients.

Investments to improve program integrity efforts often pay for themselves. O'Brien and Associates, a contractor specializing in detecting and preventing fraud, submitted information to the Commission on the potential error rate and the return on investment for improving program integrity efforts. The company currently operates a consortium of 44 state, county and tribal agencies to detect and report public assistance fraud and increase claims and collections through robust verification operations. They estimate the error rate in cases referred to them for investigation is around 30 percent, and claim for every dollar spent on

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fraud prevention, roughly $10 in savings is realized back to the government (appendix 5). In some instances, they reported the ratio to be much higher.

- In 2010, in the 13 Wisconsin counties they operated in at that time, they realized a $15 to $1 savings ratio.

- In their Cook County, Illinois operations, they claimed to save the state $8 million annually.

2. Decrease in Collections

Because fraud detection and prevention efforts were reduced, collection claims referred to the state have dropped as well, which risks more and more waste of taxpayer dollars from benefits going to those who are not eligible. A collections claim is established when a case is referred for review or the state suspects an ineligible individual is receiving benefits. Under current procedures, the referral should be investigated and, if verified, a claim is established so the state can recoup money spent on an individual who was not eligible.

Based on testimony and documents from the Department of Health Services (DHS) and Department of Children and Families (DCF), recipient fraud detection and prevention funding has a direct impact on claims establishment and the subsequent collection of payments to ineligible recipients. The Collections Unit within the Department of Children and Families, who conducts collections for both DHS and DCF, reported to the Commission that between 2008 and 2009 FoodShare claims dropped 26 percent, child care claims dropped 41 percent, and Medicaid claims dropped 23 percent. Over three years when Medical Assistance programs were expanding, claims decreased by 68 percent. From this data the Commission could conclude less of an investment in fraud detection results in fewer claims established and subsequently more ineligible recipients receiving benefits.

Statewide Established Claims

	Claim Total	Change	% Change
2004	5,771		
2005	4,682	(1,089)	-18.9%
2006	5,710	1,028	22.0%
2007	6,345	635	11.1%
2008	6,326	(19)	-0.3%
2009	4,675	(1,651)	-26.1%
2010	4,795	120	2.6%

Source: CARES system data, provided by the Department of Children and Families

A review of claims statistics also reveals that the number of established claims is inconsistent from claim worker to claim worker; even in the same geographic region. This may be an indication of inadequate and inconsistent training of claim workers and of an insufficient focus on establishing claims throughout the state.

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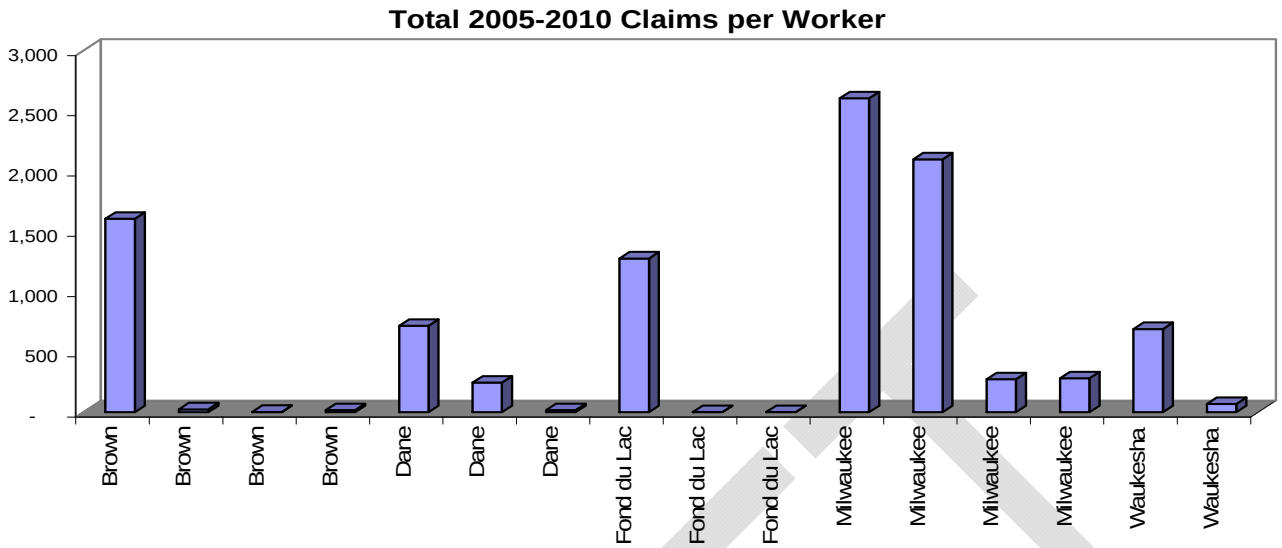

Source: CARES system data, provided by the Department of Children and Families

Another challenge in collecting improper payments is the administrative process required to refer Medicaid claims to the Department of Revenue's tax intercept program. Claims established to collect improper W-2, Shares and FoodShare payments can be directly referred by the state agency to the Department of Revenue. Due to a lawsuit in 2004 and the wording of state law, claims established to collect improper Medicaid payments require a court judgment in order to be referred to the Department of Revenue.

In 2009, the DCF Collections Unit increased Medicaid claims activities under a pilot program by collecting fraud and overpayments in a similar manner to W-2, Shares, and AFDC program collections. Because of the statutory referral requirements, the pilot program involved two steps: first, sending a notice to the recipient requesting repayment, followed by a request for judgment submitted to the circuit court in the appropriate county. This pilot program saw a 94 percent increase in collections compared to the prior year, however, for reasons unknown, the pilot program was suspended at that time by the Department of Health Services and not resumed until April 2011.

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Medicaid Compel Pilot- Count and Dollar Amount of Notices Sent				
	Notice to Recipient		Request for Court Judgment	
	#	$	#	$
Apr-09	160	$465,011	9	$86,537
May-09	6	$17,739	2	$11,030
Jun-09	502	$1,571,005	145	$311,789
Jul-09	-	$ -	100	$282,171
Aug-09	366	$871,688	344	$1,023,877
Sep-09	-	$ -	7	$44,818
Oct-09	1	$2,835	97	$208,952
Nov-09	377	$950,949	286	$780,262
Dec-09	-	$ -	2	$1,886
Jan-10	-	$ -	327	$748,793
Feb-10	-	$ -	2	$1,321
Mar-10	-	$ -	10	$43,186
Apr-10	-	$ -	4	$7,964
May-10	-	$ -	2	$929
Jun-10	-	$ -	-	$ -
Jul-10	-	$ -	-	$ -
Aug-10	-	$ -	2	$4,244
Sep-10	-	$ -	-	$ -
Oct-10	1	$1,123	1	$1,298
Nov-10	-	$ -	-	$ -
Dec-10	-	$ -	-	$ -
Jan-11	-	$ -	-	$ -
Feb-11	-	$ -	-	$ -
Mar-11	-	$ -	-	$ -
Apr-11	779	$1,789,807	1	$2,835
May-11	-	$ -	391	$902,934
TOTAL	2,192	$5,670,157	1,732	$4,464,828

Source: CARES system data, provided by the Department of Children and Families

3. Shifts in Management Priorities and Administrative Weaknesses

The decrease in funding for recipient fraud prevention and identification and the reduction in collection efforts is symptomatic of a lack of focus on program integrity over the past several years. In testimony to the Commission, it was reported that program management's focus in recent years shifted away from robust eligibility standards and enforcement and instead to increasing the number of individuals receiving benefits by expanding eligibility standards and reducing barriers to enrollment. This has also been a repeated observation in discussions with state employees and in the public comments submitted to the Commission.

During the same period when fraud detection funding declined, several policy changes were made to relax enrollment standards and reduce program integrity activities.

- The Department of Health Services reduced the periodic checks of BadgerCare Plus and FoodShare recipients' income. Income verification checks changed from once every six months to once per year, according to agency testimony. BadgerCare recipients are

supposed to inform DHS of gross income changes that exceed the poverty level for their group size and coverage (100-300% depending on the program).

- FoodShare recipients up until 2003 were required to report income, family composition, and address changes to the state within 10 days in six month certification periods. The reporting requirement was changed from ten days to every six months, except when household income exceeds 130% of the poverty level, and certification periods were expanded to 12 months in 2004.

- The Legislative Audit Bureau reported in a June 2011 letter that no quality assurance activities were conducted related to the enrollment of childless adults in Medicaid and FoodShare from 2008 until December of 2010, which involved approximately 150,000 recipients.

- Although the state corrected cases when it received reports of participants that did not qualify for public assistance benefits, they did not have an adequate plan for referring these cases for fraud investigation.

The federal government is responsible for identifying and combating FoodShare retailer fraud. Like the state, the federal government has also reduced funding and enforcement efforts related to FoodShare in recent years.

Federal policies also limit the actions the state can take to reduce fraud and errors and improve program integrity. In FoodShare, the state is prohibited from denying recipients replacement cards no matter how many are reported lost, although the state could charge a fee for the cost of replacing the cards.

Prior to creation of the Quest debit card for FoodShare, food stamp recipients were required to show a photo I.D. when using their food stamps, which acted as a deterrent to fraud. Federal policies may permit including a photo ID of a recipient on Quest cards, however, the state must permit all members of a household to use that card, reducing the effectiveness of any enforcement efforts. This federal policy makes it more difficult for retailers to identify inappropriate use of Quest Cards, but may act as a deterrent to fraud.

Improving the focus on program integrity and expanding fraud prevention and identification efforts will take an investment of funding and adequate staffing as well as the attention and support of the administration to make needed program improvements.

The state's Department of Health Services, tasked with overseeing these public assistance programs could improve the organization of these program integrity units. The units are in some cases inadequately staffed and in most cases not connected in a way that is conducive to effective program integrity efforts. In testimony, the Commission learned DHS is planning to reorganize program integrity units in the department to provide better and more effective program oversight.

The Medicaid Eligibility Quality Control Unit (MEQC) currently has no staff due to three vacancies that have not been filled for two years, according to department documents. The MEQC Unit is responsible for case reviews to determine the accuracy of Medicaid benefits,

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providing ongoing training of staff regarding state and federal policy changes and monitoring case samples for review. The MEQC Unit is federally mandated to perform these functions and its lack of staff for two years is troubling. In addition, the Department of Health Services income maintenance training unit is inadequately staffed and, even when fully staffed, could not keep up with income maintenance training. The unit has fallen behind in training for program changes over the last two years, which contributes to the inconsistent regional case worker claims data mentioned above.

Program integrity units should not only be adequately staffed, but under one umbrella able to communicate effectively across program areas. Medicaid fraud units should be able to share information with FoodShare units and FoodShare to Medicaid. If an individual is defrauding FoodShare it is likely they are also receiving improper benefits from other public assistance programs.

Not only do program integrity units need to be able to better communicate, the units need better and real time information. Throughout commission hearings, members learned of limitations to income verification information and reporting. Information technology should be improved to ensure recipients are eligible for the benefits they are receiving.

The Department of Health Services has been working to improve communication, staffing, and oversight of public assistance programs. Some improvements were made possible by legislation recently passed into law and other improvements will be possible under the enacted changes of the 2011-13 biennial budget. The department will submit an update of their efforts and recommendations for further improvements to the Commission for future reports.

4. Sanctions Do Not Appear to Deter Fraud

The Department of Health Services provided documentation of the punishments (sanctions) that are imposed for intentional FoodShare program violations. An intentional program violation occurs when an individual purposefully:

- makes a false or misleading statement or misrepresents, conceals or withholds facts;
- uses, presents, transfers, acquires, receives, possesses or traffics Quest cards; or
- commits an act that violates the Food Stamp Act, program regulations or state law.

Intentional program violations are determined by a court order, administrative hearing decision, pretrial diversion agreement or a signed waiver of the right to an administrative hearing.

An individual determined to have committed an intentional program violation is ineligible for FoodShare benefits:

- For 1 year after the first violation,
- For 2 years after the second violation, or after the first violation if convicted in court and the transaction involved the sale of drugs,

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- For 10 years for making a fraudulent statement about identity or residence to receive multiple FoodShare benefits simultaneously,

- Permanently, after the third violation, after the first violation if convicted in court and the transaction involved the sale of firearms, ammunition or explosives; or after the first violation if convicted in court for trafficking $500 or more of benefits; or after the second violation if convicted in court and the transaction involved the sale of drugs.

Only the individual determined to have committed an intentional program violation is ineligible for FoodShare benefits. Other members of the household may continue to be eligible for and receive FoodShare.

Individuals Sanctioned By Year	
2008	144
2009	155
2010	135

Source: DHS Submitted Testimony, Appendix 9 of DHS Handout

In July 2010, there were a total of 171 individuals serving a 1 year sanction, 8 individuals serving a 2 year sanction and 1 individual with a permanent sanction for FoodShare violations.

The reduction in the number of individuals serving sanctions compared to the sizeable increase in FoodShare enrollment over the past few years is troubling, and symptomatic of the decline in program integrity operations.

Estimating Savings with Good Program Integrity Efforts

In order to estimate the potential savings of improving program integrity processes, actual established claims amounts from 2009 were compared to target amounts. In 2009, according to the Department of Children and Families Collection Unit, actual claims covering all public assistance programs for fraud totaled $5.7 million, which is .08 percent of the benefits issued. Improving fraud detection efforts and the rates of referral and claims establishment would increase the number of established claims substantially.

	Benefits Issued	Claims Established	% Fraud	10 Year Collection Rate	Expected Collections
2009 Actual	$7,204,583,700	$5,717,179	0.08%	81.15%	$4,639,491
1% of Benefits	$7,204,583,700	$72,045,837	1.00%	81.15%	$58,465,197
2% of Benefits	$7,204,583,700	$144,091,674	2.00%	81.15%	$116,930,393

Source: CARES system data, provided by the Department of Children and Families

If the percentage of claims established increased from .08 percent to 1 percent of issued benefits, expected collections would increase to $58 million. If the claims establishment rate grows to 2 percent of issued benefits, the expected collections increases to $117 million.

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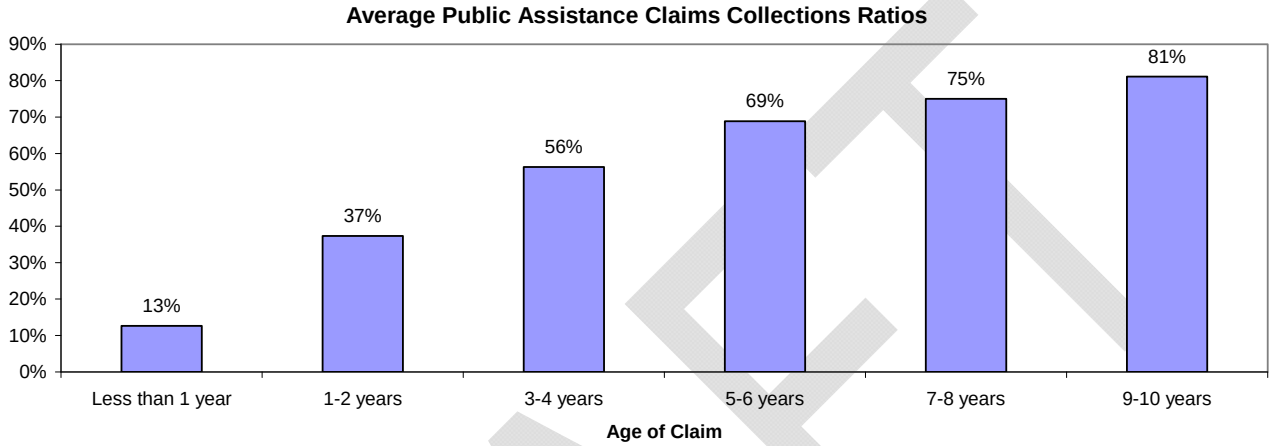
Not all of these funds would be collected immediately, as the actual rate of collection grows from about 13 percent of claims within one year of establishment to 81 percent of claims after 10 years. In actual practice, these savings are likely to be realized through a combination of increased recoveries and as a decrease in improper payments due to the deterrent effect of improving program integrity processes.



Source: CARES system data, provided by the Department of Children and Families

These estimates are reasonable goals for the program. Former state Auditor, Jan Mueller, of the Legislative Audit Bureau, responded to a question during her testimony before the Commission that she believes true error rates in public assistance overall to be around 10 percent[iv]. Not all improper payments are fraud or are likely to be collectable, but with an investment in fraud detection and claims collection by the state, recoupment of fraudulent payments will no doubt be higher than .08 percent of benefit payments.

The expected increase in collections and decrease in improper payments are also supported by past experience. In 2009, in response to a string of articles in the Milwaukee Journal Sentinel, the Legislature enacted reforms to the Shares program (appendix 1), which was subject to little oversight and was easily abused by unscrupulous child care providers. After implementation of the reforms and with greater oversight, program expenditures fell from a projected $414 million in the current fiscal year to what is projected to be less than $300 million per year over the next biennium.

The Department of Children and Families, the agency responsible for the operation of the Shares program, testified to the Commission regarding past and future improvements in oversight and fraud prevention. Their recommendations for continued improvement are in appendix 2 and would save millions more by reducing abuse and fraud in the program.

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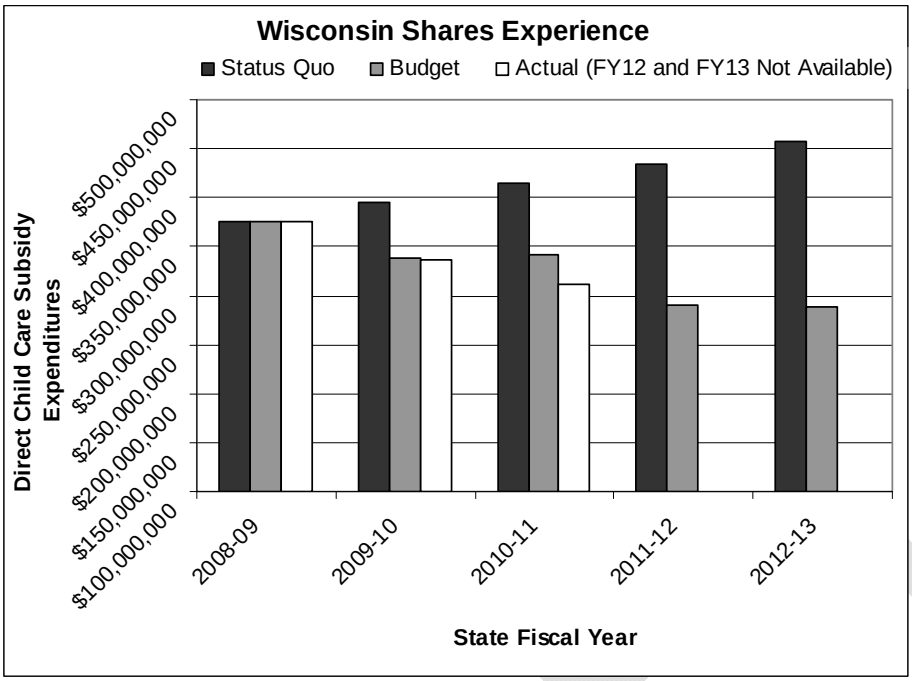

Source: SHARES data, provided by the Department of Children and Families – Status Quo assumes 4% growth (Historic Average)

Other Program Improvement Savings

In addition to the savings that will be realized from improving program integrity functions, the Department of Health Services has identified inefficiencies in the eligibility determination system for public benefits, which, if corrected, will reduce program costs by $40 million per year.

A plan adopted in the FY 2011-13 biennial budget bill by the Joint Committee on Finance, and included in the final budget bill, will require counties to form up to 10 consortia throughout the state to streamline the eligibility determination process. Further, the state will operate a central document processing unit to develop and maintain statewide electronic case files, allowing eligibility workers in any location to process applications and renewals and conduct investigations.

Additional funding and positions were also provided to improve fraud prevention and detection efforts, including funding for grants to local agencies and to support state training and investigation programs.

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Income Maintenance Funding (in millions)	Current Law	Governor's Budget	JCF Budget
General Operations			
State GPR	$49.6	$26.1	$35.2
County overmatch	$26.0	$25.8	$19.4
Federal funds	$81.4	$56.2	$54.3
Total	$156.9	$108.1	$108.9
Fraud and Program Integrity			
State GPR			$1.0
Federal Funds			$1.0
Total			$2.0
Kenosha County Maintenance of Effort Reduction			
State GPR			$3.0
Federal funds			$3.0
Total			$6.0

Income Maintenance FTE Positions	Current Law	Governor's Budget	JCF Budget
State	104	250	463
County	1,223	-	855
Contract	404	1,300	100
Total	1,731	1,550	1,418

Source: Budget data, provided by the Department of Administration

Final Recommendations:

Moving forward, rather than trying to micromanage a large and complex department administering huge and costly public assistance programs, the Commission will offer general improvements that should help to ensure benefits get to those who need them and waste, fraud, and abuse is minimized.

The Department of Health Services has already responded to the Commission with both short term and long term reforms to reduce FoodShare fraud and abuse (appendix 6).

- Increase cooperation and coordination between public assistance program integrity units within state agencies. This will improve communication and encourage best practices within the agencies' program integrity efforts.

- Create an inspector general in key agencies (DHS and DCF) to internally perform audits and ensure compliance with state and federal laws, polices, and procedures.

- Adequately staff program integrity and training units such as the Medicaid Quality Assurance Unit. Good staff ensuring integrity from front end enrollment eligibility verifications to provider reimbursement payments is key to minimizing waste, fraud, and abuse.

- Create performance measures for staff within the program integrity units to improve consistency from case worker to case worker. Error rates by case worker should be recorded to measure performance.

- Improve information technology functions to create real time and accurate checks on public assistance recipient eligibility and to measure the effectiveness of program

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changes. Agencies have a wealth of information and should be able to share it with DHS and DCF to verify eligibility for public assistance programs.

- Reinstitute more frequent program eligibility verifications for FoodShare and shorten certification periods, if staff is available to do so.

- Eligibility verifications should, to the extent possible, involve face-to-face interviews.

- Charge for the cost of replacement Quest cards from FoodShare recipients and evaluate the feasibility of requiring FoodShare recipients to get replacement cards in person whenever possible, unless a disability or other extenuating circumstance prevents them from doing so.

- Require a photo I.D. on Quest cards. This will provide a psychological deterrent to potential FoodShare scammers. Some retailers I.D. buyers when they use their credit cards so requiring a photo I.D. card for Quest card holders should not create an undue hardship for retailers or recipients.

- Require agencies to review the effectiveness of current sanctions at deterring fraud and provide recommendations for improvements, including options to deter retailers from conducting FoodShare fraud. This would include encouraging more prosecutions of fraud by state district attorneys.

- Require the Department of Health Services to pursue statutory changes that would permit established claims to be referred to the Department of Revenue without a judgment. Specifically, explore adding lien and levy collection functionality for FoodShare by changing state law. These collection processes are already in place and they could streamline collection processes from program to program and increase year to year collections.

- Require the Department of Health Services to examine the causes of the dramatic drop in FoodShare errors since 2008 and to report to the Commission on their findings.

- Advocate to the federal government for improved oversight and enforcement of retailer fraud in FoodShare. The federal government has the role of enforcing retailer fraud laws.

- Request the Legislature to provide a permanent and adequate appropriation in the budget for fraud detection and program integrity functions within DCF and DHS. This will provide accountability if funds are cut from these efforts in the future.

- Increase the number of employees at the Legislative Audit Bureau and task these employees with auditing Wisconsin's public assistance programs once every three years and making recommendations for changes to the Legislature's standing committees and to the Department of Health Services and the Department of Children and Families. At least once per administration, the FoodShare, Medicaid, Child Care and W-2 programs would be audited.

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- Provide better follow through with recommendations made in the Audit Bureau. Potentially create six month status reports from the audited entity of how they are implementing the recommendations.

- The Audit Bureau should take random samples of data from enrollees and claims cases to ensure accuracy and compliance with laws, procedures, and policies.

Addendum

The Wisconsin Department of Health Services has been working to implement improvements to program integrity operations. This is an update from DHS:

The Department of Health Services Response to the Governor's Commission on Fraud, Waste and Abuse, Chairman's Interim Report

The July 2011 Interim Report of the Governor's Commission on Fraud, Waste and Abuse provided recommendations related to activities of the Department of Health Services. The Department would like to take this opportunity to update the Commission on some of the actions that the Department has taken in response to the Interim Report and its recommendations.

Enhancing the Fraud, Waste, and Abuse Provisions of the Patient Protection and Affordable Care Act (PPACA)

The Department has put together a team of State and Fiscal Agency staff to review the PPACA program integrity provisions and develop a plan to comply with the requirements contained in them. As a first step DHS submitted and Advanced Planning document to CMS requested enhanced funding for the costs of implementation. That requests was approved and CMS will provide 90% federal funding for the initial refinements. These refinements including enhancing the enrollment and screening of new providers by increasing the number of on-site visits to high risk providers, requiring background checks and fingerprinting of high risk providers, collecting additional ownership and identification information from providers, requiring all ordering and referring providers to be enrolled in State Medicaid program. Additionally, DHS will be contracting with private audit firms to conduct audits of Medicaid providers on a contingency fee basis.

Supporting the proposals contained in the State 2011-2013 Biennial Budget.

The 2011-2013 Biennial Budget contained several proposals related to DHS program integrity, including increased audit and investigational resources. To use these in the most efficient manner, Governor Walker approved DHS' request to create an Office of the Inspector General (OIG). The OIG will integrate the new resources with resources that already existed within DHS to create a focus point for combating fraud, waste and abuse in all DHS programs. To further increase its effectiveness, the OIG has established a Fraud and Abuse Hotline provide a more available means for citizens to report suspected fraud in and DHS program. The OIG is also in the process of developing a Portal Application as a part of the Forward Health website to accept fraud and abuse complaints via that media. This website will also be displayed on the Department's main webpage.

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Working with US DOJ, WI DOJ, FBI, IRS, HHS OIG on the Wisconsin Health Care Fraud Enforcement Initiative.

DHS is enhancing its alliances with the agencies mentioned above along with expanding relationships with other federal law enforcement agencies to better coordinate fraud detection and referral. The DHS OIG is working with these agencies on several major initiatives in benefit areas such as prescription drug abuse, home care services and transportation, as well as issues related to abuse of Food Share benefits. Currently Medicaid providers convicted of fraud are excluded from participating in state or federal health care programs and their names are placed on a federal excluded provider list. The DHS OIG is also working with the federal HHS OIG to develop a matching program between Medicaid providers and other programs such as Food share and Child Care subsidy programs.

Realigning DHS resources to provide additional staff support for Department program integrity efforts including recipient and provider fraud detection and prevention, quality assurance and training efforts.

As part of the creation of the DHS OIG, a significant emphasis has been placed on the prevention and detection of recipient fraud and abuse and trafficking in Food Share and Medicaid benefits. Within OIG will be a section dedicated to those issues and that section will be composed of two units. One unit will serve as liaison to the Income Maintenance Consortia, providing them with investigational support and training as well as following up on referrals made to the consortia by DHS.

Conducting a Food Share/Inmate Cross Matching Project

Using a report of current inmates provided by the Milwaukee County Sheriff's Department (MCSD), Milwaukee Enrollment Services (MilES) staff queried inmate names against CARES demographic information. The goal was to close or discontinue any FoodShare (FS), for individuals who were no longer eligible due to incarceration.

Once these FS cases were closed, MilES staff evaluated each case and returned the benefits to the State of Wisconsin FS program based on lack of eligibility. MilES staff also reviewed each closed case and gathered anticipated savings for the FS program based on the closure. Anticipated savings were calculated by determining the monthly FS allotment and multiplying that by the number of months left in the FS certification period, either by the date of the next review or Six Month Report Form (between 1 and 6 months).

Results

- In June 2011 a total of 681 FS cases were closed for a total savings of $208,311, with $48,567 in FS returned and anticipated savings of $159,744.
- In July 2011 a total of 465 FS cases were closed for a total savings of $158,437, with $12,842 in FS benefits returned and anticipated savings of $145,595.
- In August 2011 a total of 92 FS cases were closed for total savings of $35,426, with $3,772 in FS returned and anticipated savings of $31,654.

Since the onset of this project, as a result of closing 1,238 FS cases, the state has saved $402,174, with $65,181 in FoodShare benefits returned, and anticipated savings of $336,993.

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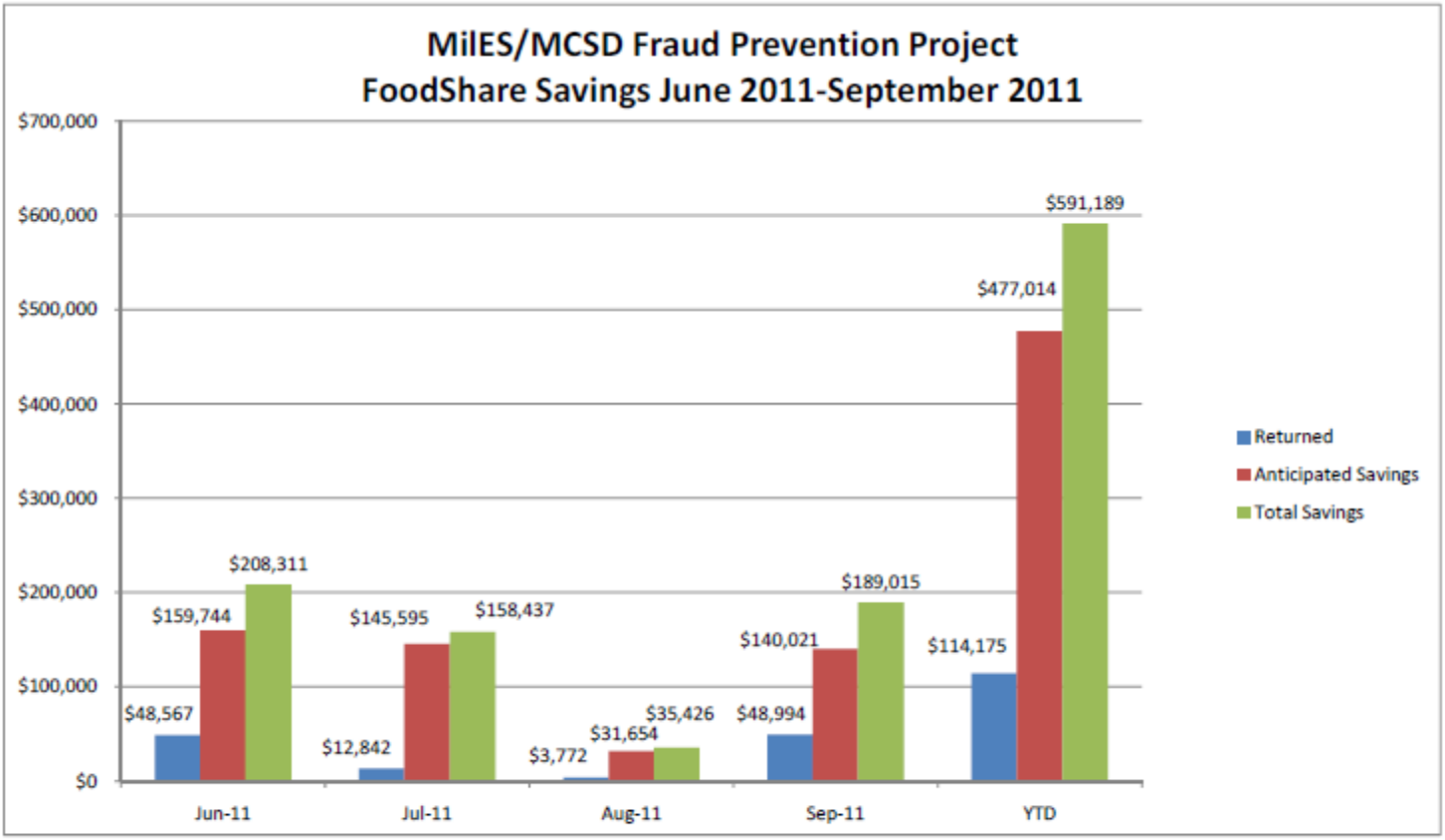
With the additional resources provided through Act 32, the Department will expand its efforts to reduce recipient fraud and abuse. Additionally, the Department has partnered with CMS in creating recipient educational materials to stress the harm that can be done by sharing eligibility cards and information with others.



MCSD/MilES Fraud Prevention Project Results September 2011
Submitted by Jennifer Wickey
November 4, 2011

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This is an updated explanation of savings estimates included in the interim report:

Calculation of the Public Benefits Savings Target

The Department of Health Services and the Department of Children and Families establish claims to recover improper public assistance payments. In 2009, $5.7 million in claims were established, which is approximately 0.08% of benefits issued during the year. Although the amount of improper public assistance payments issued due to fraud and errors is not known, estimates from reliable sources are as high as 10% of total payments.

It seems reasonable that a significant effort to improve program integrity will result in a substantial increase in the percentage of payments that are identified as improper, which will

increase the amount of established claims. An increase to 2% of benefits issued, from .08% currently, would increase established claims from $6 million to $144 million per year.

Collection of Established Claims

Data provided by the Department of Children and Families shows that established claims take several years to collect, with 10-year collection rates varying from 70% to 98% depending on the program. On average, the state collects 81.15% of established claims within 10 years.

Percentage of Debt Collected by Age

	Child Care	WI Works	FoodShare	Medicaid	Average
Less than 1 year	1.06%	8.58%	16.56%	24.52%	12.68%
1-2 years	23.83%	39.67%	54.28%	31.58%	37.34%
3-4 years	48.12%	51.00%	82.11%	43.80%	56.26%
5-6 years	58.81%	69.46%	94.33%	52.92%	68.88%
7-8 years	71.54%	69.33%	103.14%	56.15%	75.04%
9-10 years	80.46%	70.09%	97.75%	76.31%	81.15%

Actual Collections[12]

Years	2011*	2012	2013	2014	2015	2016	2017	2018	2019	2020	
One	9.36	18.72	18.72	18.72	18.72	18.72	18.72	18.72	18.72	18.72	
One-Two		17.28	34.56	34.56	34.56	34.56	34.56	34.56	34.56	34.56	
Three-Four			13.68	27.36	27.36	27.36	27.36	27.36	27.36	27.36	
Five-Six					9.36	18.72	18.72	18.72	18.72	18.72	
Seven-Eight							8.64	8.64	8.64	17.28	
Nine-Ten										12.96	
Totals	9.36	36	66.96	80.64	90	99.36	108	108	108	129.6	**835.92**

[12] These totals are actual collections based on 2009 public assistance spending levels. They do not include all claims established. 2011 includes six months of claims. Totals are in millions.

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D. Overtime Rules and Payroll Management *Savings $5,200,000*

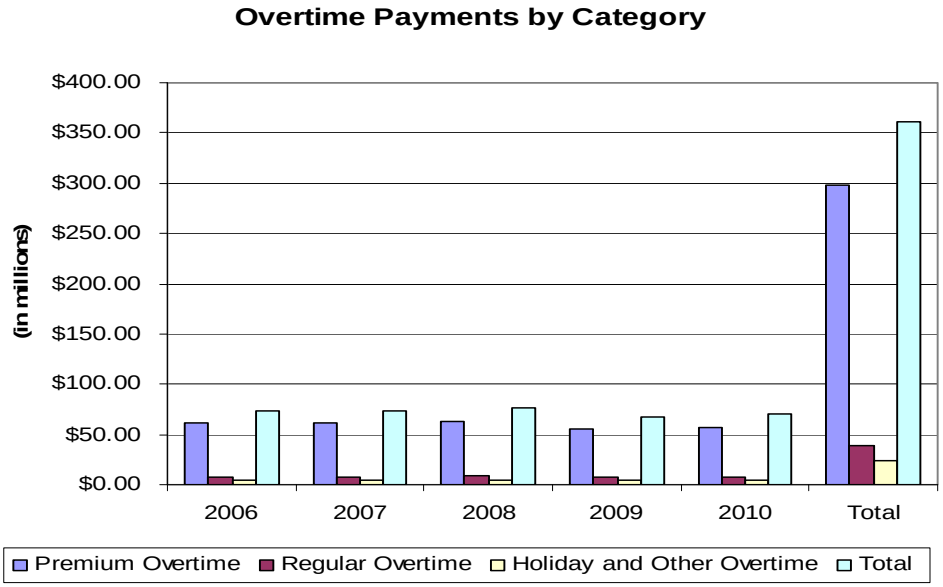
It is no secret that Wisconsin pays out large amounts in overtime to its state employees. The Legislative Audit Bureau has issued numerous reports on this subject. In 2010, overtime costs in state agencies paid by Wisconsin taxpayers totaled $57.1 million[v].

Much of this overtime was in four departments. Corrections was the highest with more than half of the total overtime - $30,365,900 in 2010. Health Services, Transportation, and Workforce Development made up the next three agencies with the highest overtime costs.

Much of this overtime is necessary to safely and effectively manage Wisconsin's 24 hour a day facilities. As the Department of Health Services (DHS) told the Commission, *"In all the facilities, it is mandatory that adequate numbers of direct care staff are present on every shift of every day, to ensure quality care for the vulnerable citizens DHS serves, and safe environments for both clients and employees. Overtime is an essential tool for staffing direct care posts in the DHS facilities."*

However, overtime does rise for reasons unrelated to the realities listed by DHS above. Budget deficits have put a strain on state hiring. Vacancies and furloughs have also contributed to overtime costs. Some of these factors are already changing. Furloughs should no longer be a factor because Governor Walker is ending them in July of this year. Also, filling vacancies has been expedited under the new administration.

In DHS testimony to the Commission they wrote, *"the new administration is recognizing the importance of keeping direct care positions filled by exempting these types of health care positions from the current limits on position filling."*



Source: May 2011 Legislative Audit Bureau Letter Report on Overtime in State Agencies and UW System

The Interaction Between the Fair Labor Standards Act and Agency Overtime

The Commission heard testimony from the Office of State Employment Relations (OSER), the Department of Corrections (DOC), and the Department of Health Services regarding overtime. OSER outlined the Fair Labor Standards Act (FLSA) and how it impacts overtime for both unionized and nonunionized employees. FLSA mandates time and a half for hours worked over 40 hours per week, but exempts paid leave such as holiday, vacation, and sick leave.

In some cases this is different for state employees covered by contract. The payment of overtime can even be different from one union contract to another.

An example provided to the Commission by OSER[vi]:

- An employee covered by the Wisconsin State Employees Union (WSEU) collective bargaining agreement who uses paid leave (e.g., sick leave, vacation, personal holiday, compensatory time) during the workweek and works an additional shift on the weekend receives premium overtime pay for those additional hours. Payment for overtime is based on *hours in pay status* over 40 in the workweek.

- An employee covered by the Wisconsin Professional Employees Council (WPEC) collective bargaining agreement who uses paid leave during the workweek and works an additional shift on the weekend receives his regular rate of pay for those additional hours. Payment for overtime is based on *hours worked* over 40 in the workweek.

The Commission learned there are many differences between contracts and that managing them all is a very staff and time intensive process. OSER manages nineteen different state bargaining units with master contracts with the state. There are also nine different earning types in the state's central payroll system that can impact FLSA rates and overtime costs. Some state agencies are on paper timesheets, some are on the DOA web-based time reporting system.

Earning Types:

Night Differential	Specialty Pay	Permanent PM
Weekend Differential	Standby Pay	Weekend Nurse Pay
Responsibility Pay	Schedule Beeper Pay	Non-Scheduled Beeper Pay

Of the nineteen bargaining units, six have contracts with provisions that pay above and beyond FLSA requirements. OSER spoke in their testimony to the Commission of how some collective bargaining contracts were negotiated prior to passage of FLSA. Some of the provisions in these contracts artificially add hours in pay status to FLSA calculations which increase premium overtime costs.

Contract negotiations prior to FLSA could not have anticipated how federal law would interact with all these different earning types. The result of this is in some cases there are increases in premium overtime paid out to state employees. We can see how large a share of state agency overtime is premium overtime by reviewing the graph on the first page of this section.

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Here is an example of a contract that requires payment of overtime above FLSA:

- A non-exempt employee covered by the Wisconsin State Employees Union (WSEU) collective bargaining agreement who uses paid leave (e.g., sick leave, vacation, personal holiday, compensatory time) during the workweek and works an additional shift on the weekend receives premium overtime pay for those additional hours. If FLSA regulations applied, this employee would not have been eligible for premium overtime and would only have been paid his regular rate of pay for those additional hours.

In other words, due to these overtime requirements employees can be paid overtime even though they did not actually work over 40 hours. They are paid overtime because they were in 'pay status' (sick, vacation, comp time, etc.) for over 40 hours as opposed to having actually worked over 40 hours.

The Impact of Seniority

Another issue that was brought to the Commission's attention by OSER, DOC, and DHS was the impact seniority has on overtime. In most local bargaining contracts within DOC, senior workers must be called and offered overtime first. OSER wrote to the Commission:

- Collective bargaining agreements (or Local Agreements) generally provide that overtime be offered by seniority thereby increasing the cost of overtime
  - The most senior employees have the first opportunity to work the overtime each time overtime is offered;
  - The most senior employees are generally the highest paid employees;
  - The most senior employees are motivated to work as much overtime as possible in order to enhance their WRS earnings for retirement purposes

In reference to OSER's last point, in a June 2008 Legislative Audit Bureau Report[vii] on Overtime in State Agencies they wrote, *"Furthermore, the large amounts of overtime earned by some individuals who are nearing retirement age significantly increases their incomes and thus their state employee pension benefits."* The two highest paid correctional sergeants in the same report were at or near normal retirement age.

Also, in the same report, Audit Bureau stated they, *"found that the 752 most-senior correctional officers and sergeants reported an average of 277 premium overtime hours during 2007, which was 1.5 times greater than the average number of premium overtime hours reported by the 828 most-junior officers and sergeants."*

This is an example from OSER of how seniority impacts overtime cost:

- <u>Example</u>: A senior Correctional Sergeant with an annual salary of $54,993 earned 2,373 premium overtime hours resulting in premium overtime payments totaling $93,971. If a less senior Correctional Sergeant with an annual salary of $33,000 earned the same number of premium overtime hours under the same circumstances, it may have resulted in premium overtime payments of only approximately $56,397, a potential savings of over $37,574.

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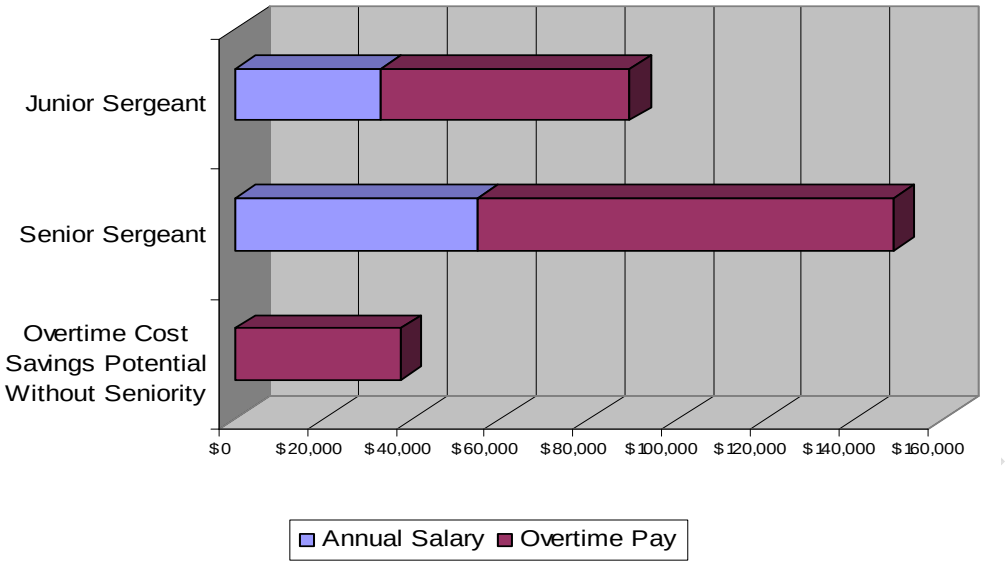
Impact of Seniority on Overtime Costs



Seniority rules can also contribute to high turnover rates in state agencies. In the 2008 report from the Audit Bureau regarding state agency overtime they discovered seniority rules contribute to higher than average turnover rates among junior employees. In reference to the Department of Health Services, Audit Bureau wrote, *"As noted, under current collective bargaining agreements the opportunity to earn premium overtime must be offered on a seniority basis, but if there are no volunteers forced overtime can be required in reverse-seniority order. DHFS estimates that 61.0 percent of its overtime shifts are forced and that resident care technicians and psychiatric care technicians experience the highest number of forced shifts, which contribute to their high turnover rates."*

Also, as previously stated by OSER, *"The most senior employees are motivated to work as much overtime as possible in order to enhance their WRS earnings for retirement purposes."* This increases the likelihood and incentive for senior employees to work overtime; thus increasing costs.

Hidden Costs

Seniority may be preferred in some situations, but mandating it without any discretion for management artificially inflates overtime costs. Not only must they be called first, but there are other provisions in these contracts that surprised some Commission members.

In many local contracts, the phone must ring a certain number of times, specific messages must be left, and waiting periods must pass before the next senior worker is offered overtime. Local contracts can make supervisors wait up to 30 minutes for a call back before moving on to the next available employee.

If these steps are not followed exactly, in most cases the passed over employee is entitled to the overtime he or she missed at premium pay. In one local contract, the missed employee is

even eligible for a cash payout; effectively paying an employee an entire shift's pay without having to actually work any time at all. The result of this contract provision is that in some instances the state is paying two employees when only one actually worked.

Contract Examples:

Two Call Procedure Examples (excerpts from actual local contracts):

Phone Contacts for Overtime

Only one call shall be made attempting to contact employees for overtime call-in. The employer shall allow the phone to ring a minimum of ten (10) times before assuming the employee being called is not home. If a busy signal is heard, the employer shall attempt another call within five (5) minutes. If there is still a busy signal, the employer can proceed to the next step in the overtime hiring process. Contacts made that are forwarded to a pager will be treated as a busy signal in that the employee shall have five (5) minutes to return the page. If the employer receives an answer by a recorded message or answering machine, the employer shall identify themselves and the reason for calling. The employer shall stay on the line for ten (10) seconds to give the employee the opportunity to pick up the phone and respond. If the employee does not pick up the phone, it is considered a no contact and the employer can proceed to the next step of the hiring process. Employees calling back must talk directly to the scheduling officer to secure overtime. This may be accomplished by having the operator contact the scheduling officer. Management is encouraged to hire overtime under this section while the employee is in pay status.

Employees being called for overtime shall be given the choice of all available posts in class. Affected staff shall be informed of all available posts during the phone contact procedure. Scheduled overtime calls being made shall allow one hour transient time before and after their scheduled shift on that day.

As we can see, not only must employees be offered overtime by seniority, in the last line of the first paragraph above, *"Management is encouraged to hire overtime under this section while the employee is in pay status."* Seniority and pay status overtime both increase the costs of overtime.

PHONE CONTACTS FOR OVERTIME - SPS/BC/T/AS

Only one call shall be made attempting to contact employees for overtime call-in. The employer shall allow the phone to ring a minimum of ten (10) times before assuming the officer being called is not home. If a busy signal is heard, the employer shall attempt another call. If there is still a busy signal, the employer can proceed to the next step in the overtime hiring process. If the employer receives an answer by a recorded message or answering machine, the employer shall identify themselves and the reason for calling.

Example of Cash Payout for Missed Overtime:

MISSED OVERTIME / WRONGFUL ORDERS

If through management(s) error, an Correctional Sergeant/ Correctional Officer is missed for overtime that Correctional Sergeant/ Correctional Officer will be allowed to work an equivalent period of time that was missed or take compensatory credits in lieu of working the overtime or take a cash payment of hour for hour of missed overtime at the employees' regular rate of pay. The Correctional Sergeant/ Correctional Officer will be allowed to work at the employees discretion, on the employees regular day off or in conjunction with a regular shift prior to or after the regular shift within the next two (2) pay periods following the settlement of grievance. It is understood and clear to both parties that:

The Department of Corrections reported that premium overtime paid due to these errors totaled 2,623 hours in the 2010 fiscal year and cost $83,174.61. The department however cautioned that because of its paper time reporting process and the varying methods adult institutions use to report this type of overtime, the total may be higher. This is an example of why DOC should transition to a more uniform and modern payroll system.

Pay Status vs Work Status

The Department of Corrections has worked to estimate and isolate one of the factors contributing to its high overtime costs. They also offered solutions as to how it could be controlled. Their recommendations aim to reduce exploitation of a “pay status” vs. “work status” provision included in most local bargaining contracts. This is explained in detail in appendix 3. This type of a contract provision, previously mentioned, was negotiated as early as 1975 in a WSEU contract and OSER agrees it contributes to high overtime costs.

This is also the type of provision that allows correctional officers to call in sick for a shift, and accept premium overtime for subsequent shifts. This could put a worker in ‘pay status’ for what could be 24 hours or more depending on the local labor contract and specific circumstance.

Some local contracts require that an employee who calls in sick be considered sick for a 24 hour period while other contracts state the employee can call in sick for 1st shift, but then come in to work on 2nd shift. This stacking of shifts exacerbates the pay status/work status issue because the employee will be paid overtime for working 2nd shift even though he or she called in sick on 1st shift. The employee is paid as if having worked 16 hours straight (more in some cases), half of it paid in premium overtime; even though he or she really worked only 8 of those hours.

DOC employees are not breaking rules by doing this. They are simply following contracts and local agreements and being paid as those contracts require. Prior to Act 10, DOC had little or no ability to change these contract mechanisms.

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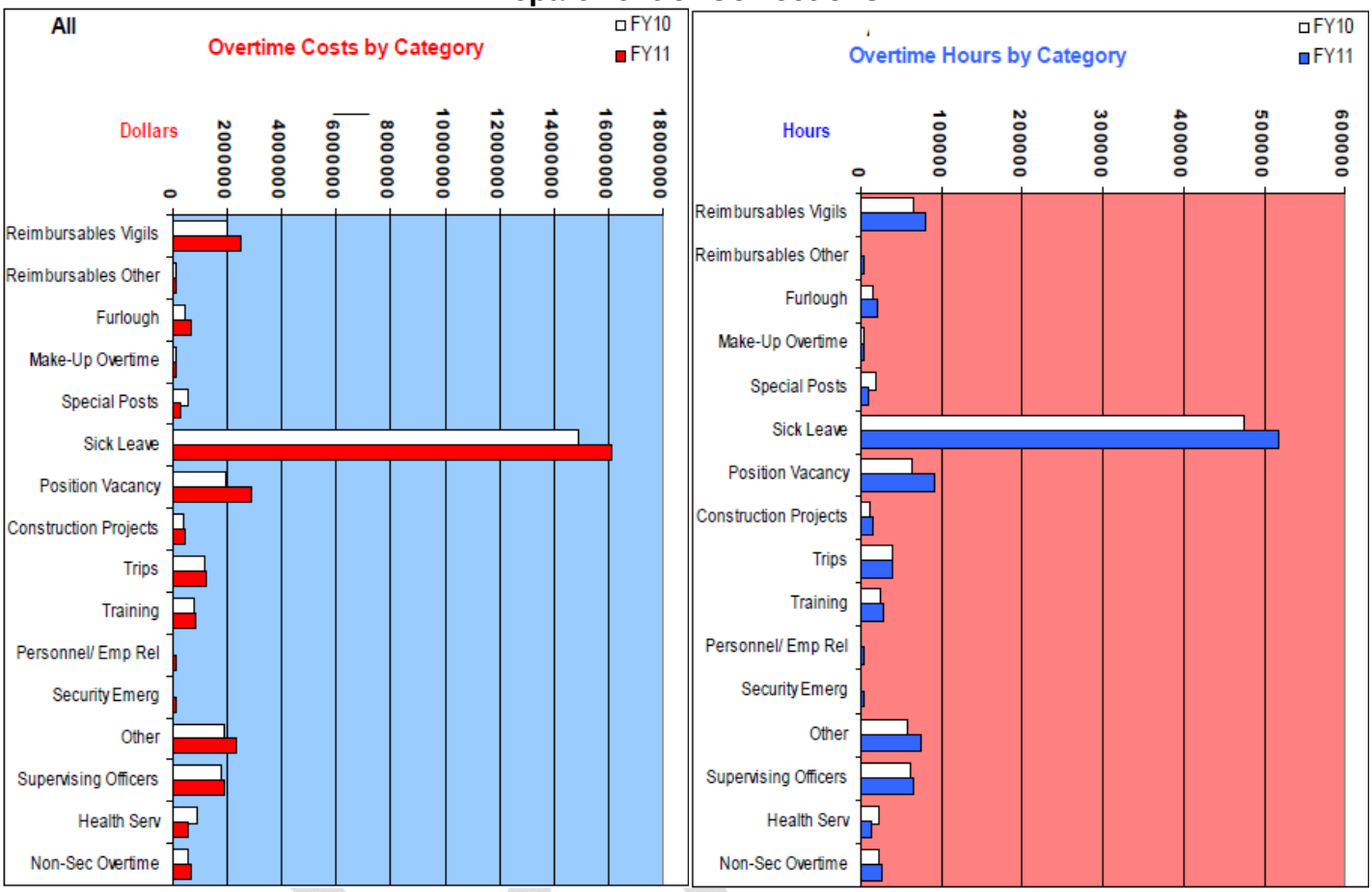
Costs and Hours of Overtime by Category
Department of Corrections



Graphs Provided by the Department of Corrections

As we can see, sick leave is a huge part of overtime in DOC. According to DOC, they average 11 sick days per employee. Excluding DOC, the state average is 5 per employee. This data was calculated with OSER in preparation of the 2008 audit on overtime.

In the 2008 audit the bureau wrote, *"DOC has identified the use of sick leave by correctional officers and sergeants as another major factor affecting overtime. Its fiscal year (FY) 2005-06 and FY 2006-07 records attribute an average of $14.0 million in overtime to their sick leave use."*

According to DOC, when the provisions in Wisconsin Act 10 are fully implemented the ability of employees to exploit these bargaining contract provisions could be reduced. Based on DOC estimates, overtime costs could be reduced by $4.8 million or 16% by just changing the "pay status" vs. "work status" provision while at the same time continuing to pay employees their fair share of overtime.

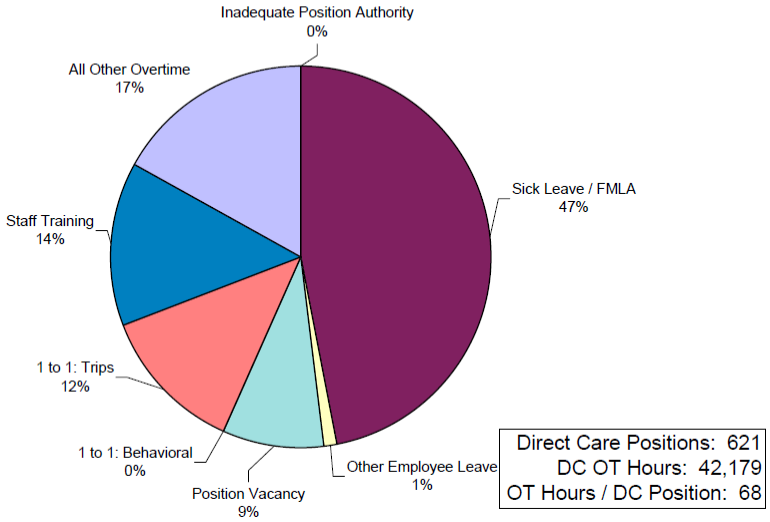
In a letter[viii] response to the Legislature's Joint Audit Committee on the 2010 audit of state agency overtime costs the Department of Corrections wrote,

"However, the ability for the administration to manage overtime within the Department is hampered by provisions within numerous collective bargaining agreements that restrict

management discretion in determining which circumstances merit the use of overtime, and which employees may be utilized when overtime is appropriate. When that discretion is restored to managers with the implementation of certain provisions of 2011 Wis. Act 10, we believe that overtime costs can and will be further reduced."

Statewide the impact of these types of overtime situations is unknown. However, in the Department of Health Services, 47% of all overtime in its secure treatment facilities in 2008-09 was due to sick leave. What portion of this is due to contract provisions that inflate overtime costs is unknown. In the Department of Health Services DD centers and psychiatric hospitals sick leave is 21% and 9% of overtime respectively in the same year.

Reasons for Overtime -- Secure Treatment Facilities
FY 2008-09

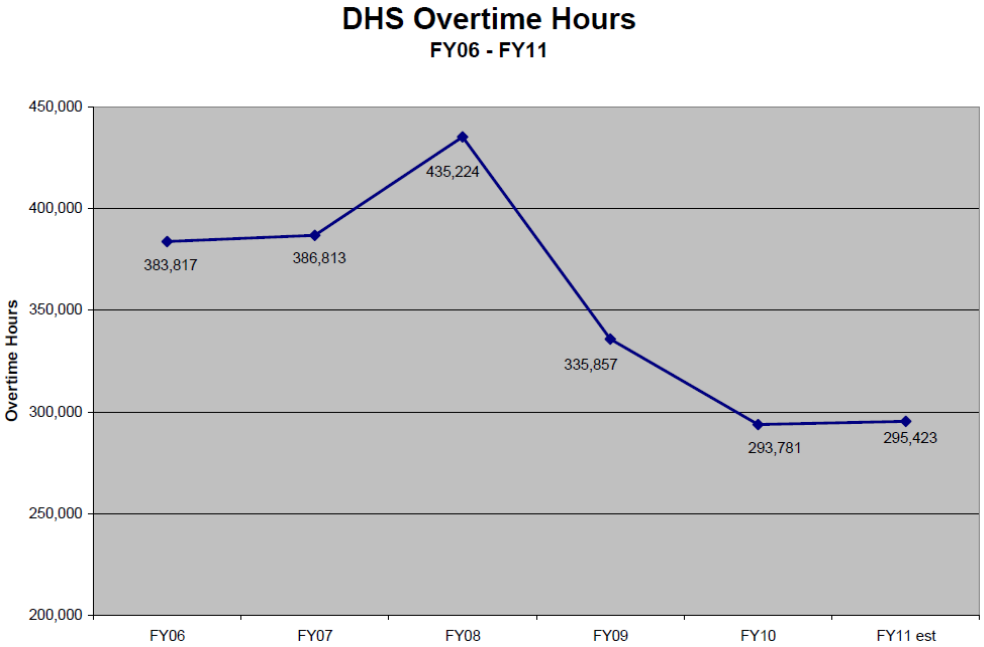


Source: Department of Health Services Testimony to the Commission

Some Success in Controlling Overtime

The Department of Health Services shares some of the same issues DOC has with overtime costs. However, unlike DOC they had some limited success negotiating changes to control overtime costs with their bargaining units. Prior to the changes, in some of their seven facilities they struggled with[ix]:

- very high patient census levels and rapidly-increasing admissions at the mental health institutes,
- increasingly strict regulatory requirements
- inadequate numbers of authorized direct care positions
- hiring freezes and lack of support for requests for adequate position authority
- recruitment difficulties for certain types of clinical positions (e.g., nurses); and
- union contract provisions making efficient staffing difficult.



Source: Department of Health Services Testimony to the Commission

After changes in contracts, the factors that reduced overtime costs at the 24 hour facilities in DHS were:

- increases in authorized direct care position authority (i.e., surplus or "pool code" position authority)
- reductions in admissions and census at the mental health institutes
- the easing of hiring freezes for direct care positions
- management actions to control abuse of sick leave, allow transferring of excess staff on higher-staffed units to lower-staffed units, and more-uniformly schedule vacation usage over the entire year.

Other factors that will help DHS control overtime in the future are:

- The law changes that resulted in significant declines in admissions to the mental health institutes are expected to continue to have that effect into the future.
- Management actions taken in the past to reduce the need for overtime will continue to help. Additional actions may also be possible if management gains flexibility due to the elimination of union contracts and collective bargaining (for topics other than wages), such as:

  - Addressing the "hours in pay status vs hours in work status" issue, so for example, employees cannot call-in sick for one shift and report for overtime-paid work on the next shift.
  - Allowing facility-wide ability to reallocate staff from higher-staffed units to lower-staffed units, in order to ensure adequate staffing on all units and minimize overtime.
  - Establishing limits on the number of hours that direct care staff can work, in order to reduce the risks of medical errors due to fatigue. The U.S. Institute of Medicine has recommended that nursing staff work no more than 12 hours per day, or 60 hours per week.

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Time Reporting Upgrades Needed

The Commission learned that the time and attendance collection system in the agency with the highest overtime costs has a majority of its employees using paper time reporting. The 24 hour facilities in DHS use paper timesheets as well.

Most state agencies, including parts of DOC and DHS, use the automated time-reporting system (PTA Web) managed by the Department of Administration (DOA). However, the 24 hour institutions in both DOC and DHS do not use this system. Both departments maintain that the PTA Web system cannot manage all the different local contract provisions such as, pay status types, overtime types, shift differentials, etc. of the 24 hour facilities. The DOA indicates the PTA Web system could accommodate the unique institutional requirements, but not without significant time and programming by the vendor. In fact, DOA indicates that other governments, Milwaukee County for example, have successfully customized similar time-reporting systems to meet the detailed requirements of labor contracts in 24 hour institutions.

Due to the litany of pay provisions and the numerous bargaining units and contracts currently governing the operations of 24 hour institutions, the development and design of an automated time-reporting system from the ground up would be time consuming and costly. With the enactment of Act 10, the complexities related to scheduling will likely be simplified making it an ideal time to re-visit what would be required to fold employee time reporting into DOA's PTA Web system. Modern day 24 hour health care organizations have up to date electronic payroll systems. There should be no reason why DOC and DHS can't mirror these other modernized systems.

Restrictions on Management Flexibility

Both DOC and DHS testified how the restrictions on staffing flexibility as specified in labor contracts has lead to increased overtime costs. For example, DHS testified that when encountered with a staff shortage in one worksite, they were unable to reassign staff from another work site due to labor contract restrictions. The staff shortage could only be covered by incurring the overtime of calling staff in or requiring those that had reported to work overtime hours.

Act 10 will provide an opportunity to review these kinds of restrictions so that management can re-gain the flexibility to assign staff based on operational needs. Currently there is a direct correlation between these types of restrictions and the unnecessarily high cost borne by the taxpayer.

Final Recommendations:

- Overtime provisions for state employees should more closely mirror federal FLSA requirements. Overtime should be based to the greatest extent possible on hours actually worked, not on hours in pay status.

- The Department of Corrections and Department of Health Services should work with DOA to move their 24 hour institutions on to the PTA Web time reporting system.

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Building a time-reporting system from "the ground up" would be costly, time consuming and redundant of the system already in place. It can be done and in fact has been done in other places. The state should leverage this existing asset rather than invest in an entirely different system that will be costly to maintain. The DOA system is used by most agencies to ensure adequate oversight, proper reporting, and to recognize time reporting issues before they become a problem. Making use of it in our 24 hour facilities would result in the same benefits.

- Use the tools in Wisconsin Act 10 to simplify payroll to cut down on errors and limit payroll abuse. This will ensure employees are fairly paid and the state can better manage overtime.

- Limit the use of seniority as a factor in overtime scheduling. Not only could this save the state overtime costs, but junior employees earning less than their senior coworkers should be given a 'voluntary' opportunity to boost their pay.

Addendum

The state has introduced a new compensation plan for state employees, which includes DOC workers that address many of the overtime and payroll management issues outlined in the interim report. Because of these actions, the state is on track to save on overtime costs in its agencies.

In addition to the pay status vs. work status change which will save the state an estimated $4.8 million annually, DOC will no longer have to offer overtime based on seniority – policy changes in other parts of the department will also save costs. The conservatively estimated savings for seniority changes 'only' would have been $338,341 in the 2011 fiscal year. This is a low estimate however and future savings could be higher based on the impact of other policies in combination.

The Commission believes this number to be low. As a comparison, the County of Manitowoc has estimated $100,000 in savings due to possible changes to its overtime policies which are similar to the changes suggested in this report. They have roughly 400 employees[13] and the Department of Corrections alone has more than 10,000.

[13] 2012 Manitowoc County Executive Proposed Budget
http://www.co.manitowoc.wi.us/upload/29/2012%20Proposed%20Budget%20Web%20Version.pdf

E. LEAN Government Initiative *Savings are continuous*

There is an initiative businesses have used to increase efficiency and lower costs that Wisconsin government has missed out on for decades. It can provide taxpayers with savings, shorten permitting time, and help government do more with less. It could also bring an immeasurable amount of benefits to state residents for years to come. It is an initiative called 'LEAN' government.

Lean was used by Toyota as early as the 1930's and has been widely used in manufacturing since post World War II. Starbucks, 3M, Hewlett Packard, and many other businesses have used Lean or a similar system of continuous improvement. Minnesota, Iowa, and Connecticut are among a few governments that are utilizing Lean with amazing results.

What is Lean? Lean is a continuous improvement philosophy. Customers, employees, suppliers, managers, and executives are engaged in events commonly called value stream mapping events designed to improve operational efficiencies and maximize financial savings. By mapping the status quo, everyone works together to identify and eliminate the non-value added processes. This cuts down on wasted man-hours and increases government's customer's satisfaction.

The result of Lean is increased efficiencies in services for the customers of state government and a safer and more streamlined workplace for employees. Our current economic reality requires government to move at the speed of business; Lean is a tool to get government closer to this goal.

The Commission heard testimony from the University of Wisconsin-Stout Center for Operational Excellence about Lean initiatives they have conducted within governments. A successful example they cited was the improvement of the Child in need of Protection or Services Process (CHIPS) in Marathon County. It used to take six months for a child to go from entry into the system to obtaining a court date. Their Lean efforts eliminated the non-value added processes and reduced that time to only six weeks. UW Stout has also worked within the UW System since 2008 to improve processes with great success[x].

The Commission learned that a Lean event was conducted and almost implemented in the Department of Corrections in 2009. The event at DOC focused on improving the employee disciplinary process from the time of violation to arbitration decision. At the time, the improvements were projected to reduce lead time from as much as 46 days to 13.3 days and process time from as much as 40 hours to 25.4 hours in the investigation and discipline process. Also, the accuracy of this process was projected to improve from 52.1% to 95%[xi].

After initial delay due to leadership decisions, these changes are now slowly moving forward. This shows how a successful Lean initiative requires relentless leaders committed to following through. When fully in place, Corrections believes discipline procedures will be performed in a fraction of the time with better results.

Wisconsin government should always be looking for ways to improve operations and services. Lean initiatives could provide a framework for continuous improvement. These improvement

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processes could also save taxpayer money, improve workplace safety, and improve government's delivery of services to the public.

Examples of Lean from other States:

Iowa[xii]

- Reduced Air Quality New Source Construction Permit decisions from 62 to 6 days.
- Reduced Landfill Permits decisions from 187 to 30 days.

Connecticut[xiii]

- Saved over $500,000 in staff time over one year in their labor department.
- In a labor department initiative they saved $1,270,626 in worker hours and reengineered or automated 590 process steps.
- Increased their storage tank inspections from 20 to over 133 per month, an increase of 565%.

Minnesota[xiv]

- HR management decreased errors in employee pay transactions.
- Managers streamlined payroll processes to increase accuracy in recording FMLA absences.

Indiana[xv]

- The City of Fort Wayne Indiana is using LEAN and has made drivers happy by reducing the time it takes to repair potholes. 99.6% of potholes reported are filled within 24 hours and the average repair time is only 3 hours. This process used to take over 3 days. This process not only saved motorists' vehicles from damage, but also resulted in less overtime for city workers.
- *"Another LEAN Six Sigma success story is the reduction in the cost per foot of water main replacements by $317,000. An analysis determined that changes needed to be made in the bidding and construction processes to make it more cost effective. Fort Wayne now bids large, stand alone water main replacement projects in the cold weather months to produce the lowest costs. The cost of water main replacements has dropped from $61 per foot to $49 per foot. The total savings is $317,000. Other benefits include decreased service interruptions, improved water quality, better fire protection, and controlled utility rates."*

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Success of Lean in Wisconsin[xvi]

- In 2003 ThedaCare began implementing LEAN and have developed its own HealthCare specific Lan system called ThedaCare Improvement System. They have removed over $23 million in costs in costs without layoffs. They have done this while improving patient care.

- Dalco Metals of Walworth cut their paperwork processing time by 50%, from 4 days to 2. Prior to implementing LEAN, it took longer for them to process the paperwork than it did to complete the job.

- Gusmer Enterprises, a third generation family-owned business in Waupaca saw a reduction in their downtime by 70% by implementing LEAN.

- Sadoff & Rudoy Industries, a metal recycler with six scrap metal processing operations in Wisconsin, implemented LEAN and increased their production by 30%.

- Milwaukee based Marsh Electronics used LEAN to reduce their warehouse defect rate from 1.5% to 0.2%.

- Bachhuber Manufacturing Corporation in Mayville utilized LEAN and their employees input and suggestions have decreased their lead times from 8 weeks to just 2 days. They also increased their profits and sales by over 10%.

- Dan Ariens and Ariens Co. implemented LEAN in the 90's and has become a national leader in LEAN.

- Even Starbucks is utilizing LEAN to increase efficiency and allow that barista a few more moments of time to speak with each customer.

Final Recommendations:

- Create a Lean Enterprise Solutions Unit called the "Center for Excellence" within the Department of Administration staffed by trained Lean consultant(s). Staff should work in conjunction with outside experts and provide continuity and expansion to the program. They should form the core of a group that will always be leading the effort to make government more efficient and cost-effective. The executive branch will need the Lean Unit to keep the culture of continuous improvement going and expanding.

- The consultant(s) would be tasked with advising and consulting with all state agencies and to conducting Lean 'value stream mapping' events to improve efficiencies statewide. The consultant(s) should have experience with government agencies, public institutions, and industry.

- Another option would be to partner with businesses in Wisconsin currently using Lean. These businesses could volunteer to conduct training sessions with state agencies and employees. The state could bring in manufacturers who have utilized Lean strategies to work with state agencies and assist in instituting it in state government.

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- Implement Lean strategies throughout all of state government to improve efficiency, workplace safety, and save taxpayer dollars. Share efficiencies and improvements across agencies so as not to duplicate Lean efforts.

- Create a permanent Lean government commission by executive order and have it consist of legislators, business leaders, and interested public members.

- The permanent commission would review Lean agency changes and if needed recommend law changes to improve upon Lean policy initiatives.

- Create a Lean Wisconsin Enterprise Initiative website in order to detail successes for the public to view. This will improve transparency and show the public how government can be efficient, responsive, and do more with less. Showing results will help to get those reluctant to make change on board with improvement.

- All agencies should be encouraged to establish measurement criteria for the services they perform, both on the quality and the timeliness of the service. Then they should establish goals, and Lean methods to achieve them. The use of proper measuring criteria, and the focus on continuing to improve beyond current levels of service, will bring significant improvements to the people of Wisconsin.

- Establish a 'Customer Focus' in each department. Departments would define their mission - what is the department trying to accomplish, who is the customer, what factors constitute quality and what is a good measure of customer satisfaction, and timely service.

- Measure performance, quality, timeliness, and efficiency and communicate these metrics to the employees performing the service to create constant improvement. Set up a review process for reviewing the metrics on a regular basis.

- Set up a system of incentives, bonuses, and/or recognition events to communicate what the goals were, the improvements made in customer satisfaction rates, etc. to reward state employees who show positive results.

Addendum

Many state agencies are currently implementing Lean strategies. As an example, the Department of Natural Resources is implementing Lean agency wide. All agency divisions will form Lean teams and complete at least one Lean event by the middle of next year.

At the direction of the Commission the administration if exploring the option to formally initiate Lean in all of state government.

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F. State vs. Contract Engineers

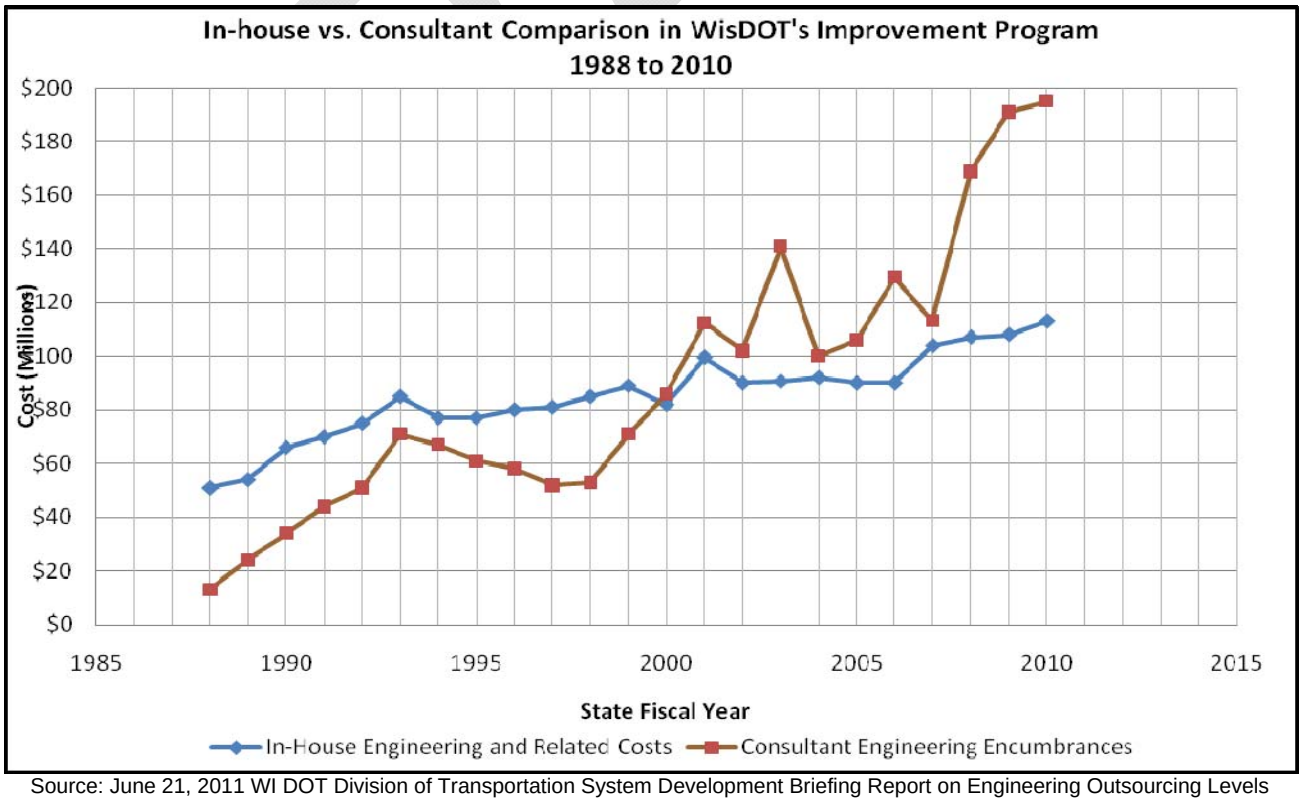
This Commission has and will continue to look into controversial issues facing Wisconsin state government. Maybe one of the oldest and most controversial items we will examine is the debate over using state or private contract engineers on state highway projects.

History

There are numerous reports on this topic. The Legislative Audit Bureau looked at this issue as early as 1990. At that time they determined *"consultants were no more costly than if state staff were used."*[xvii] The use of consultants was new at that time and only constituted roughly 35% of state projects.

In the late 90's, transportation spending experienced healthy growth. The federal Transportation Equity Act for the 21st Century provided a 40% increase in federal highway aid. The hiring of state engineers did not or could not increase to keep pace with construction so, the use of private contractors increased. In 1999 the ratio of state engineers to contract was 59% to 41%. This inverted to 46% to 54% by 2004[xviii].

Spikes in spending on consultant engineers also occurred in 2003 and 2006 due to reductions in the state workforce and the cost of hiring engineers with unique skill sets to work on the Marquette Interchange project. In 2009, the increase in private consultant spending was mainly due to federal ARRA funding and the inability to perform all the engineering work within the delivery timeframe needed with existing state engineers[xix].



Source: June 21, 2011 WI DOT Division of Transportation System Development Briefing Report on Engineering Outsourcing Levels

Competing Calculations

In the early 2000's, the increase in contracting out work resulted in a study conducted by the state Department of Transportation (DOT) to determine the fiscal impact of this trend to the state[xx]. In that study, they determined that between 1999 and 2002, if every private engineer run project was run by state engineers Wisconsin would have saved $27.6 million. That equates to a $6.9 million annual savings. However, DOT followed up in a later report that this was not their assertion.

The DOT study was analyzed by the Department of Administration (DOA) in 2004. DOA determined DOT overstated potential savings and did not accurately compare contract and state engineers. As well, DOA asserted DOT made certain assumptions that are not completely accurate.

It is understandable that DOT would come to the conclusion that contractors are more expensive – contractors cost more on a per hour basis and contractors need state oversight. When comparing only total engineering costs on a per project basis, as DOT did in their 2004 report, it appears less expensive to use in-house engineers to perform project design work.

However, as the DOA report pointed out, with a more complete comparison of the costs of state engineers, including all fringe benefits, paid time off, etc. is made, the cost advantage of using in-house engineers is reduced or eliminated.

DOA claimed the study did not include the cost of a state engineer outside of a specific project's life cycle. Full time state employees are paid all year long and get fringe benefits, sick leave, pension, etc. paid by the state. Private contractors factor some fringe benefit cost into their bid for a project, but not to the level of a full time state employee paid with salary and benefits 12 months a year.

Also, leave time for state engineers is much higher than for private engineers. According to handouts the Commission received, state leave is 49.75 days. Also, state engineers are eligible for up to a 21.5% pay increase in the first three years of employment. This is also higher than private engineers according to testimony to the Commission. These benefits increase the costs of state engineers compared to private.

The Department of Transportation disputed the claims by the Department of Administration in a November 19, 2004 memo[xxi]. However, in that same memo DOT admits their comparison was not of one contract engineer to one state engineer, but a comparison of overall engineering costs on projects overseen by state and contract engineers. In the same memo, DOT wrote they *"did not estimate $6.9 million would be saved in the coming biennium."*

Also, DOA wrote in its study that the DOT study calculated its savings estimate by assuming 100% of highway projects could be done by state engineers. This is unrealistic. There are numerous specialty projects that require a unique engineer skill set. Hiring a permanent state employee for such a project for a temporary time period wouldn't be cost effective.

Using 100% state engineers is unrealistic because in DOT's own study they recommend a 50/50 ratio of state vs. contract engineers. In a 2009 Legislative Audit Bureau Letter Report[xxii],

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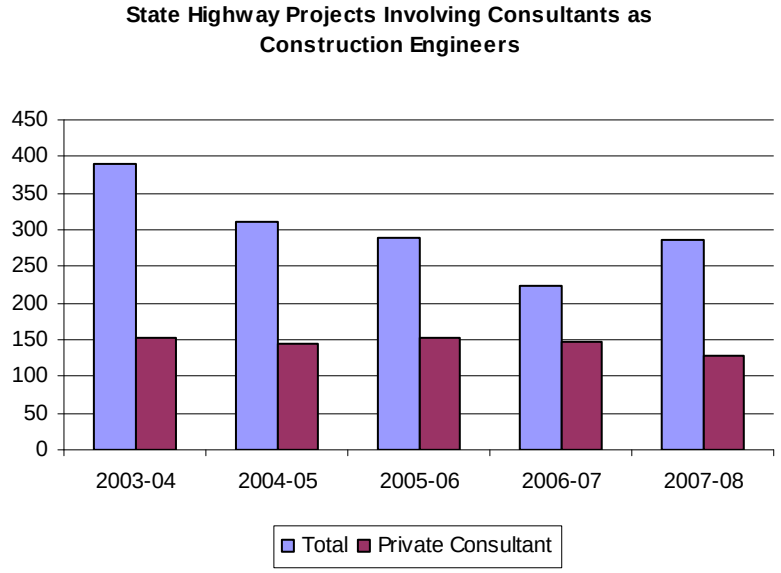
Construction Engineering in State Highway Projects, they found from 2003 to 2008 private contract engineers were used in 48.2% of state highway construction projects. Using the 50/50 ratio instead of 100% lowers the annual savings from DOT's study to $1.6 million. However, even these savings may be inflated in part due to the assumptions made in the various studies.



Source: May 2009 Letter Report from the Legislative Audit Bureau on Construction Engineering in State Highway Projects

What is the Optimum Mix?

In testimony received by the Commission from the State Engineering Association of Wisconsin, they recommend a minimum 30/70 consultant to state engineer ratio[xxiii]. The Department of Transportation believes somewhere between 30% and 50% engineering by state staff would be a better mix. This was testified to at the same Commission meeting.

In their 2009 Letter Report, Construction Engineering in State Highway Projects, the Audit Bureau did not take a position regarding the ratio of state to contract engineers but did go on to write, *"The precise proportion of construction engineering work that can be completed by consultants without hindering DOT's oversight ability is unknown, but some believe that consultants should complete no more than one-half of all work."*

In its testimony to the Commission, DOT said it is beginning to hire engineers to fill more than 100 vacancies. Many of these positions will be used to ensure adequate oversight of consultants performing work on state highway projects. The department however did note, it will take 3 to 5 years to get an entry level engineer the skills to oversee a state highway project.

Act 89 Cost Benefit Analyses

Further confusing this debate is the 'cost benefit' analysis requirement for state projects over $25,000 created by 2005 Wisconsin Act 89. The intent of these mandated reports was to help bring clarity on this topic. Unfortunately, they have created more questions than answers. The

Commission discovered through testimony that these reports are time consuming, costly, and of questionable value.

A report sponsored by the State Engineering Association (SEA) on these cost benefit reports admits, *"The reports compare estimated costs before a project starts and no comparisons are made of actual costs once a project is completed."* The SEA report analyzed 362 state highway project worksheets and found that the estimated cost for using engineering contractors was $5 million higher than using in-house staff on the same projects. The report also said *"project oversight appears to be poorly understood and poorly estimated by state staff in the Act 89 worksheets."*

Other problems with these reports are created because the cost benefit analysis is done prior to a project's scope being completed. Final negotiated cost can be much higher or lower than the initial estimate. This is supported by the 2009 Legislative Audit Bureau Letter Report which totaled expenditures statewide for construction management consultant engineers at $36 million in 2007-08. However, the cost benefit worksheets in the same year for the same projects totaled $44.7 million. That is an $8.7 million or 24% difference.

The SEA report recommends looking at actual project costs after completion. The report also recommends that DOT examine the selection process for projects so in-house expertise can be built upon, in order to improve project oversight. The report also mentions that choosing consultants over state engineers is sometimes due to unique expertise needed for a specific project. The report also mentions it is easier to dismiss poor performing consultants and avoid long term commitments with private contractors as opposed to with state staff.

The Commission learned through testimony from the American Council of Engineering Companies of Wisconsin (ACEC) and SEA that a change in state law regarding how these cost benefit reports are created could produce data of more value to the state.

Specifically, in testimony[xxiv] ACEC stated, *"We continue to believe the methodology and approach used to analyze delivery costs and to prepare these worksheets is flawed and incomplete."* They believe the true cost of consultants vs. state engineers is not represented in the current worksheets. In testimony, discussion, and documents submitted to the Commission it seems there is agreement among SEA, ACEC, and DOT that changes need to be made to how the Act 89 worksheets are created. A better worksheet may produce cost comparisons of more usable value.

Instead of doing the cost benefit prior to a project before the state knows what the final negotiated contract amount will be, worksheets could be done after the scope is complete and the state knows actual projected project costs. Also, after projects are completed a look back could be performed to compare state engineer run projects to those run by private contract engineers. If these changes were made more useful data should be achieved. The Department of Transportation stated they agree, maintaining after the fact data is the best method to make an accurate cost comparison and is working towards that delivery.

The Department of Transportation also stated in testimony they agreed changes to worksheets should be made. Compiling useful data is the best method to make accurate cost comparisons. DOT is currently working towards this goal as well.

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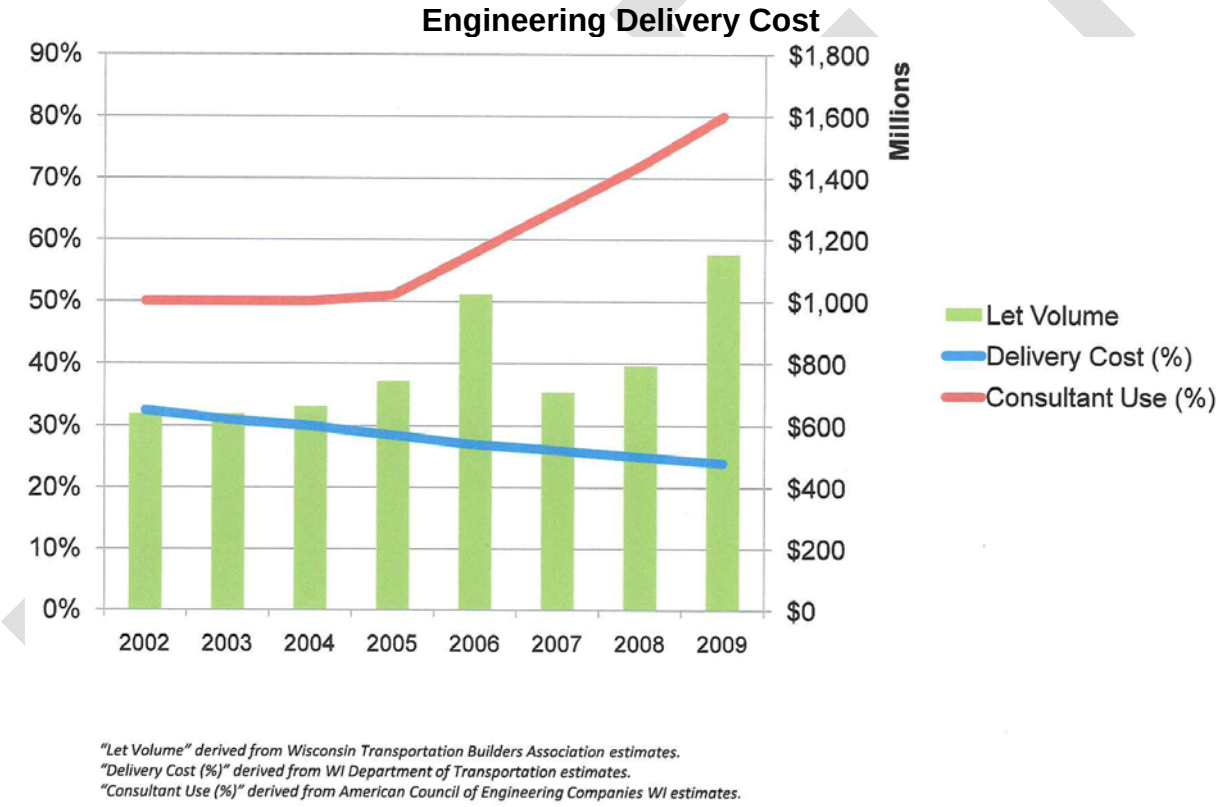
Other Points to Consider

Another point to note in this debate is that, the Audit Bureau Report of 2009 did not recommend increasing or decreasing the number of state engineers overseeing state highway projects. They also did not say consultant engineers were more or less expensive. This was after they conducted an exhaustive study on the issue.

ACEC did bring to the Commission's attention that from 2002 to 2009 the share of engineering cost as a percentage of construction dropped 28% at the same time overall construction spending rose. This was likely impacted in part due to increased competition and economic factors that allow the state to negotiate better contracts and the shifting of risk and some activities to the construction contractors. Advances in the implementation of information technology and process redesign also reduced the overall engineering cost of construction projects. At the very least, the use of consultants allowed the department to continue reducing delivery costs as the size of the highway program grew rapidly.



Graph Provided by ACEC

Conclusion

The Department of Transportation has an interest in maintaining a qualified and adequate level of staff to oversee state highway projects. The state also has an interest in using private consultant engineers where it is beneficial economically and where their expertise is needed. The right balance is unclear at this time, but it is certain that the current cost benefit reports are not working. Also, with rising transportation budgets this issue needs to be monitored and a prudent ratio of state to consultant engineers needs to be maintained.

There seems to be broad agreement from all interested groups that DOT needs an adequate level of staff to deliver high quality oversight of state highway projects. What level that is depends on who the Commission spoke to.

Maintaining competition among private consultants and a healthy state engineer workforce are also in the best interests of state taxpayers. Filling vacancies at DOT, examining and reforming Act 89, and closely watching where state engineering delivery dollars go will improve this longstanding debate.

Final Recommendations:

- Change 2005 Wisconsin Act 89. Make the cost benefit reports for state highway projects more beneficial by doing them after a project's scope is complete, and perform look backs to compare the actual cost of engineering on projects run by state and consultant engineers.

- If a change in state law is slow to develop, at the very least the cost benefit analysis worksheets should be changed with input from the interested stakeholders to include SEA, ACEC, DOT, and others.

- The department should use these updated comparisons to set optimum staffing ratios between state and consultant engineer levels used on state highway projects.

- DOT should continue to fill current vacancies and train these new state engineers to build and maintain an adequate skill set at the department capable of overseeing Wisconsin's numerous and diverse transportation projects.

- DOT should work to maintain staffing levels at the amount needed to maintain a high level of engineering competence and ensure new engineers are trained properly. In addition, DOT should report to the Governor and Legislature the ratio of in-house engineer use to consultant use and, after Act 89 (and/or the worksheet) is reformed, how the ratio impacts overall engineering costs.

- Have an independent third party analyze the new Act 89 reports for accuracy and to ensure accountability. The Legislative Audit Bureau could perform the analysis.

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Addendum

Below is an update from the Department of Transportation regarding their implementation of the interim report recommendations:

November 29, 2011

Craig Rakowski, Chairman
Government Waste, Fraud and Abuse Commission
115 East, State Capitol

Madison, WI 53702

Re: Department of Transportation Act 89 Status

Dear Chairman Rakowski:

The department continues to follow Act 89 by developing cost estimates on design and construction projects for both in-house and consultant delivery. On a project by project basis the costs are compared and a decision made on performing the work with state staff or outsourcing by hiring a consultant. On many projects the department contracts with a consultant based on the lack of state staff rather than on the Act 89 calculations. Whenever possible, the department retains project work in-house that provides the best return for the state if it is consistent with the skills of the state workforce and provides challenging work for its staff.

The department recognizes the challenge of following Act 89 when it has a limited capacity to perform work in-house. To begin addressing this issue the department is hiring engineering staff to fill current vacancies. Since April of this year the department filled 59 engineering positions and is in the process of hiring an additional 44 which will bring the vacancy rate down from 17 percent to around 5 percent. By filling vacancies the department will have greater ability to decide when to keep work in-house versus outsourcing. Even with the addition of state staff however, the percentage of project work out-sourced to consultants will remain at or near current levels. It takes three or more years for new staff to develop and be productive at the project manager level. In the meantime the department continues to deliver a very large program.

In addition to filling vacant engineering positions the department has begun discussions on possible improvements to Act 89 with the American Council of Engineering Companies (ACEC) of Wisconsin. We are eager to discuss modifications that improve the process and provide a better mechanism to deliver projects in the most cost efficient manner for the public. Discussions with ACEC are continuing.

Sincerely,

Michael J. Berg, P.E.
Deputy Secretary

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G. Shared Services *Savings $45,000,000*

These local government efficiency topics will be researched further by the Commission and final recommendations with savings estimates will be in the final report.

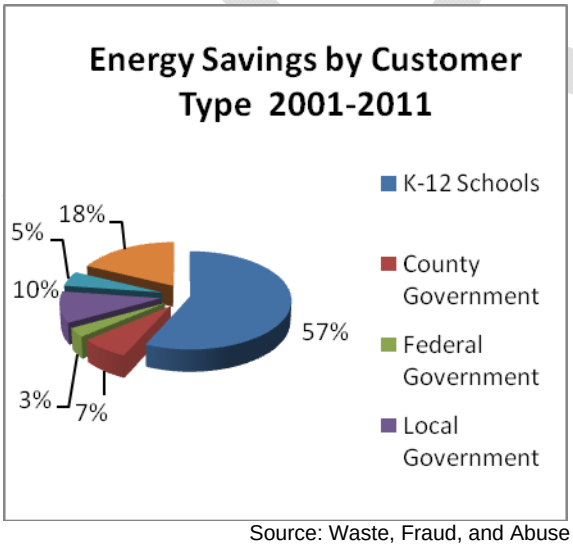
School Services

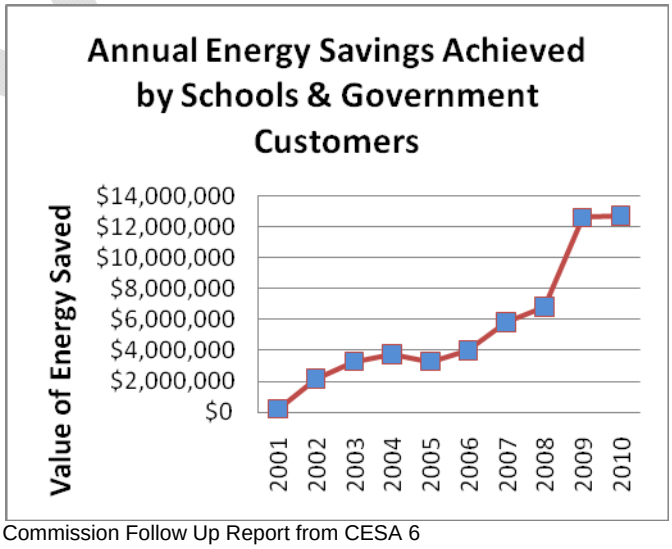
The Commission on waste, fraud, and abuse heard testimony from an administrator of a Cooperative Education Services Agency. She testified that budget constraints have incentivized districts to look beyond their jurisdictional limits when it comes to purchasing goods and staffing. She provided information of how CESA #6 provides opportunities for school districts to share services.

CESA 6 has 42 school districts and according to testimony they each have their own school menu and lunch services[xxv]. Combining menus, bulk purchasing, and potentially contracting for service could save costs. Sharing transportation services may also hold a huge potential for savings.

As an example, CESA 2 provides services for bulk purchasing. Districts that combine purchasing power can save on supplies, technology upgrades, and other products and services.

CESA's can also be a resource for schools seeking to save money on utility and health insurance costs. The Focus on Energy Schools & Government Program, operated out of CESA 10 has saved $59.6 million in energy costs for schools and local governments since its creation in 2001.





Source: Waste, Fraud, and Abuse Commission Follow Up Report from CESA 6

If more schools participated the savings would be much higher. CESA 10 estimates total energy costs statewide for school districts to be roughly $260 million per year. CESA 10 claims to have saved schools that participated in an energy audit on average 20%. That is a $52 million annual energy savings if all districts performed an energy audit and made the recommended energy efficiency upgrades.

In the most recent year of the graph provided by CESA 6 above, annual savings for schools and local governments appear to be roughly $12.5 million. Assuming 57% savings for schools, $7.125 million of those savings were annually realized by school districts in 2010. Subtracting that from the $52 million annual energy potential (because those upgrades have already been performed) leaves roughly $44,875,000 in annual energy cost savings potential remaining. This could be the savings if CESA 10 averages 20% in energy savings for schools that perform energy efficiency upgrades recommended by energy audits.

CESA's can be a resource to save health insurance costs as well. Working with their CESA the school district of Pulaski saved $876,376.70 from 2009 to 2011[xxvi]. Oconto Falls saved $483,640.65 over the same time according to documents provided to the Commission; in both cases by switching insurance carriers, not reducing benefits.

CESA 2 has developed a framework for school districts to use when pursuing a change in health insurance providers that can save costs and maintain plan value. They can offer districts best practices for pursuing this type of an option. CESA 2 can also help districts learn from other district's experiences and the hurdles that will have to be crossed to achieve success. Because of the changes in 2011 Wisconsin Act 10, competition has been increased and school districts should take advantage of this climate to keep health plans of value for their employees, and to get the best financial deal for taxpayers as well.

Wisconsin school districts vary in size from over 80,000 students to just 53 and each one will need to be creative and search for additional ways to do more with less. Wisconsin spends almost 45% of its general purpose revenue on education[xxvii]. The state has a financial interest and obligation to ensure that school districts are spending money in the most efficient manner possible.

The CESA models are a good way for school districts to share best practices in these times of tight budgets. The Commission will continue to look into shared service options and include more recommendations in the final report.

In reference to health insurance, CESA 2 will be working with the Commission through the last half of the year to prepare a 'best practices' for school districts looking to save on health insurance costs and also maintain a valuable plan for their employees (Refer to Section H, *School Health Insurance* for more information.

Local Government Service Consolidation

Wisconsin has almost twice as many local units of government per capita compared to the nation as a whole and almost three times as many cities, villages, and towns per capita[xxviii]. These facts would seem to support the need to create more initiatives for consolidation. The Commission will continue to review local government consolidation incentives through the last half year of its work.

The Governor has provided numerous tools for local governments to deal with the reality of the economic times. However, the State of Wisconsin can provide more in assistance to local governments looking to consolidate and share services.

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A common shared service is dispatching of emergency services at Public Safety Answering Points or PSAP's. PSAP consolidation is an effort that is taking place across the country. The State of Maine has recommended reducing the number of their answering points from 26 to 15[xxix]. Consolidation of PSAP should be about improving public safety. The secondary benefit is the savings realized through these efforts.

The Commission heard testimony from the Village of Bayside Administrator. He detailed their efforts to consolidate the PSAP's of seven Milwaukee north shore communities. The estimated savings over ten years is nearly $5 million[xxx]. The savings grow thereafter.

According to the Village Administrator, this process to consolidate local government services is not easy. Turf battles occur and hinder progress. The PSAP consolidation case study presented by the Bayside Administrator who testified before the Commission stated that their consolidation first began in the mid-80's. The Commission will continue to explore options to break down barriers to consolidation.

Final Recommendations:

- Encourage consolidation of PSAP's to improve public safety and efficiency. A framework for these consolidation efforts could be the 2009 report presented by then Governor Pawlenty of Minnesota[xxxi]. The Village of Bayside stated in testimony they used that model.

- Encourage local governments and school districts to combine purchasing and service contracts. CESA 2 is a good resource for bulk purchasing.

- Offer low interest loans for seed money to start consolidations. This was mentioned to the commission and is also a recommendation from a Legislative Council Study Committee.

- Examine encouraging CESA's to share best practices among districts and to promote the sharing of school services; especially as it relates to health insurance. This is a large cost to schools and local governments. One out of every four dollars spent by school districts is on fringe benefits.

- Examine incentives for school districts to perform energy audits and follow through with the energy upgrades. Energy efficiency investments can be made outside of spending caps and can deliver sizable savings to taxpayers.

Addendum

Update on Local Government Consolidation and Sharing Services:

Since issuing the interim report, some school districts have reported energy savings due to efficiency upgrades. As an example, Marshfield reported $22,840 in annual savings and Janesville reported meeting 5 percent reductions in energy use goals through conservation efforts and has set new goals to reduce water usage to save costs. What these reports show

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is that there is potential for savings and that schools should be encouraged to explore this option.

Also, there is an update on options to share local services in appendix 4. This research looked at changes in other states, examines Wisconsin's many local governments, and provides options for policy makers to encourage sharing services.

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H. School Health Insurance *Savings $2,250,000*

With shrinking tax revenues, school districts need to focus on spending their money smarter. The tools provided by 2011 Wisconsin Act 10 can help these districts use taxpayer dollars more effectively. One barrier that was removed by Act 10 was districts can now make changes to health insurance plan design and/or competitively bid for carriers.

Act 10 may have changed the environment for school districts but the reasons that they and other employers offer benefits remain the same: to attract and retain quality employees and ensuring care for them and their families.

These opportunities should not be taken advantage of in haste. In addition to employee input, there are numerous resources that can be utilized to help navigate the complicated world of health insurance providers and plan design.

As early as 2006, CESA's have been working with school districts to identify efficiencies using competition and plan design changes. Sun Prairie School District, the 18th largest district in the state, saved nearly $4,000 for every employee by switching from WEA Trust. By working with the entire staff on where they accessed providers and what they wanted in terms of plan design/providers and price, they were able to go directly to providers with an RFP. This detailed process, provided a direct comparison to WEA and exposed the price difference. It was an early example, even before the enactment of Act 10 that highlighted the need for districts to examine their providers to help save resources.

Since it began working with school districts to maximize savings in 2003, CESA #2 has worked with over 50 districts and achieved in excess of $50,000,000 in savings.[14] Most recently, the Oshkosh School District announced they will save $3.7 million dollars[15] over the next three years by switching from WEA. CESA #2 has conducted annual satisfaction surveys to members to monitor and manage the new insurance carriers and have achieved a 98% satisfaction rating[16].

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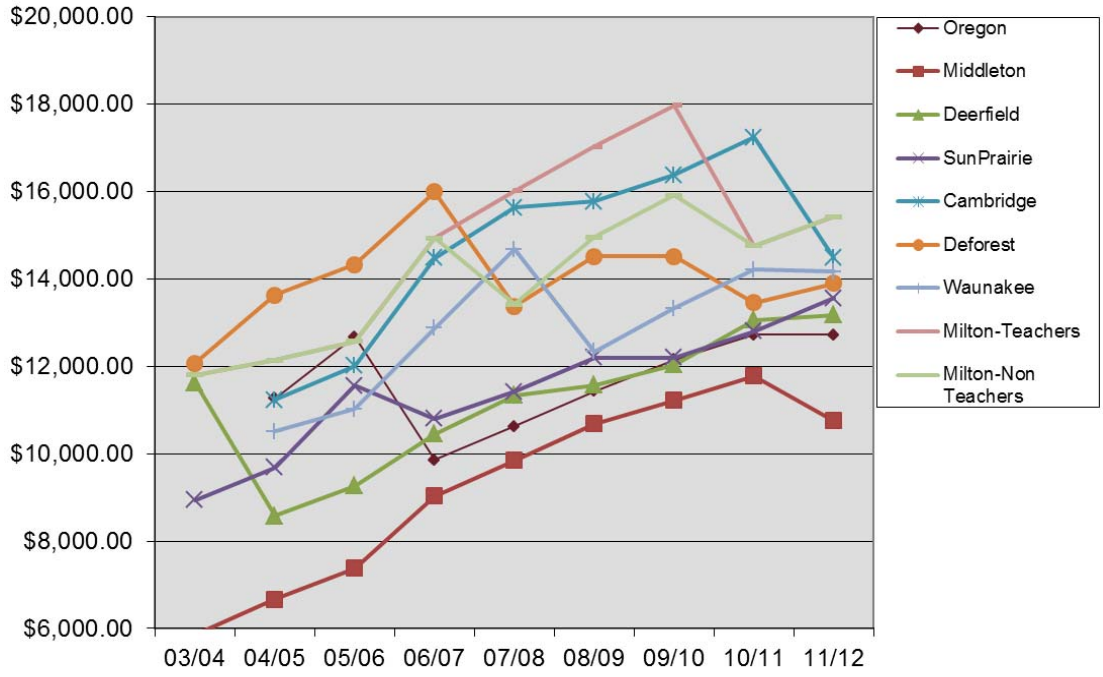
[14] Sept 8th CESA #2 Briefing Document "2012 Efforts of Educating the Educators"

[15] Oshkosh Northwestern, Oshkosh School Board OKs new insurance provider saving $3.7 million 9/28/11

[16] Sept 8th CESA #2 Briefing Document "2012 Efforts of Educating the Educators"

CESA #2 Area Renewal Cost per Teacher
[The year of conversion is evident]



Source: CESA #2 Associated Financial Group Update

Districts do not necessarily need to make a change from their current provider to achieve significant savings. Act 10 provided districts with the ability to make health plan design changes. Many districts have worked directly with employees to make changes to the benefit of employees and taxpayers. A simple switch to a higher deductible plan saved the Onalaska School District nearly $1.5 million dollars[17].

In a survey of school districts, created through the cooperation of Commission staff and the Wisconsin Association of School Business Officials (WASBO) in conjunction with CESA, 20% of responding districts highlighted insurance as one of the top five items that they would like to work with other districts and CESA organizations to spend their healthcare insurance dollars more effectively. While only some of the districts allocated a number to the amount they are currently spending on healthcare and dental insurance, those that did claimed a total annual expenditure of $44,929,911. If only those districts that responded and expressed an interest were able to save 5% of their annual insurance spending, that could equal $2.25 million every year.

The healthcare market for school districts changed dramatically with 2011 Wisconsin Act 10. This measure provided districts with an assortment of tools to help spend their resources efficiently. Leaders need to educate themselves on how to use these tools effectively and should utilize experts to navigate the complicated market of healthcare.

[17] La Crosse Tribune, Saving Schools Money? Yes, but budget repair bill doesn't offset cuts 7/31/11

I. Collective Procurement Initiative *Savings $35,400,000*

The primary role of government procurement is to obtain quality goods and services in an efficient manner at the most cost effective price available. Collective procurement is being utilized throughout the country as a tool to ensure that all units of government are getting the most out of taxpayer dollars. Cooperative contracts can reduce paperwork, administration and leverage the buying power for both states and local units of government.

In Ohio, school districts are sharing services and cooperatively buying items. Some districts are cooperatively buying natural gas and electricity. They are also purchasing floor wax and janitorial supplies, cafeteria food and employee health insurance.[18,19] Local governments in Ohio are creating purchasing pools with school districts to achieve savings[20].

CESA Purchasing offers contract assistance and contracts on everything from roofing to Microsoft software. In Wisconsin, CESA #2 is now offering purchasing assistance to educational entities throughout the state. They had over $22 million in sales to 350 entities in 2009-10[21].

CESA's can also provide districts with the ability to share various services. From education specialist to human resources and IT, CESA's can work with school districts to ensure they are spending the taxpayers' dollars effectively when it comes to services.

Another option to improve upon collective purchasing and to maximize savings is offered through the state. The State of Wisconsin Department of Administration's Bureau of Procurement (Bureau) provides limited collective procurement through VendorNet. As described on their website, ***"****VendorNet provides easy access to a wide variety of information of interest to vendors who wish to provide goods and services to the state as well as state agencies and municipalities. Bidding and the time required to identify new vendors is minimized while vendors are automatically notified of opportunities in their area of interest."*[22] VendorNet also allows units of government to search the current contracts available and post their own municipal bids to increase their exposure and allow others to utilize the contracts.

Wisconsin Statutes 16.73 authorizes cooperative purchasing between the State and municipalities and/or between municipalities. VendorNet provides municipalities with access to statewide contracts and pricing. Contracts for office supplies, maintenance repair and operational supplies, janitorial supplies and IT goods and services (pcs, printers, copiers, etc.) are examples of contracts available for use by municipalities. The Bureau describes savings ranging between 20% and 60% off retail prices that can be achieved through the use of these statewide contracts.

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[18] Ohio Schools Council, www.osconline.org

[19] The Columbus Dispatch, "Two rural Fairfield districts share superintendent, treasurer"

[20] The Columbus Dispatch, "Two rural Fairfield districts share superintendent, treasurer"

[21] CESA Purchasing Presentation, Lisa Stahl, Director

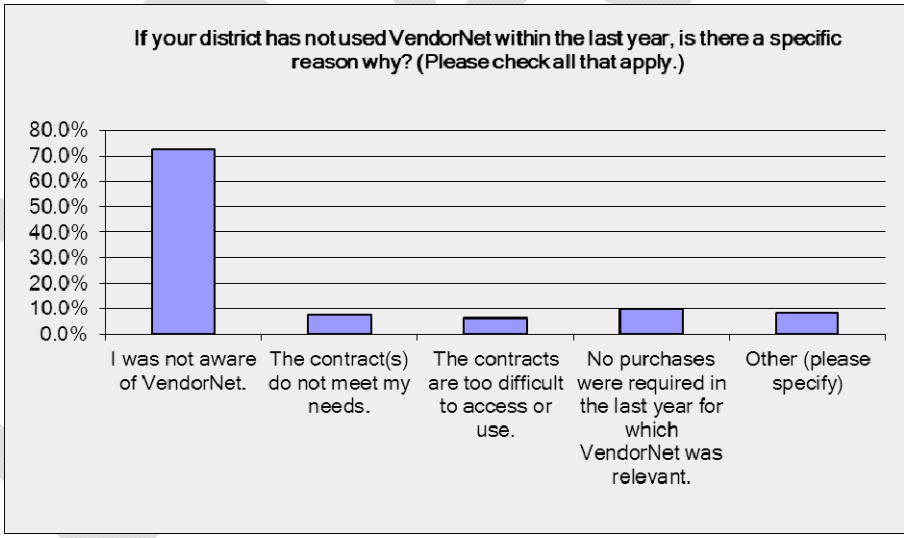
[22] Wisconsin VendorNet System Website

What VendorNet Offers:

- General purchasing information
- Automatic RFB and RFP notification to registered vendors
- Access to the State Procurement Manual and other policy and procedure information
- Downloadable forms
- RFB, RFP and contract search
- Access to statewide contracts and pricing
- State bidder list
- Bid and contract posting

With the cooperation and encouragement of Commission staff and in conjunction with representatives from CESA's, the Wisconsin Association of School Business Officials (WASBO) conducted a survey of school districts and CESA organizations in September of 2011. 305 respondents answered questions relating to their purchasing procedures and history.

Only 12.7% of respondents indicated they had utilized VendorNet within the last year. 70% of respondents did not even know what VendorNet was. The total procured in response from 243 respondents was more than $708 million annually. If the survey respondents participated in some level of cooperative purchasing and were able to save just 5% that would be a savings of $35.4 million annually. This highlights the enormous potential for school districts and other units of government if they work collectively to leverage their purchasing power.



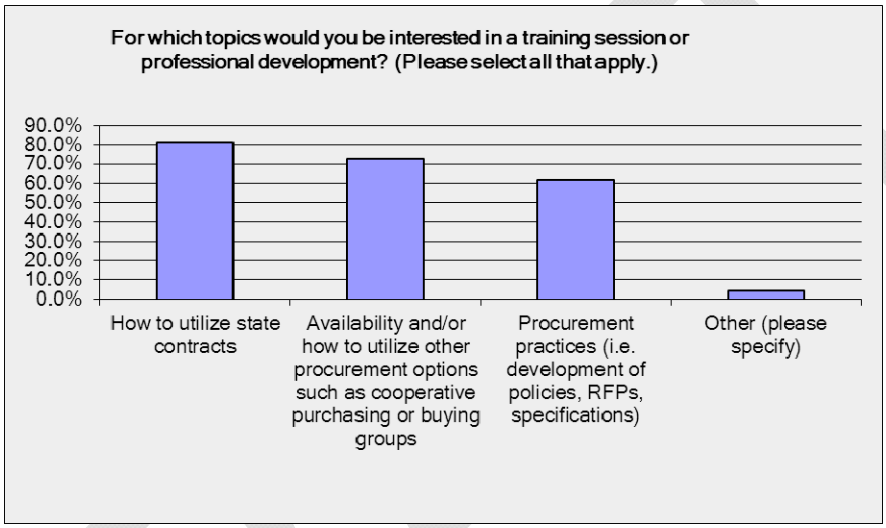
Many local governments and school districts do not have dedicated procurement staff which limits their ability to take advantage of resources available. Nearly 60% of respondents that answered do not have a specific person in charge of procurement and of those that do, 96% of those people that are in charge of procurement have other duties assigned to them as well.

Many municipalities have laws requiring or encouraging the purchase of goods and services within a local jurisdiction.

Issues preventing collective procurement:

As outlined by Helen McCain of the Bureau used as a resource for this report, part of the reason that VendorNet is not utilized more is her belief that local units of government just don't know about the service. That is backed up by the results of the survey.

The Bureau provides training multiple times every year on procurement and many units of government are now aware and do not take advantage of it. While VendorNet will notify vendors of contracts in their area of interest, it does not allow municipalities to be notified electronically of contracts available to purchase on.



CESAs, who assist many school districts in collective purchasing, are not allowed to purchase off of state procurement contracts. This was an obstacle to collective purchasing brought forward by Helen McCain.

Final Recommendations:

- Amend statutes to allow Cooperative Educational Service Agencies to purchase on state contracts.

- Clarify the intent of state statutes as it applies to the Wisconsin Economic Development Corporation and Wisconsin Housing and Economic Development Authority.

- Outreach to local units of government:
    - Utilize electronic mail to alert local units of government to upcoming and pending contracts.
    - Dept. of Administration could create an advisory or focus group consisting of local units of government and CESAs to provide insight on procurement issues and use of VendorNet. DOA currently has groups dedicated to the University system and state agencies.
    - Dept. of Administration could offer in person training, web-based or by video training on utilizing state contracts and general procurement procedures.

- Improve VendorNet to allow easier searching and general use by local units of government.
    - Explore procurement programs and software tools that facilitate the procurement process.

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J. Tax Collection Reports *Savings $10,000,000*

The State of Wisconsin foregoes significant tax revenue through two major avenues: delinquent tax collections and pervasive tax exemptions. Lost revenue from both sources has the effect of distorting tax burdens by shifting tax collections onto a narrower base. Through enhanced collection efforts as well as reforms of existing tax exemptions, Wisconsin's tax system could more fairly distribute the state's tax burden and improve economic efficiency.

Delinquent Taxes:

The Department of Revenue estimates that roughly $750 million in delinquent taxes are currently outstanding in Wisconsin. Much of this is not collectable. Many delinquent individuals are deceased, businesses are bankrupt, and some delinquent individuals are currently out of state. DOR believes realistically $350 million of the total delinquent taxes are actually collectable.

In the 2009 budget (2009 Act 28)[23], 31 positions were added to the Compliance Bureau within DOR. This Bureau enforces current tax laws and collects on delinquent taxes. At the time the estimated increased collections were $25 million in 2009-10 and $45 million in 2010-11.

Fiscal Year		Delinquent Tax Collections	Percent Change	Delinquent Tax Program Staff
2007	$	141,289,567	(4.0)	162.35
2008	$	140,023,322	(0.9)	162.35
2009	$	153,135,812	9.4	166.05
2010	$	192,917,684	26	197.05
2011	$	202,667,879	5.1	197.05

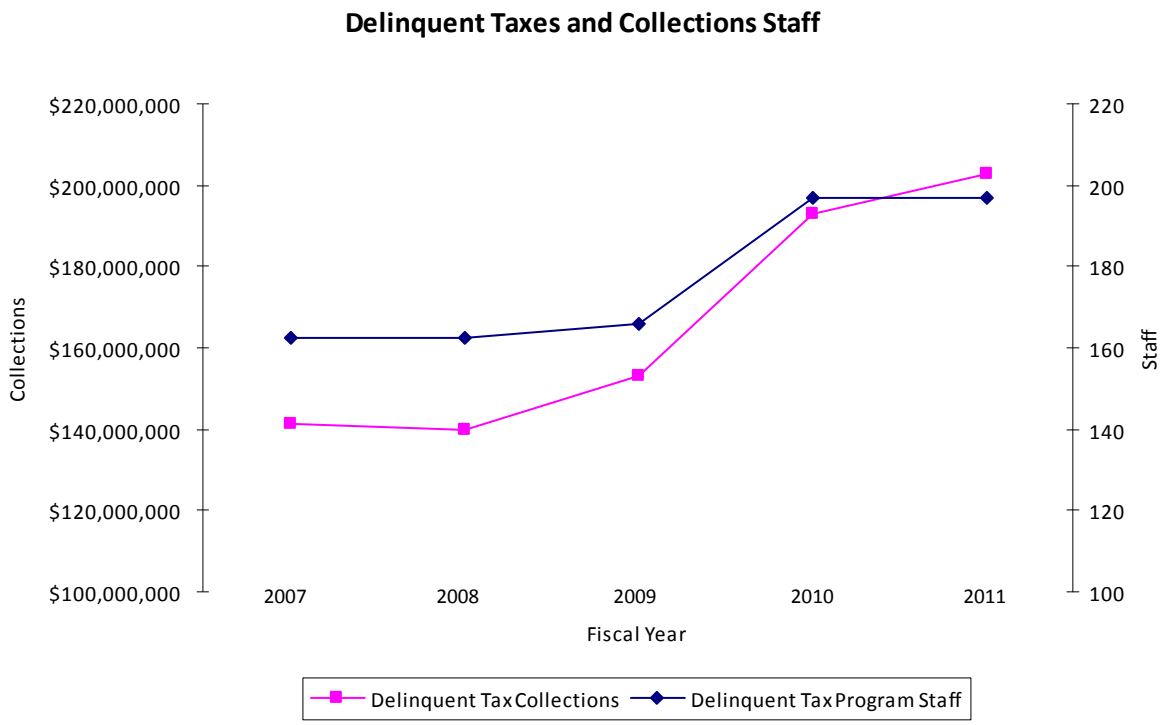
2009 Wisconsin Act 28, as passed by the Legislature, required the department to report annually to the Legislature and Governor on the effect the increased staff have delinquent tax collections. This was vetoed by then Governor Doyle.

The Legislative Fiscal Bureau (LFB) analysis of Act 28 stated:[24]

"The Department would also be required to provide annual reports to the Governor, Legislature, and Joint Committee on Finance by June 30 of each fiscal year, that include a description of the allocation of funding and positions; expenditures incurred; activities or projects undertaken (both supporting and direct enforcement); data regarding the type of enforcement actions, number of taxpayers affected, additional amounts assessed and collected, and additional revenues that were generated; and an analysis of the cost-effectiveness of the activities funded by the additional amounts provided by the Legislature."

[23] 2009 LFB Budget Paper #675 http://legis.wisconsin.gov/lfb/2009-11Budget/Budget%20Papers/675.pdf

[24] 2009 Act 28 LFB Analysis http://legis.wisconsin.gov/lfb/2009-11Budget/Act%2028/dor.pdf



Final Recommendation:

- Require the Department of Revenue to report annually to the Legislature and Governor on the increased enforcement actions conducted by the department to improve delinquent tax collections. Also, require the Department to make recommendations to the Legislature and Governor to increase delinquent tax collections and tax code compliance. Estimated additional revenue to the state, $10 million annually.

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K. UI System Reform

Savings $26,950,832[25]

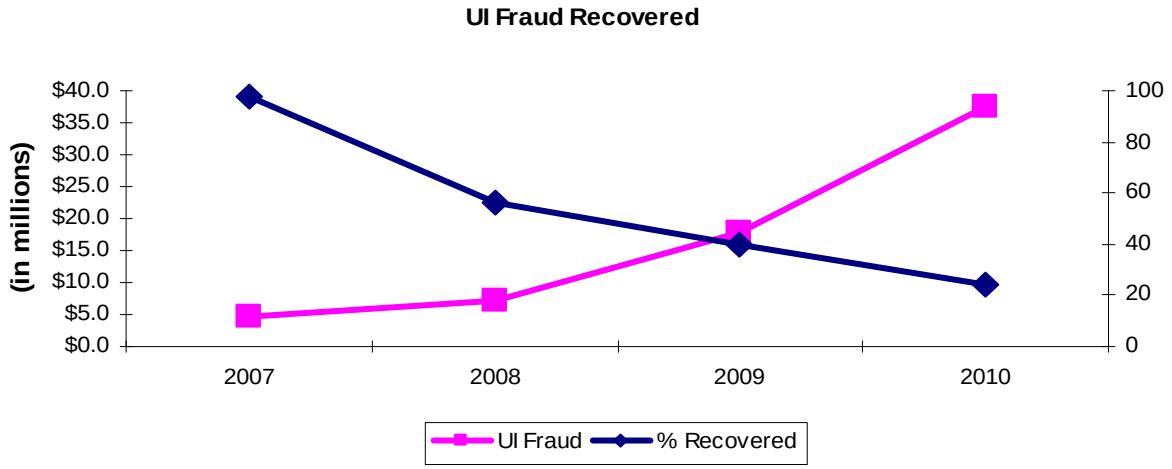
Unemployment insurance (UI) fraud within the unemployment insurance system has steadily risen in recent years. Improper payment errors have grown as well. Even taking into consideration payments have grown due to the rise in unemployment, errors have steadily grown as a percent of total payments.

In 2010, of the $3.1 billion in unemployment insurance payments paid in Wisconsin (federal and state), $37.5 million was fraudulent and $41.4 million was overpayment errors. Of these errors, both fraudulent and not, only 45% was collected.

Regular UI payments of $1.3 billion were made in 2010, with an improper payment rate of 14.8%. Improper payments do not necessarily involve monetary transactions. Improper payments can take the form of transactions where beneficiaries were underpaid, over paid, or not paid at all. Importantly, the improper payment rate measures the percentage of all regular UI *claims* that resulted in improper (non-perfect) transaction, not the dollar amounts. Of the improper payments, 9% were due to government error, and the rest was due to claimant and employer error.

At the end of 2010, 16,349 employers were listed as delinquent for UI taxes. Of these, 4,000 are out of business or at locations unknown. The Department of Workforce Development (DWD) does not have enough staff to pursue these delinquent employers.

DWD has 8 tax collection specialists. In 2005, they had 16.5. Each employee collects between $3.7 and $4.4 million in delinquent taxes.



<u>UI Fraud Background Information</u>

Both DWD's Quality Control Section and the Legislative Audit Bureau recently conducted audits of the state's unemployment insurance system.

DWD Annual Report [required under §108.14(19)]

- In 2010, UI paid more than $3.1 billion in unemployment benefits (state and federal).

[25] This includes increased collection efforts, IT upgrades, and better staff utilization.

- Of this $3.1 billion, $37.5 million was overpaid due to fraud (1.19 percent of all payments) and $41.4 million was non-fraud overpayments (1.32 percent of all payments); historical comparisons are provided in tables 1 and 2.

Table 1: Recovery of fraud overpayments (state and federally funded)

	2007	2008	2009	2010
Federal & State UI Paid (millions)	$913.9	$1,221.2	$3,193.1	$3,136.4
Fraud Overpayments (millions)	$4.7	$7.1	$17.7	$37.5
Percent Fraud	0.52%	0.58%	0.55%	1.19%
Fraud Overpayments Recovered (millions)	$4.6	$4.0	$7.1	$9.0
Percent Recovered	97.87%	56.34%	40.11%	24.06%

Table 2: Recovery of non-fraud overpayments (state and federally funded)

	2007	2008	2009	2010
Federal & State UI Paid (millions)	$913.9	$1,221.2	$3,193.1	$3,136.4
Overpayments (millions)	$13.4	$16.2	$33.4	$41.4
Percent Overpaid	1.46%	1.33%	1.05%	1.32%
Overpayments Recovered (millions)	$12.0	$11.7	$23.9	$26.3
Percent Recovered	89.72%	72.11%	71.54%	63.59%

- Between 2008 and 2010, the total number of cases of overpayment (fraud and non-fraud) increased 130 percent and the average overpayment increased by 61 percent.
- In total, overpayments grew from $21.3 million to $78.8 million between 2008 and 2010.
- In 2010, DWD detected more fraud, issued more determinations, established record levels of overpayments and assessed record forfeitures.
- Of the $78.8 million in overpayments, less than half (47.5 percent) were due to fraud (see table 3 below).

Table 3: 2010 Overpayments

Type	Amount	Percent
Fraud	$ 37,458,161	47.5%
Non-Fraud	$ 41,380,501	52.5%
Total	$ 78,838,662	

LAB Audit (June 2011)

The LAB audit is purely financial and provides details on the fund's revenues, expenditures, and balance, while providing a comparison between the fund's status at the end of 2010 and 2009. Accordingly, LAB states "we do not express an opinion on the effectiveness of the Unemployment Reserve Fund's internal control" (pg 37). The report does note several errors in financial reporting, most notably, the fund's failure to identify and collect overpayments of Federal Additional Compensation supplements. LAB writes that DWD implemented several programming changes in March 2011 and additional programming changes are expected to be completed in July 2011 to more effectively track overpayment collections.

Wisconsin uses both the National Directory of New Hires (NDNH) and the SDNH to track claimant eligibility.

- Wisconsin uses both NDNH and SDNH. DWD has specific tax collection positions that work to identify delinquent taxpayers.
- Currently, there are 8 FTE positions classified as tax collection specialists at DWD, down from 16.5 FTE positions in 2005.
- Each tax collection specialist collects between $3.7 and $4.4 million annually in delinquent taxes.
- Employers' delinquent receivables totaled $82.8 million at end of 2010, including $20.1 million in interest.
- 16,349 employers were identified as delinquent at the end of 2010, up from 13,000 in 2005.
- Currently, 4,000 delinquent employers' mail is returned due to incorrect addresses; DWD does not have enough staff to pursue these delinquents.

How do we compare nationally?

Nationally there is $17.5 billion in *improper* payments (according to paymentaccuracy.gov). This equates to 11.2 percent of the *total* payments made nationally. Therefore the average improper payment by states is roughly $350 million ($17.5B/50). However, this figure is misleading, since each state does not have the same population or experience with unemployment. Weighting the averages by each state's share of the total unemployed workers in the US would provide a better estimate. Doing this yields a range of results for states, with a minimum of $17.1 million in North Dakota and a maximum of $2.6 billion in improper payments in California. Using this methodology, Wisconsin is estimated to have issued improper payments of $314.4 million in 2010. This table shows Wisconsin's improper payment rate since 2001. DWD does not have exact rates for 2001-2003.

Calendar Year	Improper Payment Rate
2001	6.4% - 6.7%
2002	6.4% - 6.7%
2003	6.4% - 6.7%
2004	10.1%
2005	5.9%
2006	5.5%
2007	6.2%
2008	6.6%
2009	12.3%
2010	14.8%
Avg	8.1%

The division of unemployment insurance uses a Benefit Accuracy Management system (BAM) to assess the accuracy of Wisconsin's UI payments each year. The system takes an annual sample of roughly 500 cases and reviews the accuracy of regular UI benefit payments ($1.3 billion in 2010). If anything in the payment is incorrect, BAM labels the case as an improper payment. In 2010, UI's estimated improper payment rate was 14.8%.

What else does Wisconsin do to verify claimant eligibility?

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- Wisconsin is in the process of implementing SIDES. DWD plans on completing the project by December 1, 2011.

What is SIDES?

"The second largest cause of overpayments is errors in handling separation issues, which represented 20 percent of all overpayments in the 2010 reporting period. To reduce improper payments due to separation issues, the Department of Labor is working with the state agencies to facilitate their participation in the State Information Data Exchange System (SIDES) -- an automated employer response system to standardize the collection of information on employee separations from employers and third-party administrators (TPAs) to improve the accuracy of claimant eligibility determinations. The Department of Labor is planning a phased implementation of state participation in SIDES. The development and testing of SIDES is complete, and SIDES became operational in February 2010. Currently, Utah and a third party administrator (TPA), Automated Data Processing, Inc., are participating in this initiative.

The Department of Labor continues outreach activities to promote the use of SIDES and provide technical assistance for SIDES implementation to the states. The Employment and Training Administration, in conjunction with the National Association of State Workforce Agencies (NASWA) and the Information Technology Support Center (ITSC), conducted a training session in June 2010. Participants from 12 states and 4 TPAs (AZ, CT, IA, KS, MD, MI, MS, NC, NY, RI, TX, UT, VA, Barnette Associates, Paychex, UCTA, and Corporate Cost Control) attended the training session."

(According to paymentaccuracy.gov)

Wisconsin cross matches employment data with other agencies to make sure UI beneficiaries are eligible for benefits.

- DWD and DOR regularly exchange information about employers. The agencies have an exchange agreement whereby DWD information is maintained in DOR's data warehouse.

Wisconsin uses national databases to cross match beneficiary eligibility.

- National Database of New Hires.
- DOT records to verify claimant's identity.
- Verification of claimant's social security number.
    - Flag invalid SSN based on SSA data.
    - DWD maintains 'bad social security list.'
- Send Benefit Payment Notices to employers when individuals claim UI benefits against their account.
- Systematic Alien Verification for Entitlements (SAVE): Non-citizen work authorization verification with US Citizenship and Immigration Services for non-US citizens.
- Scanning employer tax and benefit charge information to identify fictitious employers.
- Cross match claim records against:
    - Interstate Wage Records.
    - Wisconsin's New Hire Database.

    - Vital Statistics (death records).
- Post verification of weekly wages (Form UCB-23).
- Automated scans of employer tax information to identify employer tax rate manipulation (program provided to states by USDOL).
- Using 1099 information from IRS to identify employers that are misclassifying employees as independent contractors.
- Coordination of special investigations with Wisconsin Office of Privacy Protection (DATCP).
- DWD's participation in SIDES (Separation Information and Data Exchange System) is currently being developed and is expected to be fully functional by December 1, 2011.
- DWD is currently programming the Inmate Cross Match, which will provide incarceration data on federal and state prisons as well as county jail records through the SSA.

Follow up questions were posed to DWD by the Commission meeting on UI. This is a summary of those questions and responses.

1. *What is the savings estimate for UI system upgrades?*

   We (DWD) estimate that savings of approximately $11.5 million in the first year of implementing our recommendations. This amount includes $7.2 million in savings for the first phase for UI modernization, the claimant portal. The savings will diminish over time as our total benefit payments go down with an improved economy and with the end of federally funded extended benefits. Keep in mind that these savings will be to the UI Reserve Fund or to the federal treasury as overpayments are reduced. Any savings will either result in an improvement in fund solvency due to a reduction in regular UI over payments, a reduction in federally extended program overpayments or a reduction in administrative expense.

2. *Can DWD update the Commission on fraudulent UI payments going to inmates?*

   In total, overpayments in 2010 amounted to $78.8 million which included $37.5 million designated as fraud. Fraudulent overpayments were 1.19% of total payments.

   Overpayment detection attributed to the incarcerated is only one category of fraud. Typically, this monthly cross match generates "hits" of about 75-135 potential fraudulent cases. These cases have to be reviewed and adjudicated for fraud but may not result in a fraud determination. Since we started this cross match in March, we have detected and issued fraud determinations for 236 inmates in the amount of $325,416.

3. *During testimony, it was indicated that DWD has only 2 staff to investigate and prepare fraud cases. Wouldn't we see improvement here and a reduction in fraud if we had more staff?*

   The two investigators review and prepare fraud cases for prosecution. These individual cases involve overpayments of more than $5,000 per claimant. A determination is sent and recovery pursued regardless of prosecution efforts. Prosecution is used primarily as a deterrent. We do agree, however, that additional investigators are needed and we will include this area as part of our position request. More importantly is the need for

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additional permanent staff to review and investigate cross match hits and determine if there is a work and wage issue. This work has to be completed in collaboration with employers to identify weeks where benefits were paid during the same period wages were earned. We are very short staffed in this area as well.

4. *I heard you say we have 4 total staff for collections. According to the data provided to me and reviewed by DWD, only 45% of overpayment errors were collected in 2010. Couldn't we improve on this with more staff?*

   I said that for part of 2010 (four months to be exact), we only had an average of four collectors in the benefit overpayment unit. We were not close to full staff until the end of the year, yet the unit still managed to increase its collections by 14% over 2009 and 125% over 2008 in total dollars recovered. We do agree that additional staff would substantially reduce our receivables balance. We have authority for six project positions in the unit that we would like to replace with permanent position authority. We have found it to be very counterproductive to train project staff since they move on to other jobs and the training requirement is extensive.

5. *According to data the Commission received and reviewed from DWD, 4,000 businesses are delinquent on UI taxes. We have 11 collection specialists whereas we had 16.5 in 2005. Each specialist takes in $3.7 to $4.4 million per year. Couldn't we improve on this if we added specialists?*

   Yes, definitely.

6. *Regarding delinquent UI taxes, do we cross check businesses with DFI to see if the same business owner is registering a new business to avoid paying delinquent taxes?*

   We do have a cross match with both DFI and DOR to find potential employers that may be subject to UI tax. We have software provided by the DOL that actually checks for potential employers that may be registering as a new entity or gradually transferring payroll to another entity with a lower rate to reduce their tax liability. This practice is called SUTA dumping and we have statutory language in Chapter 108 governing this illegal practice. This language is mandated by the federal government.

Subsequent to the Commission meeting on UI, the Department of Revenue (DOR) has indicated it may be of assistance in developing a program to improve delinquent UI taxes and overpayments. Minnesota has a similar program that has shown success. DOR and DWD have begun the process of exploring this option for feasibility.

The state's debt collection initiative may allow DWD and DOR to do this. DOR also has more collection staff and tools to assist in this endeavor, if feasible than DWD does.

Final Recommendations:

- Continue to pursue upgrades in IT to improve collections and data management.
- Reduce fraudulent payments to inmates by continuing cross matches with adult detention facilities.

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- Add staff and/or increase cooperation with the Department of Revenue to better collect delinquent UI taxes and to collect UI overpayments.

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L. Community Sensitivity Design Accounting *Savings $5,500,000*

Review the use of Context Sensitive Solutions in Transportation Projects

The federal government strongly suggests state transportation departments use Context Sensitive Solutions (CSS) on transportation projects. Currently it is the policy of the Wisconsin Department of Transportation (DOT) to use the CSS (also known as Community Sensitivity Design) approach in its transportation project development. Public works projects developed using the CSS approach are required to function safely and efficiently and to integrate with the historical, architectural, environmental and cultural characteristics of the community in which they are built, using a collaborative interdisciplinary approach.[26] Each project completed using the CSS standard is carefully tailored to fit a particular project's needs.

In Wisconsin, there are different suggested percentages of CSS for different types of projects.[27]

Cost implications

Draft CSS ($) eligibility guidelines

	Level A	Level B	Level C
	% of construction cost		
Majors	5	3	1
Reconstruction	5	3	1
Reconditioning	3	2	1
Resurfacing	0	0	0
Bridges	15 Not > $3 M	7 Not > $300K	5 Not > $200K
Retaining walls	10	5	1
Noise walls	7	4	1

One recent example of CSS is in the HWY 41 project in Brown and Winnebago Counties. For this project, CSS costs are $7.6 million[28] of the expected total cost of $1.5 billion.

The majority of states use Context Sensitivity Solutions in their public works projects.

The DOT's listed benefits of CSD

- Projects are designed to fit in with communities, not detract from them.
- Reduces controversy and enhances acceptance of projects by local communities.
- Helping our projects better blend in with communities has been the springboard for economic development and revitalization – i.e. Marquette: Third Ward and Riverwalk development; East Washington Corridor: new businesses moving in and properties being developed.

[26] Wisconsin Department of Transportation, Facilities Development Manual, Chapter 11, Section 3, December 30, 2002

[27] Highway 41 Connecting Wisconsin PowerPoint, May 14, 2011

[28] May 12, 2011, Legislative Fiscal Bureau Memo to Senator Lasee

- The budgets are intended to be “seed” money and often communities will supplement the funds to help achieve their vision.

DOT’s current CSD position

We continue to see value in this program. However, we are currently re-evaluating our funding percentages to make sure they are reasonable and responsible, particularly on high-cost mega projects.

Wisconsin spends on average 2 percent of its highway project budgets on CSD. The DOT has been aggressive in CSD use in the past and is reexamining its policies. If CSD was 2 percent of the 2009-11 highway budget, Wisconsin spent roughly $44.6 million on CSD. If CSD was reduced to 1.5 percent, $11 million less would have needed to be spent in that biennium or $5.5 million annually.

Final Recommendations:

- Cap the percentage of total project cost that can be spend on CSS to 1.5 percent.
- Limit the design areas to which CSS can be applied to safety and environmental considerations.
- Require DOT to annually report how much is spent on CSS.

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M. Statewide Wellness *Savings $9,400,000*

Wisconsin does not currently have a uniform statewide wellness program for its employees. However, some participating health plans offer voluntary wellness programs. Health premiums for state employees and annuitants total over $1.3 billion per year[29]. This is nearly a 70 percent increase since 2004. The number of state employees and retirees in HMO and PPO plans increased by 12 percent during that same time period.

The Wisconsin Enterprise Leadership Academy Class of 2011 issued a Wisconsin Works Well report[30] exploring the option to offer a statewide employee wellness plan. In its report, this is estimated to save the state $9.4 million annually in health care costs. The report looks at statewide wellness programs in other states and even local programs such as one operated by the City of Wauwatosa.

According to an Incentive Research Foundation (IRF) report[31] the return on investment (ROI) for corporate wellness programs is $3 to $1. This report looked at employers such as Citibank, Union Pacific Railroad, and Johnson and Johnson.

Wellness has recently caught on in the City of Chicago. Mayor Emanuel has proposed a wellness program designed to save $240 million over four years. The program gives incentives for employees participating and meeting goals and charges nonparticipating employees an additional $50 in premium. Beginning, the program is estimated to save $20 million annually[32]. The City of Chicago spends $500 million annually on public employee health premiums[33].

Final Recommendation:

- Recommend the Group Insurance Board design a statewide wellness program and adopt it as part of the uniform benefits package for state employees. The program should focus on incentives and discounts for employees who participate and meet wellness goals.

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[29] 2011 Department of Employee Trust Funds Group Health Insurance Fact Sheet, http://etf.wi.gov/publications/et8902.pdf

[30] Wisconsin Works Well Enterprise Leadership Academy Report, Version 1, 06/07/11

[31] Energizing Workplace Wellness Programs: The Role of Incentives, Rewards, & Recognition, Incentive Research Foundation, Schweyer July 2011

[32] Mayor: Wellness program would save city $20M http://abclocal.go.com/wls/story?section=news/local&id=8356627

[33] City to workers: Join wellness program or pay $50 a month more http://www.suntimes.com/7679419-417/city-to-workers-join-wellness-program-or-pay-50-a-month-more.html

N. Review State Agency Leases *Savings $5,300,000*

The State of Wisconsin and UW System spend nearly $53 million to lease space at 466 locations statewide per year[34]. Rental rates, per square foot at these locations for the most part range from $.14 for DNR storage space in Rhinelander to $79.82 for storage in Verona. However, there is a $447.61 rental rate for DOA space in Madison.

Recently, a review by the Wisconsin Department of Veterans Affairs (WDVA) found that they could accommodate their agency staff in office space soon to be vacated by the old Wisconsin Department of Commerce. The move is estimated to save WDVA between $300,000 and $400,000 annually.

There are likely other moves or lease renegotiations that could take place to save Wisconsin taxpayers money.

Final Recommendation:

- Require all state agencies to review their office space leases and determine if money could be saved by moving locations and/or renegotiating lease agreements. The goal of savings per agency would be ten percent or statewide, $5.3 million annually.

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[34] Data provided by the Wisconsin Department of Administration, Division of State Facilities.

Agency	# of leases	Total Sq Ft	Avg. Sq Ft	Total Cost
DOC	114	735,778	6,454	$12,239,405
UW	74	650,310	8,788	$10,551,301
DWD	52	237,502	4,567	$3,551,144
DNR	41	255,992	6,244	$2,444,307
Public Defender	38	128,820	3,390	$1,949,463
DOT	29	81,756	2,819	$1,331,348
DATCP	17	13,146	773	$202,194
DOA	15	205,927	13,728	$4,072,651
Commerce	12	105,134	8,761	$1,939,878
Supreme Court	11	95,945	8,722	$2,142,613
DHS	9	125,848	13,983	$2,099,090
DOJ	8	40,492	5,062	$849,067
DCF	7	94,992	13,570	$1,555,373
DPI	7	15,206	2,172	$174,380
DOR	6	42,087	7,015	$460,227
DVA	3	61,500	20,500	$1,444,988
Legislative Senate	3	52,193	17,398	$1,305,963
BALTC	2	3,884	1,942	$68,234
DMA	2	4,220	2,110	$82,092
SHS	2	17,590	8,795	$134,332
Tourism	2	10,205	5,103	$191,823
Audit Bureau	1	18,693	18,693	$542,063
DFI	1	43,847	43,847	$1,083,701
DR&L	1	45,382	45,382	$966,051
ECB	1	2,740	2,740	$57,515
GAB	1	11,587	11,587	$240,859
HEAB	1	3,400	3,400	$74,834
Judicial Commission	1	995	995	$25,688
Judicial Council	1	600	600	$12,600
PSC	1	41,689	41,689	$671,177
Secretary of State	1	4,000	4,000	$78,859
Treasurer	1	6,137	6,137	$153,425
WERC	1	7,315	7,315	$127,613
TOTAL	466	3,164,912	348,281	$52,824,257

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O. Improve State Court Debt Collections *Savings $5,400,000*

Nationally, court debt is estimated to be $15 billion. If that is accurate, based on population size Wisconsin's share could be as high as $270 million. Better collection of fines and penalties levied by courts could reduce the burden court operations place on other state resources.

Debt owed to state courts is difficult to collect for numerous reasons. However, collections have increased in recent years due to counties implementing tax intercept strategies.

2003: $ 52,226.09
2004: $2,103,813.09
2005: $4,236,765.97
2006: $5,304,239.73
2007: $6,614,004.16
2008: $7,350,728.37
2009: $8,530,197.17
2010: $8,650,133.22

TOTAL: $42,842,107.80[35]

The National Center for State Courts[36] supports a congressional proposal (H.R. 1416) that would extend this tax intercept method to federal returns at the IRS. The National Center is working on estimates for any additional revenue received on the state level. They estimate that the savings potential is between 2 and 10 percent of total state court debt. By this estimate, Wisconsin could potentially realize between $5.4 million and $27 million.

The Government Accountability Office has discussed this approach[37]. The American Bar Association (ABA) also supports the proposal[38]. Numerous states have offered letters and resolutions in support of the proposal[39]. If increased collections bring in $8.65 million on the state level, a similar amount may be realized from on the federal level.

Final Recommendation:

- The state and its federal representatives should support passage of H.R. 1416 to help address the costs of the state court system.

[35] Data provided by Wisconsin State Court System.
[36] National Center for State Courts, Government Relations Office, Talking Points, January 2011, http://www2.americanbar.org/calendar/ABAday/Documents/intercept/ncsc_talkingpts.pdf
[37] May 7, 2009 Government Accountability Office Memo on Tax Administration, http://www2.americanbar.org/calendar/ABAday/Documents/intercept/gaoreport_2009.pdf
[38] Federal Assistance for Collection of State Court Debts and Unpaid Restitution for Crime Victims, American Bar Association memo, April 2011, http://www2.americanbar.org/calendar/ABAday/Documents/tax_intercept_1pg.pdf
[39] American Bar Association Crime Victim Restitution and Court Fee Intercept Act Webpage, http://www2.americanbar.org/calendar/ABAday/Pages/intercept.aspx

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P. Spending Restraint *Savings $50,000,000*

In recent biennial budgets, Wisconsin has enacted budget lapses. These have been used to balance the state's general fund and to continue state operations.

Wisconsin state agencies have been dealing with significant lapses for the last three biennia. Because of this, agencies have become accustomed to keeping certain funds, vacancies, and other fiscal items open and/or unspent in order to comply with statutory lapse requirements.

Because of this, and the current fiscal environment, the idea of zero based budgeting does not present a significant opportunity to save money. This option has been shared with the Commission by various legislators over the past months.

However, keeping a lapse requirement in future budgets would seem like a prudent way to incentivize agencies to be frugal with and prioritize their spending. If a lapse amount was built into future budgets, this prudent spending should be continued and future government spending that is a waste could be minimized.

In 2007 Act 20 the state was required to lapse $200 million[40]. In addition, 2007 Act 226 added $111 million in lapses[41]. In 2009 Act 2, $125 million was added in lapses with $38 million added to the 2008 fiscal year. In 2009 Act 28 added $354 million in lapses and the most recent budget required $288 million[42].

Below are the actual lapsed amounts from fiscal years 2008-11, the budgeted lapses for 2012-13, and the proposed lapses under this discussion paper option[43].

Fiscal Year	**2008**	**2009**	**2010**	**2011***	**2012**	**2013**	**2014****	**2015****
2007 Act 20, 226	$260	$236						
2009 Act 2		$38						
2009 Act 28			$280	$228				
2011 Act 32					$180	$108		
Total	$260	$274	$280	$228	$180	$108	$50	$50

[40] June 10, 2008 LFB Memo http://legis.wisconsin.gov/lfb/2007-09budget/March%202008%20SS%20AB%201/Act%20226%20Comparative%20Summary.pdf

[41] February 23, 2009 LFB Memo http://legis.wisconsin.gov/lfb/2007-09budget/2009_02_23Act2.pdf

[42] July 5, 2011 LFB Memo http://legis.wisconsin.gov/lfb/2011-13%20Budget/2011_07_05%20use%20of%20certain%20funds.pdf

[43] Department of Administration Budget Office Data

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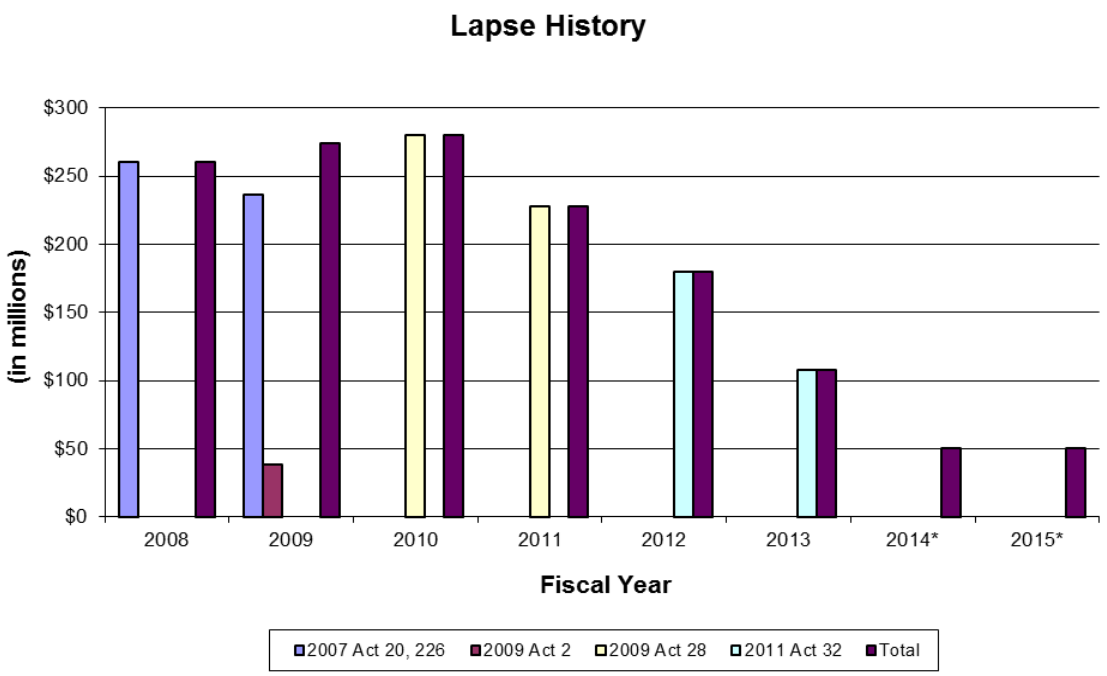


* 2011 Act 13 reduced this lapse by $79 million[44]. 2011 Act 27 reduced it by $54 million.
** $50 million built in lapse.

The Enterprise Agency Approach

In August of 2011, the Wisconsin Department of Natural Resources (DNR) announced it would be the first state agency to become an enterprise agency. The goal of doing this is to give the agency greater flexibility in order to save costs and improve customer service. The DNR took over functions formerly performed centrally at the Department of Administration and committed to goals that will reduce permitting time, improve customer service, eliminate duplicative systems, and reduce costs for basic operations among other improvements.

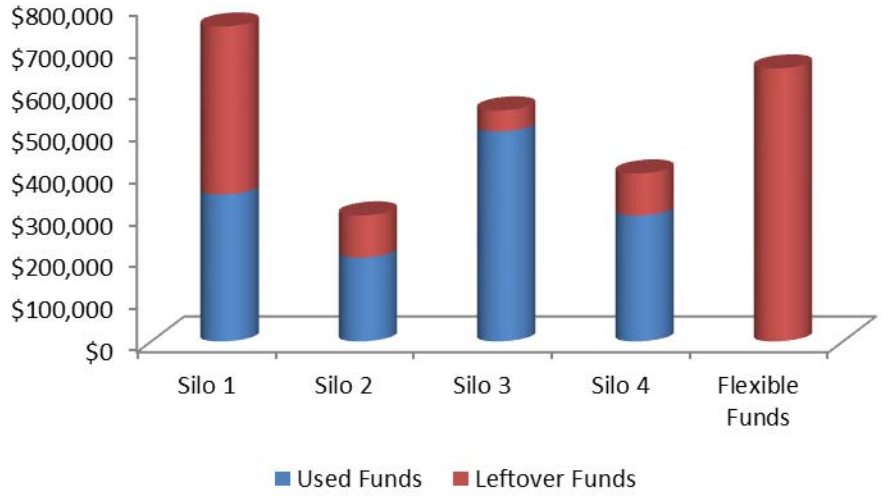
The DNR believes they can save millions through this approach[45]. If the DNR does not meet certain goals the functions would return to the way they were prior.

If this approach is successful, other state agencies should consider this move. This could become an alternative to lapses to achieve savings by eliminating waste and duplication. It would also give agencies a way to improve performance and service.

Agencies currently have 'silos' of different funds and are in many cases restricted from shifting them to areas of need even if these funds are in surplus (see graphic example below). By being able to shift funds agencies would be in a better position to improve services and save costs.

Also, if funds are not needed to improve services and meet agency goals they could be used for deficit or tax reduction and/or to reduce agency user fees.

[44] 2011 Act 13 LFB Memo http://legis.wisconsin.gov/lfb/2011-13%20Budget/Act32/act%2013.pdf
[45] August 18, 2011 DNR Press Release http://dnr.wi.gov/news/BreakingNews_Lookup.asp?id=2171



Giving agencies more flexibility would also require performance goals and measures to be in place to ensure the agency is accountable and serving the public within its area of expertise and focus.

Additionally, operational flexibility was also proposed recently for the University of Wisconsin-Madison. The original plan did not pass into law, but some flexibility was given that is estimated to provide savings to the university system overall.

Final Recommendations:

- Build in at least $100 million in agency lapse requirements in future biennial budgets. That would average $50 million annually. This lapse amount should fluctuate in proportion to the size of future budgets.

- An alternative to lapses could be to establish more cabinet agencies as enterprise agencies similar to the way DNR did if their efforts prove to be successful. This approach would require a list of goals and performance measures for each enterprise agency.

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Q. Veterans Health and Benefit Enhancement Program *Savings $2,500,000*

In 1997, the U.S. Department of Health and Human Services began a project intended to aid states in sharing Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and Medicaid recipient information. This project resulted in the creation of the Public Assistance Reporting Information System (PARIS).

PARIS helps states crack down on fraud in public assistance programs by matching individuals receiving benefits in multiple states. It can also be used to identify veterans receiving state Medicaid benefits that could potentially be missing out on more generous federal benefits they have earned through honorable service.

In 2003, Washington State began a pilot program to identify veterans receiving Medicaid through the PARIS program. From 2003 to today they identified 10,000 veterans and saved the state $30 million[46]. States like California, Montana, and Colorado are starting similar programs. Montana has saved $900,000 in three years, Colorado has identified 1,600 veterans and could potentially save $8 million; California projects if just 10 percent of the veterans they have identified move to federal health care from Medicaid they would save $25 million annually[47].

According to the most recent credible data dated May of 2007, there were 1,058 individuals who were veterans on state Medical Assistance (MA). 34 percent of those were on family MA and the remaining was elderly, blind, or disabled with 54 percent of these in an institution[48]. Enrollment in family MA has increased by over 50 percent since that time. Estimating a similar increase in individual veterans on family MA would put the number at roughly 1,600.

VA health benefits are in some cases more beneficial than those offered by Medicaid. Therefore, not only does offering veterans the option to move to federal benefits save states money, but veterans could also receive better care. VA benefits often times have better mental health care, prescription drug plans, and do not put families at risk of having to pay back a portion of benefits at the time a recipient dies as sometimes happens with Medicaid.

Generally, these programs work by state health departments partnering with state veterans departments. The health departments identify the veteran receiving Medicaid with PARIS. Then that individual is passed on to the veteran department and the department then reaches out to the veteran to determine if the veteran would be better served through TRICARE or CHAMPVA for health insurance. Also, the veteran may find out he or she is entitled to benefits they were not even aware of. The veterans department can act as the representative for the veteran as they walk through the application process with the federal VA for both health insurance and any other benefit (such as a pension) they may be entitled to.

Wisconsin's Department of Health Services (DHS) currently runs matches through PARIS. Employees who work on this program integrity project and focus on identifying individuals

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[46] States Shift Medical Costs to VA by Identifying Overlooked Vets, U.S. Medicine, October 2011, http://usmedicine.com/articles/states-shift-medical-costs-to-va-by-identifying-overlooked-vets.html

[47] Governing, October 2010, Moving Vets off Medicaid and Onto VA, http://www.governing.com/topics/economic-dev/moving-vets-off-medicaid-VA.html

[48] Wisconsin Department of Health Services data.

receiving benefits in multiple states. No coordinated effort is now made to find veterans and direct them to the benefits they are entitled to because of their honorable military service.

Washington State has saved $30 million in 8 years of operation. Wisconsin's veterans population is over 400,000 whereas Washington's is over 600,000. Comparable savings estimates for Wisconsin with a similar program and results would be $2.5 million annually.

More Background Information:

State of Washington Data:

During SFY2010, through Veterans Benefit Program efforts the department connected:

- 712 Medicaid recipients with their VA Health Care coverage (33% increase from SFY2009)
- 942 additional Medicaid recipients with their military or veterans civilian health insurance coverage (TRICARE or CHAMPVA). Cost avoidance[49] in the amount of $4,519,822.90
- 296 additional Medicaid long-term care recipients were awarded new or increased VA monetary benefits
- Cost avoidance[50] in the amount of $3,264,902.20
- Cost avoidance was made in SFY 2010 despite the temporary loss of data matches from US Dept of Veterans Affairs due to VA file conversion. More complete data exchange is expected to resume in 2011.
- Total FY10 cost avoidance ($5,611,873.42)

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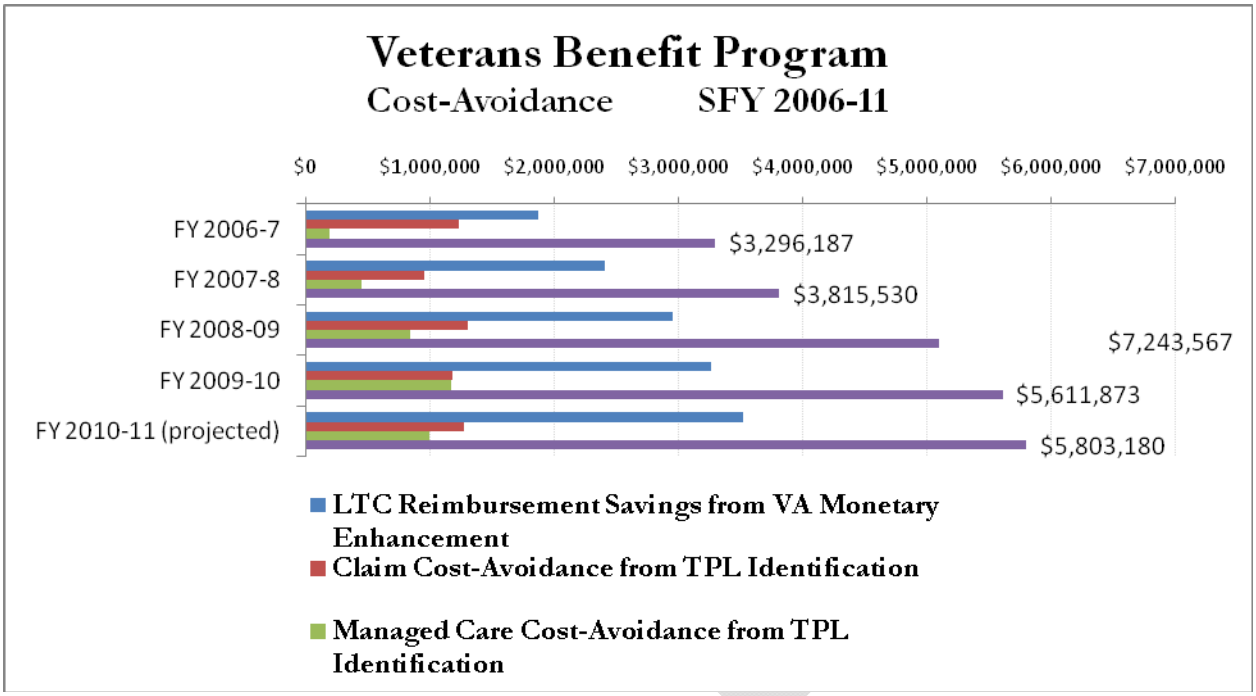
[49] Reduction/adjustment of Pharmacy, Medical and/or Institutional claims reimbursements; or cessation of HMO premium payments to *Third Party Liability*

[50] Reduction in Long Term Care payments (both Institutional and Home-and-Community-Based) due to increased VA monetary awards



Final Recommendations:

- Use the PARIS system to identify veterans currently receiving Medicaid.
- Develop an intra-agency agreement between the Department of Health Services (DHS) and the Wisconsin Department of Veterans Affairs (WDVA) to share information and perform outreach and counseling to veterans identified through PARIS.
- Veterans should be contacted and informed of benefits they may be entitled to. The WDVA could act as a representative for these veterans as they apply for benefits through the federal VA.

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R. Agency Survey Responses *Savings $20,600,000*

After review of other state's "Waste, Fraud, and Abuse" equivalent commission reports, WFA staff conducted a survey of all state agencies to determine if other state's suggestions could be incorporated in Wisconsin. One such report was the Iowa Efficiency Review Report from 2009[51]. Another was conducted recently by the City of Chicago's public employee unions[52].

Survey questions:

1. How much does your agency spend on paper related to payroll processing and related costs? Include man-hours, postage to mail pay stubs (even if the employee is on direct deposit) and checks, supplies, etc.

2. How much in agency purchasing is done outside of the central procurement office and/or outside of state master contracts?

3. How much in land and improvements is owned by the DNR and DOC that could be sold?

4. How much does your agency spend on printed notices to remind residents of a license and/permit renewal? Is it possible for your agency to email the notice instead?

5. How much does your agency spend on meal reimbursement, per diem, travel, etc? Does your agency require receipts?

6. How many boards/commissions are attached to your agency? How much does your agency spend on travel, per diem, meals, etc. for these boards/commissions?

7. Does your agency have any employee wellness programs? If so, what?

8. Are there divisions, facilities, etc. within your agency that could work 4 day 10 hour work weeks? Would this maintain the same customer service, but cut down on daily employee costs, utilities, etc?

9. How much does your agency spend on marketing and advertising (brochures, commercials, newspaper inserts, etc.)?

10. How much in outstanding grants does your agency hold? Example: your agency awards a grant to a city, but the grant is contingent on a match amount. The city has trouble matching the amount so your agency is holding the grant until the match is received.

11. What is your agency's supervisor to general staff ratio? Each agency may quantify this differently. Use your discretion and give reasons why it may be high or low.

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[51] Iowa Efficiency Report, December 8, 2009, http://publications.iowa.gov/9046/1/Iowa_Efficiency_Review_Report_Final_for_Print.pdf

[52] Chicago Federation of Labor Report to Mayor Emanuel, July 26, 2011, http://www.chicagolabor.org/assets/efficiencyreport-to-mayor-rahm-emanuel-7.26.2011.pdf

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	(1) How much does your agency spend on on paper related to payroll processing and related costs?	(2) How much in agency purchasing is done outside of the central procurement office and/or outside of state master contracts?	(4a) How much does your agency spend on printed notices to remind residents of a license and/permit renewal?	(4b) Is it possible for your agency to email the notice instead?	(5a) How much does your agency spend on meal reimbursement, per diem, travel, etc?	(5b) Does your agency require receipts?	(6a) How many boards/commissions are attached to your agency?	(6b) How much does your agency spend on travel, per diem, meals, etc. for these boards/commissions?	(9) How much does your agency spend on marketing and advertising?	(10) How much in outstanding grants does your agency hold?	(11) What is your agency's supervisor to general staff ratio?
DATCP	N/A	N/A	N/A	No	$3,400,000	Yes	24	N/A	$232,000	N/A	1 to 6.38
DFI	N/A	$107,400	N/A	No	$410,000	Yes	4	$1,058	$1,600	$ -	1 to 6.5
DCF	$2,000	$107,508,140	$6,800	Possibly	$1,169,197	Yes/No	1	$1,900	$23,897	$ -	1 to 6
DHS	$20,000	$861,800,000	$92,500	Yes	$4,268,330	Yes	7	$34,716	$1,090,207	$ -	1 to 10.6
DNR	$23,800	N/A	$227,700	Yes/No	$4,766,875	Yes/No	23	$249,700	$518,146	N/A	N/A
DOC	$186,254	N/A	N/A	N/A	$1,846,574	No	4	$51,780	$70,162	N/A	1 to 8.89
DOR	N/A	$26,700,000	$45,240	No	$1,269,800	Yes	1	N/A	$7,306,450	N/A	1 to 9.4
DOT	$20,000	N/A	$1,900,000	Yes/No	$3,564,600	N/A	7	$40,250	$2,200,000	N/A	1 to 7.5
DSPS	$ -	N/A	$2,292	Possibly	$56,165	Yes	64	$91,998	$ -	$ -	N/A
DVA	$62,442	$4,100,000	N/A	N/A	$160,013	Yes	5	$70,081	$63,202	$53,842	1 to 11.2
DWD	$9,400	N/A	$ -	N/A	$1,689,912	Yes	2	$3,827	$84,000	$665,400	1 to 11.1
OCI	N/A	N/A	$51,471	No	$346,662	Yes	22	$5,238	N/A	N/A	1 to 6.3
PSC	$169,000	$2,400,000	N/A	N/A	$158,900	Yes	1	$15,600	$3,000	$198,409	1 to 7.5
TOURISM	N/A	N/A	N/A	N/A	$137,962	Yes	3	$20,823	$8,239,072	N/A	1 to 3.57
Total	$492,896	$1,002,615,540	$2,326,003		$23,244,990		160	$586,971	$19,831,736	$917,651	

State Procurement Card Use

According to a Legislative Audit Bureau report, state agencies have nearly 9,000 debit cards[53]. Spending limits are in some cases quite high. The Audit Bureau identified that spending limits could be reduced, unused cards could be eliminated, and documentation of purchases could be improved.

Considering state purchases with these cards totaled $161.7 million in 2008 more oversight and accountability with purchasing card use is warranted. In the audit, of 3,071 purchases reviewed, 18 were for unnecessary reasons, 59 inappropriate, 9 were errors in payments, and 33 were misapplications of card usage. That is roughly 4% of the transactions reviewed by the Audit Bureau.

[53] Legislative Audit Bureau Report, State Debit Card Use

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Extending that percentage to all transactions in 2008 (693,254) could mean potentially over 27,000 transactions were made inappropriately. The average transaction was $233 during this time period. If 4% were inappropriate, potentially $6.5 million in savings could be realized with procurement card use improvements.

Many private businesses hold employees accountable for using company debit cards for unauthorized uses. In the audit bureau report on state debit card use they wrote,

"The State's accounting and procurement manuals require cardholders to retain original, itemized receipts for each transaction; document each transaction on a purchase record; and sign their purchase records and submit them, along with receipts, to their supervisors for review. Of the 3,071 transactions we reviewed, 2,341, or 76.2 percent, satisfied these documentation requirements, but 730 did not. The percentage of transactions that met the requirements ranged from 58.4 percent at UW-Milwaukee to 90.7 percent at the Department of Regulation and Licensing.

In addition to requirements contained in the State's procurement and accounting manuals, s. 16.53(1)(c)1, Wis. Stats., requires documentation of the nature and particulars of all state purchases. However, the purchasing card policies established by DOA do not specifically require cardholders to document a state business purpose for purchases, and we found that documentation for only 1,278 of 2,506 transactions, or 51.0 percent, included an explicit description of the state business purpose.

Adequate documentation of the business purpose enables supervisors and other agency reviewers to determine whether purchases are appropriate. We therefore include a recommendation for DOA to require documentation of the business purposes of purchasing card transactions."

Direct Deposit

Many private employers use direct deposit and emailed pay stubs to their employees to save on payroll costs. Wisconsin government should also be moving in this direction.

Procurement

According to the Wisconsin Department of Administration, Bureau on Procurement by purchasing through central procurement contracts savings of between 20 to 30 percent can potentially be realized.

Supervisor to General Employee Ratio

According to the survey of state agencies, the average ratio of supervisors to supervised employees is around 1 to 8. According to The Economist and cited by a Chicago Federation of Labor report titled, *City of Chicago 2012 Budget Efficiency Report*, the optimum ratio is between 1 to 10 and 1 to 15. Wisconsin currently has thousands of vacancies. Before they are filled the need for the positions should be thoroughly reviewed. If this is performed, some positions should be eliminated based on need.

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4 Ten Hour Days

In response to this survey, 5 agencies said they had some facilities that could work 4 ten hour days of these 5, 3 said moving to 4 ten hour days likely not affect their level of service.

Advertising

The majority of advertising listed in response to this survey was in the Department of Tourism. This spending is beneficial to the state because it brings in more revenue through increased tourism.

Final Recommendations:

- Require receipts on all procurement card purchases and supervisor approval.
- Reduce the amount of paper payroll costs by utilizing more direct deposit.
- Encourage purchasing by agencies from central procurement.
- Increase the use of email for license and permit renewals.
- Set a goal to reduce travel costs by 10 percent for agencies and their respective boards and commissions.
- Review grant awards that have not been disbursed and why. If they have been outstanding for a long period take back the grant if possible.
- Increase the supervisor to general employee ratio to a more optimum nationally recognized level through attrition and current state vacancies.

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S. Improve the Effectiveness of Grants *Savings $16,000,000*

Wisconsin hands out hundreds of millions of dollars in grants and local assistance payments to organizations and local governments each year. In some cases there is little oversight of how the money is spent or how effective the entity receiving the money is at using it.

As an example in 2009, a report on gang diversion in Racine was issued by the Office of Justice Assistance in consultation with retired Judge Dennis Flynn[54]. The report recommended gang diversion grants continue to be provided, but the grants needed to be competitive and more accountability was needed of the organizations receiving the funding.

From the report:

"It is not fiscally or programmatically responsible for those unrestricted tax dollars to go to an individual entity or program under existing law. It is important for accountability that these funds be subject to vetting, program competition, and project evaluations as to gang diversion and/or AODA matters."

"Providing unrestricted earmark funds (purpose noted, but no objective performance standards) year after year to any organization without some type of program accountability and oversight invites the potential for misuse of those public dollars. If an entity now receiving these tax dollars were to misuse these unrestricted funds, this could result in the permanent loss of these dollars to the community and an undermining of citizen confidence in the operation of the affairs of government."

Additionally, some of these funds were earmarked decades ago and are likely not as needed today as they were then. However, it is extremely hard to eliminate these payments because they are relatively small when compared to overall state spending and may appear to be spent on noble causes.

In the 2012 fiscal year, excluding aids to individuals, the UW System, and DHS, and including only GPR funded grants, $63,757,000[55] in state funds were appropriated to be spent in local grants and assistance under the Governor's budget proposal. This is after a 10% across the board reduction. The magnitude of public dollars spent invites fraud and misuse unless protections on the spending are put in place.

Chauffer training grants could be an example of grants that may or may not be as useful today as they were when they were created. These grants may also be an example of how hard it is to change these grants after they are created. Chauffer training grants were created by a budget motion in 1985. Over the years, the purpose of chauffer training has likely evolved. In 2009 the funds were used to pave truck driving parking areas[56].

Additionally, some grants require a cost share. Adult literacy grants, agricultural investment aids, victim and witness service assistance among other appropriations require some form of match now. If a cost share was required for all grants and local assistance it would encourage

[54] Racine Gangs and Diversion 2009-10 Study, Office of Justice Assistance
[55] 2012 Fiscal Year Appropriations, Governor's 2011-13 Budget Proposal
[56] WTCS GPR Grants, Advanced Chauffeur Training

competition for the funds and make it more likely the funds are serving a public good as opposed to just being a politician's earmark in a budget.

An example of how this could work is with youth gang diversion grants previously mentioned. Youth gang diversion grants spending totals $321,000 GPR and $672,400 in penalty surcharge funding for a total of $993,400 annually. In the 2011-13 biennial budget proposal, the Governor is calling for a 25% match in treatment and diversion grant appropriations. If this was extended to youth diversion grants, total PR and GPR savings would be $248,350 annually. This could free up grant funds for more organizations or could reduce overall state spending.

Requiring cost sharing, creating competition for the funds, and/or more discretion for the governmental agency/body spending the funds would improve oversight and the effectiveness of the funds.

Make 10 Percent Savings Permanent

In the 2011-13 biennial budget, these funds were given a 10 percent reduction. The funds from these accounts were used to close the state deficit. However, using certain types of these funds to benefit the general fund was not permanent.

Another way to save taxpayer dollars is to make the ten percent program revenue reduction, included in 2011 Wisconsin Act 32, to grants and local assistance permanent. After having operated under these reductions for four fiscal years there is no reason to increase the appropriated amount especially if budget deficits continue to threaten the state.

Many program revenue dollars come from fees or other charges to taxpayers. By keeping the ten percent reduction, these costs could be reduced in the future or used for deficit reduction; both of which would save taxpayer dollars. The savings by keeping program revenue dollars at a ten percent reduction would be roughly $16 million per year.

Final Recommendations:

- Review all grant approval processes to ensure there is oversight and institute cost sharing where possible.

- Continue the ten percent reduction to program revenue appropriations. In the future, use the revenue to either reduce fees for taxpayers or for deficit reduction to save taxpayer dollars.

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T. Agency Efficiency Ideas *Savings $38,745,333*

At the direction of the Governor, state agencies have created waste, fraud, and abuse task forces to identify efficiencies and eliminate waste. This is a list of some of the items agencies have identified. A task force report from the Department of Corrections is included in appendix 7 as an example.

Department of Administration

- Review past efforts to consolidate information technology services and equipment into the DOA Division of Enterprise Technology and the consolidated data center to determine if further consolidation is warranted.

- Examine the need for long term vacancies. Recent data indicates there are roughly 800 vacancies that have been open for longer than 9 months. Eliminating these, if they are unnecessary would save around $41,000,000[57]. If these positions are needed to improve customer service and program operations they should not be eliminated.

Department of Agriculture, Trade, and Consumer Protection

- The department, together with the Department of Revenue, administers the Farmland Preservation Program and related tax credit program. Under the program, landowners may claim up to $10 an acre in refundable tax credits. To qualify for the tax credit, landowners must comply with state soil and water conservation standards. Counties are charged with monitoring a landowner's compliance with those standards. However, some of the information needed to monitor landowners' eligibility and required compliance is off limits to counties because of state privacy laws related to an individual's tax return. DATCP and DOR are examining this issue.

  After discussion and review of the issue, DATCP and DOR have concluded that the best course is to introduce legislation authorizing DOR to share contact information of FPP tax credit claimants with a designated official in each county. That official and authorized staff could then work with claimants to ensure that they are complying with the soil and water requirements for the tax credit. This would not yield any savings, but would increase the effectiveness of the program. The impact cannot be known in advance, since counties are currently unable to identify claimants. The departments are preparing draft legislation for consideration by the legislature.

Department of Corrections

- Examine a milk delivery contracting problem. The department has fixed this issue, but they may be similar contracting problems.

- Examine fleet vehicle usage.

[57] This amount is not included in the savings total for this section. The vacancies may be needed and should be up to the discretion of the agency to decide whether or not to keep.

- Discontinuing an ineffective grant program to assist inmates with obtaining their driver's license. The program was ineffective and only helped 23 inmates in one year's time. Savings estimate is $144,693 annually.

- Examine institutional energy usage for savings potential.

Department of Financial Institutions

- Closing a Milwaukee office.

  DFI closed its small Milwaukee office last fiscal year, resulting in annual savings of approximately $15,000. Space was originally leased in the mid-1990s at the Schlitz Park Office Building to facilitate access in the Milwaukee area for the newly created financial literacy program. The office was subsequently moved to the State Office Building in Milwaukee in 2008. Over time, staff members from the divisions of banking and securities also occupied office space in the Milwaukee location.

  Several years ago, the financial education presence in the Milwaukee office was consolidated into the Madison office with no impact on the availability of that function to Milwaukee consumers. And with the retirement of all staff members assigned to that office, it was determined there was no longer a need for a physical presence in Milwaukee.

  Rent costs in fiscal year 2011 for the Milwaukee office totaled nearly $10,000. Another $5,000 was spent annually on telephone and internet services, a post office box and travel costs for the Milwaukee-based employee to attend meetings in Madison. Additional expense was being incurred by the DFI's information technology staff, which had to travel to Milwaukee to handle any IT-related needs.

  The savings resulting from the closure of the Milwaukee office can be better used by the financial literacy program to address concerns with target audiences, such as the elderly or victims of predatory lending.

- Reduce the number of state vehicles assigned to the agency.

  DFI reduced its fleet of state vehicles from six to five at the end of fiscal year 2011. These vehicles are used by staff primarily to travel to examination locations and to attend meetings.

  A 12-month analysis showed that by prudent scheduling of the vehicles, the department would be able to reduce its fleet by one vehicle. The vehicle with the least amount of usage was a minivan that had been used to carry equipment or when multiple staff traveled to the same worksite. Given the number of days this type of usage was required, it was determined that it would be more cost effective to utilize the DOA fleet in those instances. The monthly cost for the minivan was $190 per month, resulting in annual cost savings of nearly $2,300.

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- Examine ways to reduce cost of required notification of business entities which are subject to Administrative Dissolution.

  State statutes empower DFI to administratively dissolve business entities that do not remain in compliance with the rules of the Division of Corporate and Consumer Services. As part of the dissolution process, the Division of Corporate and Consumer Services mails notice of the dissolution to the registered agent and to the principle office of the business.

  If the notices are returned to DFI as undeliverable, statutes require that notice be published in the official state newspaper. These notices in the official state newspaper have cost DFI nearly $100,000 in each of the past several years. As an alternative, DFI proposes publishing the notices on the department's website, saving the agency the publication costs and potentially reaching a larger audience.

Department of Natural Resources

- Consolidate office space/equipment and storage space. The potential savings are $400,000.

  This idea was tied to the Enterprise Agreement which was not launched until September 1. The Department has now begun the process of pursuing opportunities for consolidation. Implementation will likely take the remainder of this fiscal year, and ergo generation of savings will not fully accrue until FY13.

- Require electronic pay stubs or direct deposit. The savings are $10,000. DNR is implementing this change currently.

- Examine the value of all associated boards, councils, and commissions. Potential savings are $150,000.

  The Department has compiled a list of boards, councils, and commissions that we participate it and assessed cost/benefit. Based on that assessment, the savings would be significantly less than originally projected. In order to garner savings, the Legislature would need to take action to eliminate these Boards, etc. or change the Department's fiduciary responsibility to support these Boards, etc.

- Examine web based public notice permitting. The potential savings are $283,000.

  This proposal requires legislative action to change statutory requirements. The Department has discussed this change with Legislative leadership and provided detail language for the needed change. Issue awaiting bill introduction and legislative action.

- The department is continuing to examine the effectiveness and usefulness of basin educators. The potential savings are $997,600. The appropriation for this function was not reduced in the 2011-13 biennial budget. As a result, the Department could reprogram some or all of these funds to other higher priority nonpoint source and other water quality improvement work saving costs elsewhere.

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- Explore combining GIS infrastructure with other state agencies. Potential savings are $200,000.

  The Department has begun meeting with other agencies to implement this idea. Savings may not accrue until FY14.

- Sell unneeded state land. The DNR is compiling a list of land parcels it believes could be sold.

  The Department has compiled an initial list of properties that are not needed for its core mission. Some of these properties are already for sale. Others will be moved through the process either in trade for high value properties or as outright sales. The alacrity of this process will depend of course on the real estate market in general and specific local circumstances.

Department of Revenue

- Expand the examination of Earned Income Tax Credit claims to reduce fraudulent refunds. The department can identify more fraudulent refunds with access to more data. Nationwide the cost of fraud in this program is estimated at between $11 and $13 billion and is the second highest improper payment amount of any federal program according to the Treasury Inspector General for Tax Administration. If the department had access to more data, the department could save at least $2.4 million per year.

- Examine fraudulent returns by prisoners in corrections institutions. Estimated annual savings are $75,000.

- Examine savings through workplace consolidation. Estimated savings are $486,200.

- Examine moving the unclaimed property program from the Treasurer's office to Revenue. There is increased potential to move some claims to debts.

- Examine increased promotion of e-filing taxes. The savings potential is estimated between $150,000 and $200,000.

- Examine software and technological upgrades recommended by the department. Savings estimate is $39,000.

- Examine mainframe applications to remove obsolete functions. Savings estimate is $100,000.

- Examine contracting updates and other technological improvements could save $243,000.

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Department of Transportation

- Sell unneeded state land. Total acreage owned by DOT is 2139.74 and has a total estimated market value of $4,869,594. The total appraised value is $10,394,844. Since 1990, DOT has sold over $39 million in excess land totaling 8,144.68 acres.

  The department owns excess property remnants as it purchases parcels for highway projects but uses only a portion of the property for highway purposes. The department makes a continuous effort of selling this excess property at fair market value. The dollar value of excess property sold in fiscal year 2011 was $1,900,000.

- Review the relative cost, operational characteristics, and safety of roundabouts compared to other types of intersection controls. This was a persistent complaint from the public.

  The department recently reviewed the operational characteristics and safety of roundabouts in Wisconsin. The Wisconsin traffic Operations & Safety Laboratory (TOPS Lab) completed a review of 24 Wisconsin roundabouts in operation for three years. They studied the operation and safety characteristics compared to other types of intersection controls. The report was completed in September 2011. As a result of the study the department will evaluate potential changes to design guidance based on more in-depth analysis of roundabouts. The department will continue to evaluate roundabouts and compare their effectiveness to other intersection safety countermeasures and will also continue public education efforts and look for opportunities for additional public outreach on roundabouts.

- Re-evaluated the Zoo Interchange project and used reduced impact alternatives to save $600 million from FY12 to FY18 on the project. Examine whether this could be done on other transportation projects.

  Early in 2011 the department re-evaluated the Zoo Interchange reconstruction project and recommended a reduced impact alternative to the Governor. The new alternative was accepted and reduced the project estimate by $600 million from FY12 to FY18. The department continues to examine other large transportation projects to determine the most cost effective means of investing in the state's transportation infrastructure[58].

- Renegotiating existing contracts with insurance companies on two mega projects (US 41 and I94). Estimated savings are $20 million.

  The I94 and US 41 mega-projects include an Owner Controlled Insurance Program (OCIP) where the state provides general liability insurance, workman's compensation insurance, and a workers safety program for the highway construction industry. An OCIP program generally applies to very large and complex projects and results in a safer construction environment and lower bid prices from the contractors. Due to the current economic environment and project schedule changes, the OCIP program for the

[58] These savings are not included in the total savings.

two mega-projects above where renegotiated with the insurance provider AON. Renegotiating the existing contracts resulted in a savings of $28,790,000.

- In telecom area, examine procurement, ordering, inventory, and expense management done by 50 staff using a paper based manual system. Automate the process for $502,000 in potential savings.

  The department reviewed its telecom area. The current practice of procurement, ordering, inventory, and expense management was based on a paper based manual system involving over 50 staff. The conversion to a more automated process continues with cost savings to date of $45,000.

- Examine automated pay stubs for $25,000 in potential savings.

  The department began the transition to automated pay stubs in early 2011. Non-represented staff were required to receive their pay by automatic means and represented staff on a voluntary basis. When My WisDOT Pay is fully implemented throughout the department savings are estimated to be $25,000 per year. The cost savings to date is $10,500. The department will pursue mandatory registration in My WISDOT Pay in 2012 to realize the entire savings of the initiative.

- Examine reducing mailbox size on the DET exchange for $96,000 in savings annually.

  The department investigated reducing e-mail box size for employees on the DET exchange by establishing an e-mail archival system. Reduced e-mail box sizes is estimated to save $96,000 annually. The e-mail archival system went into effect in July 2011 with current savings to date of $31,600.

- The department cancelled a retirement preparation course that can be done by ETF or on the web to save $5,850.

- The department improved the mail that comes in and out of Hill Farms and improved the process to potentially save $30,000 in FY12.

  The department reviewed the process used to handle post office mail at Hill Farms and improved the process for an estimated savings of $30,000 in FY 12. Savings include employee time of ten hours of staff time per week which has been reassigned to other work in the unit. The cost savings to date is $1,900.

- Due to vacancies and positions being eliminated, the department's telecommunications staff has been eliminating phone lines to potentially save $20,000 annually. The department has eliminated phone lines at Hill Farms, regional offices, and service centers. The cost savings to date is $6,000.

- The department is examining a "Going Electronic" initiative that may save $340,000 in FY12.

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The Division of Motor Vehicles (DMV) has numerous initiatives in the works for automating products and services. The "Going Electronic" initiatives are estimated to save $340,000 in FY12. Implementation of automating services continues with a savings to date of $113, 300.

- The Division of Motor Vehicles (DMV) is using the "Going Electronic" initiative to promote more web based forms as opposed to paper and this potentially could save $24,500 annually.

- Driver's license and ID card renewals are going to be mailed by postcard as opposed to envelopes. This is expected to save $63,800 in FY12 and $85,000 in FY13.

  An estimated 500,000 number of DL and ID cards renewals are mailed out each year by DMV. The renewal notices were converted to post card notices instead of envelopes. The conversion from envelopes to post card is expected to save $63,800 in FY12. DMV will implement this project the week of November 7, 2011.

- The department has relocated staff from a rented office to a new US 41 field office in Green Bay at an estimated savings of $65,000 annually.

  The department had been renting a small office where three employees assisted disadvantage businesses working on the US 41 mega project. In early 2011 the department relocated two employees to the newly opened US 41 project filed office and eliminated the third position. Actual savings to date is $28,900.

- The department eliminated a fee to a climate change forum saving $10,000 annually.

- The department is examining GPS technology in winter maintenance vehicles to monitor salt usage and increase efficiencies.

- The department is examining consolidation and efficiency options for Milwaukee area facilities.

- The department is working with the DNR to amend a cooperative agreement to improve efficiency in the environmental process.

- The department is looking into efficiencies in employee training and performance management measures.

Department of Veterans Affairs

- Examine the department's reorganization plan for efficiencies and savings.

Department of Workforce Development

- Explore how to improve UI fraud detection. According to figures released by the Wisconsin Department of Workforce Development, fraudulent unemployment insurance

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claims rose from $4.7 million in 2007 to $17.7 million in 2009 while overpayments that didn't result from fraud rose from $13.4 million to $33.4 million.

DWD's Unemployment Insurance Division is working with the U.S. Department of Labor and internally to prevent, identify and deal with overpayments. As part of these efforts, UI is embarking on a significant project to modernize UI computer programming to address this and other issues.

- Combine vehicle usage at job centers throughout the state. This has already shown savings.

  This issued involved the DWD Division of Employment and Training's Office of Veterans Employment Services staff located in the Brown County Job Center which serves Manitowoc and Sheboygan County veterans. It was determined that two days per week at each location was the minimum amount of time needed to serve the veteran population. Previously, one veterans employment representative (VER) would travel four days a week to provide that service.

  To save on transportation costs, two VERs were sent out two days a week car pooling. One VER was dropped off at Manitowoc and the second VER continued on to Sheboygan.

  The estimated travel expense savings is estimated at 40 percent. Using this estimated rate, $1,000 travel expense is reduced to $600.

  We have asked all Divisions to look at this example and determine if the lesson learned could be applied to their respective operations. Through our current travel request procedure, there is evidence of greater car pooling efforts throughout the department.

- Examine eliminating paper checks and require direct deposit for payroll.

  We received nearly a dozen suggestions related to eliminating printing, stuffing, and delivery of paper payroll checks and pay stubs (which are available online through the Payroll Time & Attendance (PTA) System). At the time, 120 employees received paper checks. Of the roughly 1,600 employees who had electronic deposit, more than 900 still received a printed pay stub stuffed in an envelope.

  Since then, we have reduced the number of paper pay checks by about 10 percent, and the number of printed pay stubs by about 5 percent. We continue to work to improve these numbers.

  More broadly, we sent a suggestion to this Commission that the State of Wisconsin look throughout the enterprise to determine if not only payroll-related printing and mailing costs could be reduced, but also if any other payments currently made by paper could be done electronically.

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- Examine the need for multiple unemployment insurance letters going to the same residence.

  The suggestions received addressed various issues to reduce the costs of printing and mailing UI checks and other materials. Again, these issues will be addressed in the UI modernization project.

- Use web video for training and increase teleconferences to save on travel and staffing costs.

  A number of suggestions came in which dealt with the frequency of staff meetings and the related travel costs.

  The Division of Vocational Rehabilitation (DVR) initiated an evaluation which resulted in changing its Policy Academy meetings from monthly to bi-monthly as well as moving the meeting location to maximize the use of videoconferencing. A cost-benefit analysis on just the mileage reimbursement and staff travel time indicated an annual savings of over $20,000 – the savings would be greater if accommodations and meals were also included. A savings of $20,000 equates to 7 more individuals off the DVR wait list and more time and talent spent in the field assisting consumers.

  DVR and other DWD program Divisions are reviewing the number, kinds, and purposes of current meetings and the potential to hold appropriate meetings using technology options such as teleconferencing, videoconferencing or webcasting.

  For example, in 2009 DVR completed installing videoconferencing equipment and capability at 12 sites throughout Wisconsin. In November 2009, they documented net savings of over $2,400 and 145 hours of staff "windshield time" – time that then could be used serving their consumers.

  Again, this is an efficiency improving, cost saving idea which could be applied throughout the enterprise.

- Examine the use of state cell phones below supervisor level.

  This is an ongoing effort. Currently there are about 200 state issued cell phones assigned to DWD staff. Each request for a state issued cell phone includes a justification statement and requires approval by a Division Administrator.

  One example of those below the supervisor level with a state issued cell phone is a position with responsibilities as the agency health and safety office and continuity manager/incident commander (as part of the department's continuity of operations plan). There are many other examples of staff below the supervisor level who are on call due to operational needs.

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Office of the Commissioner of Insurance

- End the binding and publishing of annual insurance reports. Post them online and print only a limited soft copy for requested copies.

- Examine using electronic copies for committees and send electronic bills to employers.

- Examine requiring primary insurance carriers to upload certificate data electronically.

Public Service Commission

- Examine patterns of reimbursement requests under PSC grant programs and further investigate, for potential fraud or abuse, grant claims that show unusual patterns in the amount requested or in the recipient(s) of reimbursement.

  Estimated savings could exceed $1 million in avoided, wrongful payments. For example, the Commission is currently investigating potentially fraudulent claiming by Midwest Telecommunications, Inc. (MTI), under the Universal Service Fund's Lifeline and Link-Up programs. The Commission has halted payments to MTI. MTI has received over $4.4 million for Lifeline reimbursement in 8 months which is up 32 percent over last year. MTI's stopped payments can avoid millions in future potentially wrongful payments. Other USF grant reimbursements are receiving increased scrutiny.

- Implement changes to procedures for addressing contested cases to minimize staff time and copying costs to the Commission, such as requiring parties to file a specified number of hard copies of exhibits.

  Estimated annual savings is approximately $100 based on 0.5 hours of Records Management staff effort saved per month.

- Review and revise Commission practices and procedures to facilitate the use of electronic transmission of hearing calendars, notices, orders and final decisions and eliminate or minimize the duplication of transmission by both electronic and regular mail.

  Estimated annual savings is $1,750 based on 1.5 hours of Records Management staff effort saved per week.

- Examine hardware and software options currently available to allow the Commission to pursue paperless internal processes and filing sharing.

  Initial IT investment of $4,000 is anticipated to be offset by estimated annual savings of $8,000. The annual savings estimate is based on an estimated 3 hours of Records Management staff effort per week saved, 2 hours of support staff effort per week saved, and paper and envelope savings. The savings estimate does not include potential savings from eliminating copiers or envelop stuffers.

- Revised and updated our Internal Control Plan in April 2011 to establish more rigorous procedures and practices to mitigate higher risk transactions. Important control activities

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used to limit risk include general staff supervision and training, information sharing and training in fiscal and purchasing processes. Bureau of Financial Services will create supervisor and staff training programs to address these processes.

Estimated annual savings is $500 from more correct travel reimbursements and more appropriate purchasing.

- In an effort to streamline fiscal processes, the Commission's Bureau of Financial Services began using the state's FiRST system to electronically access WiSMART data in May 2010. Financial Services staff regularly uses FiRST to download expenditure, encumbrance and revenue data. With the FiRST system, Financial Services staff is more quickly able to provide detailed and easy-to-read budget monitoring documents to Commission management. In addition, FiRST can track Commission expenditures and revenues using data current through the previous day.

  Estimated annual savings is $1,300 based on 3.0 hours of Financial Services staff effort saved per month.

- Examine software available to begin extensive knowledge capture initiative for staff approaching retirement, as well as for staff whose job responsibilities are unique and singular in nature. Build a program that will support and foster these efforts while continuing to meet the day-to-day operations of the Commission.

  Estimated annual savings is $40,000 based on the average PSC costs of a pool-coded position for six months. Savings could be reduced dependent on the cost of the IT solution or if the IT solution is difficult to use and cannot fully capture the knowledge of retiring staff.

- Completed a comprehensive review of Office equipment leases and office supply purchasing and identified where better use of statewide contracts can generate savings.

  Estimated annual savings of $4,800 from replacing all PSC copiers under new contracts.

- Streamlined internal review of Notices by implementing standard Notice templates reducing Office of General Counsel review time.

  Estimated annual savings is $540 based on 1 hour of Office of General Counsel staff effort saved per month.

- Aligned confidential status with the lifecycle of the document reducing Record Management staff time for renewing confidential status when the lifecycle of the document is longer than the confidential status period.

  Estimated annual savings is $200 based on 1 hour of Records Management staff effort saved per month.

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U. Public Comments and Suggestions

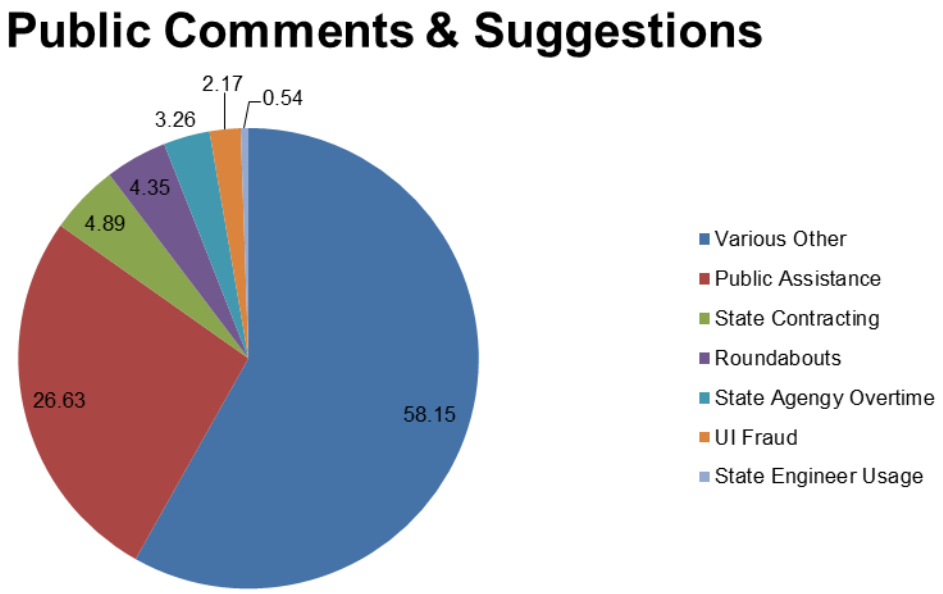
Since the creation of the public comments form on the Commission's website, nearly 700 comments have been submitted from the public. The Commission is grateful for the ideas and the interest shown from the public.

Many public comments and suggestions were distributed to the Commission members for their review. The public comments distributed to the Commission can be viewed via the Governor's website at, http://walker.wi.gov/meetings_past.asp?meetingid=169&locid=177.

Some common themes were observed from the public comments and suggestions submitted to the Commission. Of those distributed to Commission members, 27% related to public assistance program abuse. The next most common topics were state agency overtime, state contracting, roundabout use, and unemployment insurance fraud.

The Commission also held a public hearing and solicited comment on the interim report via email from hundreds of state residents who submitted comments and/or suggestions.

Common Topics	**Percentage**
Various Other	58.15%
Public Assistance	26.63%
UI Fraud	2.17%
State Contracting	4.89%
Roundabouts	4.35%
State Agency Overtime	3.26%
State Engineer Usage	0.54%
Total	100%



V. EXECUTIVE ORDER

Relating to the Creation of the Governor's Commission on Waste, Fraud and Abuse

WHEREAS, Wisconsin's biennial budget has increased 33 percent to $62 billion during Governor Doyle's two terms in office; and

WHEREAS, a Pew Center for the States study found that Wisconsin is currently one of the nation's 10 states in the most perilous fiscal condition; and

WHEREAS, waste, fraud and abuse in state government has gone largely unchecked during the last 8 years as evidenced by the following:

1. According to figures released by the Wisconsin Department of Workforce Development, fraudulent unemployment insurance claims rose from $4.7 million in 2007 to $17.7 million in 2009 while overpayments that didn't result from fraud rose from $13.4 million to $33.4 million.

2. According to a report by the Wisconsin Legislative Audit Bureau, fraud in the Wisconsin Shares child care program cost the state $20 million in 2008 due to problems like illegal immigrants receiving compensation and false child care logs.

3. According to federal data, while enrollment in Wisconsin's food stamp program, FoodShare, doubled to 700,000 between 2003 and 2008, fraud investigations fell from 5,400 to 3,200. Minnesota and Michigan performed at least 85% more fraud investigations and while Wisconsin prosecuted 20 fraud cases in 2007, Minnesota prosecuted over 1,000 and Michigan, 2,400.

4. According to a report by the Wisconsin Legislative Audit Bureau, the state paid $66.5 million in overtime wages in 2008, with 25 state employees earning more than $50,000 in overtime.

5. According to a 2007 Wisconsin Legislative Audit Bureau report, the Doyle Administration officials halted an incomplete IT overhaul at the Department of Workforce Development after five years of work and $23.6 million. Another $28.2 million was spent on the Department of Revenue's Integrated Tax System and $26 million on the University of Wisconsin payroll system before the state abandoned both projects.

6. The Wisconsin voter database required by the federal Help American Vote Act (HAVA) suffered delays and cost overruns, ultimately costing $14.1 million. Once completed, the Government Accountability Board request $1 million annually to maintain it.

7. In 2007, the Department of Health Services announced that an upgrade of the state's computer system that processes claims for BadgerCare, SeniorCare and other Medicaid programs was 39,000 worker hours behind schedule and at least $9.3 million over budget - 28.8% more than the original projections.

8. According to a 2009 Wisconsin Legislative Audit Bureau Report, the Doyle Administration was off by nearly $100 million when it estimated in 2005 that consolidating state computer

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servers would cost $12.8 million. With costs exceeding $100 million, the administration announced plans to stop tracking expenditures in June, 2010; and

WHEREAS, Wisconsin has the nation's 10th worst tax climate for business according to the Washington, D.C.-based Tax Foundation and Wisconsin's total tax burden ranks 14th, with taxpayers paying 5 percent more than the national average, according to U.S. Census Bureau Data; and

WHEREAS, reducing Wisconsin's unsustainable tax burden requires reining in runaway government spending by making government smaller and ending the practice of deficit spending;

NOW, THEREFORE, I, SCOTT WALKER, Governor of the State of Wisconsin, by virtue of the authority vested in me by the Constitution and laws of this State, and specifically by Wis. Stat. 14.019., do hereby:

Establish the Governor's Commission on Waste, Fraud and Abuse; and

1. Provide that Governor shall appoint three members to serve at the pleasure of the Governor including the Secretary of the Department of Administration or the Secretary's designee and one member representing private employers located in this state; and

2. Provide that the Commission shall include one member of the majority party and one member of the minority party in each house of the Legislature, appointed in the same manner as members of standing committees are appointed; and

3. Provide that there will be a chairperson of the Commission and that the chairperson shall be a representative of the private employers designated by the Governor from among the Commission's membership; and

4. Provide that the Commission shall have the following mission:

a. To identify waste, fraud and abuse in state government programs and state appropriations and recommend solutions.

b. To obtain and review all budget documentation for each state agency, including detailed information regarding the appropriations and programs administered and the related personnel costs.

c. To advise the governor about the long- and short-term impact of the Commission's recommendations on state appropriations, efforts to make government smaller and more efficient, and ongoing economic development initiatives; and

5. Require the Commission to meet no later than seven days after this Executive Order has been deposited with the Secretary of State; and

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6. Require the Commission to submit a report to the Governor with its findings and recommendations on July 1, 2011 and on January 1, 2012, and provide that the Commission shall dissolve when its final report is accepted by the Governor.

IN TESTIOMY WHEREOF, I have hereunto set my hand and caused the Great Seal of the State of Wisconsin to be affixed. Done at the Capitol in the City of Madison on this third day of January in the year two thousand and eleven.

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W. Commission Membership

Craig Rakowski—Rakowski worked as a certified public accountant for 29 years primarily dealing with housing and construction clients. He now serves as the CEO and President of James Craig Builders. He will serve as the chairperson of the Waste, Fraud and Abuse Commission.

Ara Cherchian – Cherchian is part-owner of Northern Wire in Merrill and the former owner of Northland Stainless in Tomahawk. He is also a former Board member and Board chair of the Wisconsin Manufacturing Extension Partnership.

Cindy Archer— (Served January 2011 - September) Archer has a long history of public service, working at the Wisconsin Department of Administration, Department of Corrections, and most recently as the Director of Administrative Services of Milwaukee County. She served as the Deputy Secretary of the Wisconsin Department of Administration while a member of the Commission.

Brian Hayes – (Served September – January 2012) Budget Director and Division Administrator of the Department of Administration State Budget Office.

Sen. Frank Lasee—Senator Lasee represents the 1st Senate District and will be serving as the Republican representative from the Senate.

Sen. Chris Larson – Senator Larson represents the 7th Senate District and will be serving as the Democratic representative from the Senate.

Rep. Samantha Kerkman – Representative Kerkman represents the 66th Assembly District and will be serving as the Republican representative from the Assembly.

Rep. Mark Pocan – Representative Pocan represents the 78th Assembly District and will be serving as the Democratic representative from the Assembly.

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X. Member Comments

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Y. Appendix

Appendix 1

Wisconsin Shares Program Integrity Summary
Compares Program Pre-July 2009 with Current

The department's focus on and investment in program integrity shifted significantly in 2009 from one of maintenance and reaction to one of aggressive, proactive prevention, detection, and enforcement.

Child Care Subsidy Fraud Prevention

Before July 2009:

- No internal investigation process was in place.
- Funding was provided to counties and tribes with minimal guidance and assistance.
- Milwaukee County had 3.0 FTE devoted to provider investigations and an additional 7.0 FTE that were vacant.
- No referral mechanism was in place for licensors and certifiers to report suspected fraud.
- There were no restrictions on Shares participants working for their child's provider.
- Provider attendance reporting was done largely through an "honor" system with few checks and balances.
- The focus was on finding overpayments, not fraud. Fraudulent providers were allowed to stay in business.

Now:

- DCF's investigation process for provider fraud is now proactive and comprehensive.
- DCF now has 10.0 FTE County staff, 8.0 FTE state project staff, and 15 contractors devoted to child care provider investigations in Milwaukee County.
- DCF provides counties and tribes with training, technical assistance, and funding to assist with the investigation of fraud.
- Beginning in 2010, DCF required counties and tribes to submit an annual fraud plan outlining prevention, detection, and overpayment recovery efforts.
- In 2009, DCF provided regional licensing offices and MECA certifiers with common fraud indicators to identify during the child care licensing/certification process.
- In 2009, state law changed to limit the number of employee children in a child care center to no more that 40%. DCF monitors compliance.
- In July 2010, DCF established a child care authorization unit in Milwaukee County with staff trained to identify common fraud indicators.
- In 2010, DCF created a Quality Improvement Unit in the Southeastern regional licensing office to enhance monitoring of licensed child care providers who have repeated licensing violations or child care subsidy violations.
- In 2010, DCF developed additional attendance reporting modes that capture more detail about the actual time children attend child care.
- DCF wrote a detailed training guide for statewide use with compliance training.

Child Care Subsidy Fraud Detection:

Before July 2009:

- There was 0.25 FTE devoted to central office fraud detection and program integrity efforts.

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- Outside of local agency contracts, DCF was spending less than $100,000 annually on anti-fraud efforts.
- Under $2 million in overpayments was being established annually.
- There was no central location for the public to send fraud referrals.
- Data was not being used in a regular method to track suspected fraud.
- On site visits to audit providers were preannounced and providers were allowed additional time to collect and submit their attendance records.
- Law enforcement efforts were minimal in child care provider fraud.

Now:

- There are currently 8.0 FTE (5 permanent, 3 project) devoted to state oversight of program integrity (includes 1.0 FTE assigned to the Milwaukee Child Care Anti-Fraud Task Force) and 4 contract staff conducting provider audits.
- DCF currently invests approximately $2 million annually in its total anti-fraud efforts in addition to the local agency contracts.
- Since 2009, DCF has suspended payments to more than 230 providers and established overpayments against clients and providers totaling $5.2M in 2009 and $9.2M in 2010.
- Since September 2009, DCF has received over 3,000 fraud referrals.
- DCF uses data mining to evaluate more than a dozen indicators associated with fraud.
- DCF tracks the movement of children who were displaced from closed providers.
- DCF expanded MECA Program Integrity efforts, hiring over 20 temporary staff.
- DCF is expanding 2nd and 3rd shift monitoring visits to ensure billed care is being provided.
- DCF has created child care anti-fraud task forces in Milwaukee, Racine, and Kenosha Counties to investigate child care providers whose fraudulent actions rise to the level of criminal violations. Milwaukee County has criminally charged 14 child care providers.
- DCF has dedicated 1.0 FTE and 5.0 LTE to the Task Force in Milwaukee County.
- MECA Client Investigations Unit has a fraud hotline and introduced a fraud email address.
- MECA Client Investigations Unit has cleared all the 2008-2009 acquired child care case backlog and investigated approximately 1,038 referrals.
- MECA has partnered with UWM to cross-match data from multiple agencies to ID fraud.

Child Care Subsidy Overpayment Recovery:

Before July 2009:

- Collections were only successful by keeping the provider in business so that their issuance could be recouped for repayment.
- There were no methods for collecting debts from providers who were no longer active in the subsidy program.

Now:

- DCF has established $14.4 M in overpayments against clients and providers since 2009.
- MECA established $3.7 M in client overpayments in 2010, and $1.7M in 2009.
- Overpayments against providers active in the subsidy program are offset against future issuances
- For providers no longer active in the subsidy program, DCF uses all tools available to the state to collect debt including: tax intercepts, levies, liens, and warrants. Since September 2009, $2.4 million has been forwarded to the Public Assistance Collection Unit for formal collections.

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List of law changes that have been put in place to address fraud issues in Shares and toughen the current laws – with dates:

- Budget Repair Bill - 2009 Wisconsin Act 2 - published 3/5/2009. Creation and staffing of Fraud Detection and Investigation Unit (five total positions)
- 2009-2011 Budget Bill - 2009 Wisconsin Act 28 - published 6/29/2009. Creation of refusal to pay and 49.155 enforcement measures, added automated adjustments to authorizations, added 60/40 rule, added requirement for providers to maintain records for 3 years.
- 2009 Wisconsin Act 76 - published 11/25/2009. Caregiver Background Law, with cross-over impacts on 49.155
- 2009 Wisconsin Act 77 – published 11/25/2009. Established personal liability of officers, directors, and employees of child care providers.
- Emergency Rule - CR 10-086 - effective 7/9/2010. Permanent Rule - effective 1/1/2011. Revision to DCF 201 relating to overpayments, collections, and penalties

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Appendix 2

Program Specific Recommendations

The following recommendations are specific to the Child Care Shares and Wisconsin Works program. DCF believes each recommendation may require statutory or administrative rule changes to enact and would result in a reduction in the opportunity for fraud and abuse to occur.

Child Care Shares *Savings $20,000,000*

Eliminate Joint Certification and Licensing

Under current law Child Care Providers are typically either "certified" or "licensed" depending on the number of children in their care. Current law, however, has the anomaly that allows Providers to be jointly certified and licensed or to move back and forth between these regulations. While this does not happen often when it does it creates problems with jurisdictional handoffs and as a result it slows down any enforcement action.

> **Recommendation: Clarify in statute that certification and licensing applies strictly to the number of children in care.**

Apply 40% Rule to all Sites

Recent legislation limited the number of children of employees who can care for their own children to be no more than 40% of the children under care. This law was put into place to avoid families taking care of each others children. The law was written to be specific to each "home". Some certified Child Care Providers are certified for multiple homes. When this happens the 40% rule can be avoid by having the employee's children being taken care of in different homes.

> **Recommendation: Clarify in statue that the 40% rule applies to all homes operated by the provider.**

Expand Licensing Rules to Cover all Multiple Site Providers

Family Child Care is certified for Providers who have 4 or less unrelated children. The certification requirements must be met by the certified provider under the assumption that the provider is in the home overseeing the child care services. Current law does not prevent the Provider from having multiple homes. In this case the provider by definition cannot be in each home simultaneously defeating in part the purpose of the certification. Treating the provider in this circumstance under licensing provisions would eliminate this problem.

> **Recommendation: Clarify that all Providers who have care in 2 or more sites must meet licensing requirements.**

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Require use of Attendance Based Reporting

All Child Care Providers who wish to collect Shares reimbursement must collect and report time that the child in attendance at the child care center. The number of hours a child may be in a center is called "authorization". Current state law allows authorization to be "enrollment" based or "attendance" based. Enrollment based is reimbursed based on a predetermined number of hours – e.g. 25 per week, regardless of number of actual hours attended. Attendance based reimbursement is actual hours – e.g. if you attend 25 hours you are paid for 25 hours. Enrollment based authorization more closely resembles the private sector. However since the payer is primarily the state and not the parent changes in hours needed are often not timely reported. Studies show what actual use in enrollment based authorization is in the 80% range.

Recommendation: Clarify that attendance based authorizations are to be the only means of reimbursement to Child Care Providers.

Wisconsin Works ***Savings $70,000***

Clarify Application of Intentional Program Violations

The current process to apply and appeal an IPV (Intentional Program Violation) is unclear and, as a result, IPVs are rarely assigned. According to 49.151(2), IPVs can be assigned by the court or by an administrative hearing. Because of the current lack of clarity in the statute, in regards to the application of the first and second IPV and the jurisdictional rights of the Department of Hearing and Appeals to uphold or administer a first or second IPV through an administrative disqualification hearing, agencies are unable to apply a first or second IPV.

Recommendation: DCF would like to change state statutes to clarify:

1) **How W-2 agencies can assign an IPV**
2) **The appeal process for participants assigned the first, and second IPV**
3) **The process for appealing the third and final IPV**
4) **The consequences of each IPV**

This clarification of the IPV administration process will authorize agencies to appropriately apply a first, second, or third IPV. It will also clearly state the rights for a W-2 group member to appeal an IPV through an administrative hearing process and clarify the Division of Hearing and Appeals jurisdiction in this process.

Create Authority to establish and collect overpayments for Emergency Assistance

Currently there is no statutory authority to recover Emergency Assistance (EA) overpayments. EA overpayments occur sometimes despite monitoring when there is fraud by landlords and/or EA applicants or there are errors in issuing EA payments. DCF's authority to recover the EA overpayments is essential to maximize the effectiveness of the EA funding allocation for EA

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grant payments. DCF would establish statewide standards and the recovered amounts would be designated for EA funding.

Recommendation: The change will authorize the department to develop policy regarding EA overpayment recoupment's; to utilize the resources of the Public Assistance Collections Unit to enforce tax refund intercepts and property levies and liens.

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Appendix 3

Overtime Impact of "Pay Status" versus "Work Status"
Division of Adult Institutions

Background

The federal Fair Labor Standards Act (FLSA) requires overtime compensation for non-salaried employees who work more than 40 hours in a week ("work status"). Employers may develop provisions or pay mechanisms that are more generous than the FLSA requirements. While we have several such mechanisms with State compensation, this discussion focuses on a provision commonly referred to as the "pay status" provision in the Wisconsin State Employees Union (WSEU) bargaining agreement.

Under current WSEU contract language an eligible position must be paid for premium overtime for any hours that are beyond 40 hours in a week whenever they are in "pay status." Pay status includes all paid leave hours (sabbatical, sick leave, vacation or personal holidays) that might be utilized during the work week.

This provision for "pay status" allows the situation in which an employee can utilize leave time to cross the "threshold" of 40 hours, thereby being eligible for premium overtime hours much earlier than required under "work status". It also allows for the circumstance referred to as "overtime stacking" -- calling in sick or taking other leave on 1st shift then working either a 2nd or 3rd shift resulting in having overtime hours due to pay status language in the bargaining agreement.

These options result in costs to the state through additional overtime being paid in the same week an employee may have taken vacation. Overtime payments have consistently created budgetary shortfalls for the Department; for example, actual overtime cost in the Division of Adult Institutions for FY10 was $26,726,500 while the budget was $23,638,800.

Within the collective bargaining changes proposed in 2011 Special Session Senate Bill 11, it is anticipated that the expiration of the Master Union Contract may change the "pay status" language to "work status" (default to the federal Fair Labor Standards Act), which would mean an employee would not be eligible for premium overtime payment until they had worked 40 hours in a week. (i.e. excluding hours of paid leave time.) In addition, with the expiration of the subordinate local agreements the mechanism for "overtime stacking" would be lessened because management will have ability to use a more consistent strategy in determining procedures for sick calls as they affect overtime.

Assumptions/Criteria

The Division of Adult Institutions and the Bureau of Budget & Facilities Management worked together to calculate the potential premium overtime cost to be avoided by the change to "work status." Such an analysis was based upon the following assumptions.

- Continuation of the current number of: authorized staff, work hours, leave hours, and overtime hours;

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- The state payroll system does not allow research on a weekly basis so all analysis is completed assuming an 80 hour pay period, this limitation could either over or under state the impact;

- While a similar provision may exist in the contracts for other bargaining units, this analysis focused on the bargaining units with the greatest number of DOC employees;

- Calculation methodology involved:
    - Excluding any pay periods with furloughs;
    - Looking at all employees with the premium overtime within the selected pay periods;
    - Examining all records where staff were compensated for less than 80 regular hours (work status);
    - Averaging overtime costs based upon 18 selected pay periods over 3 years (FY09, FY10, and FY11) including –
        - 6 pay periods with highest amount of overtime,
        - 6 pay periods that experienced medium amounts of overtime, and
        - 6 pay periods having the lowest overtime expenditures;
    - Extrapolating the average overtime cost per pay period out to an annualized fiscal year;
    - Determining the cost avoidance for the annualized amount as the differential between the hours paid at premium overtime versus if those hours were paid at straight time instead; and
    - Recognizing that some of these overtime hours were directed by management (this data is not available), and thus were required and mandatory, multiplying the annualized figure by 75% to represent the potential cost avoidance amount.

Conclusion

- Changing the contract language related to premium overtime eligible from “pay status” to “work status” could result in a projected annualized cost avoidance of $4.8 million.

- This cost avoidance projection is premised upon continuation of operations as they currently exist (same number of staff, number of hours of work needed, etc). It is conceivable compensation provisions developed in the future or concerted efforts by affected staff to create more overtime opportunity could make an impact in the total projected amount.

Prepared jointly by the Department of Corrections, Division of Adult Institutions and Bureau of Budget & Facilities Management

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Appendix 4

Update on Shared Services Research

Since issuing the interim report research was conducted regarding the large number of local governments in Wisconsin compared to other states. Also, options to share services and incentivize consolidation were offered to the Commission.

The Situation

- Wisconsin has a large number of local governments relative to its population. Overall, Wisconsin has 3,120 units of local government, including:
  - 424 school districts
  - 190 cities
  - 405 villages
  - 1,255 towns
  - 72 counties
  - 16 technical college districts
  - Over 600 special purpose districts

- Wisconsin has the 11th highest total number of local units of government per capita and the 8th highest number of municipal and township governments per capita.

- Compared to the nation as a whole, Wisconsin has nearly twice the number of local governments per capita and nearly three times the number of municipal and township governments.

- The tables below demonstrate Wisconsin's relative standing to other states in its population and population density categories.

TABLE 1: Comparison of Wisconsin to Other States with Similar Overall Population

		All Local Governments				Municipal and Township Governments			
State	Population (000s)	# of Governments	Local Units of Government Per Thousand	Rank	Rank in # of Local Governments	# Municipal and Township Governments	Municipal and Township Governments Per Thousand	Rank	Rank in # of Municipal and Township Governments
Indiana	6,483.8	3,231	0.50	17	10	1,575	0.24	10	9
Arizona	6,392.0	645	0.10	45	40	90	0.01	47	46
Tennessee	6,346.1	928	0.15	39	31	347	0.05	36	27
Missouri	5,988.9	3,723	0.62	12	6	1,264	0.21	12	11
Maryland	5,773.6	256	0.04	49	46	157	0.03	45	41
Wisconsin	5,687.0	3,120	**0.55**	13	11	1,851	**0.33**	8	6
Minnesota	5,303.9	3,526	0.66	9	8	2,642	0.50	5	2
Colorado	5,029.2	2,416	0.48	18	15	270	0.05	37	32
Alabama	4,779.7	1,185	0.25	31	28	458	0.10	26	23
South Carolina	4,625.4	698	0.15	37	37	268	0.06	33	33
Louisiana	4,533.4	526	0.12	43	43	303	0.07	29	28

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TABLE 2: Comparison of Wisconsin to Other States with Similar Population Density

		All Local Governments				Municipal and Township Governments			
State	Population Per Sq. Mile	# of Governments	Local Units of Government Per Thousand	Rank	Rank in # of Local Governments	# Municipal and Township Governments	Municipal and Township Governments Per Thousand	Rank	Rank in # of Municipal and Township Governments
Georgia	165.9	1,439	0.15	38	23	535	0.06	35	19
Tennessee	150.6	928	0.15	39	31	347	0.05	36	27
South Carolina	148.6	698	0.15	37	37	268	0.06	33	33
New Hampshire	141.8	545	0.41	20	42	234	0.18	17	36
Kentucky	107.4	1,346	0.31	27	25	419	0.10	25	24
Wisconsin	101.3	3,120	**0.55**	13	11	1,851	**0.33**	8	6
Washington	98.7	1,845	0.27	29	19	281	0.04	42	31
Louisiana	95.0	526	0.12	43	43	303	0.07	29	28
Texas	94.2	4,835	0.19	33	3	1,209	0.05	41	13
Alabama	92.4	1,185	0.25	31	28	458	0.10	26	23
Missouri	85.9	3,723	0.62	12	6	1,264	0.21	12	11

Source: U.S. Census Bureau

- The presence of a large number of local governments creates distortions in the provision of essential public services by erecting numerous artificial boundaries to the provision of services that may have needs that do not conform to geographic boundaries.

- A view of local government expenditures by size of municipality appears to provide some indication that there are categories of government expenditures where larger municipalities can achieve economies of scale. In particular, in general government expenditures, smaller municipalities appear to incur far greater costs per capita than larger municipalities.

- In other areas, economies of scale do not appear feasible since differing demands on certain governments drive costs more than efficiencies can offset them as well as because smaller communities do not provide a particular service, but savings may still be achieved through various forms of shared services.

- In many cases, functional consolidation between municipalities, where service areas are consolidated while municipalities remain politically independent, can achieve the same cost savings as would be achieved under full political consolidation.

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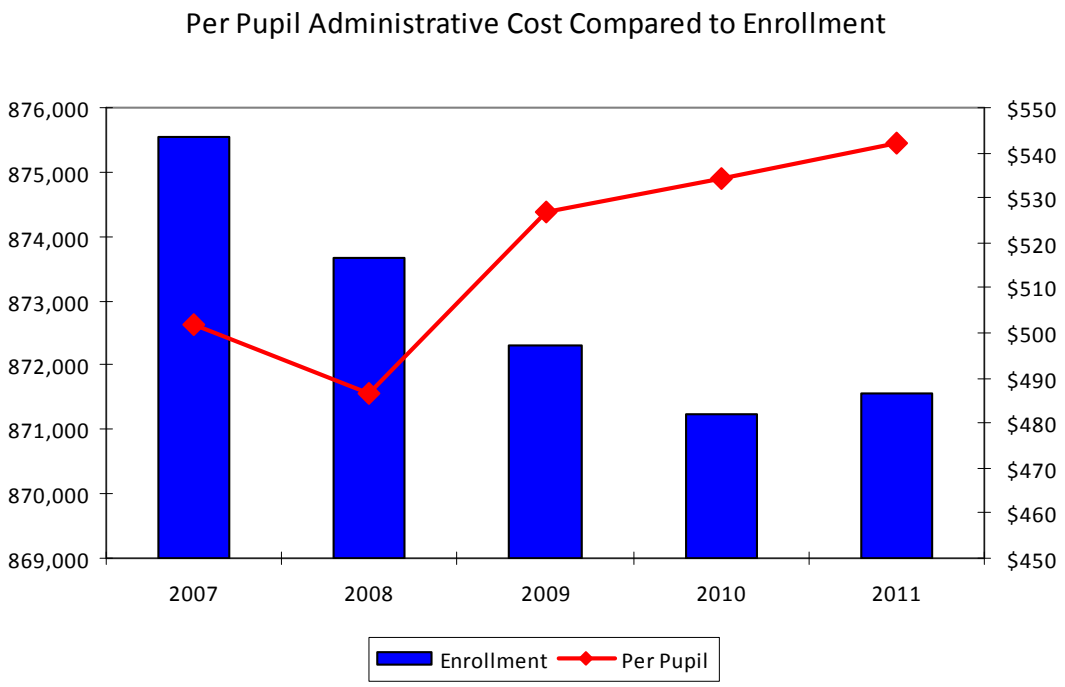
			General Government		Police Protection	
Municipality Type	Population Category	# of Municipalities	Total Expenditures	Per Capita	Total Expenditures	Per Capita
City	Less than 1,000	6	$1,564,536	$309.4	$774,297	$153.1
	1,000-2,499	49	$14,145,117	$167.3	$18,886,194	$223.3
	2,500-4,999	40	$18,281,362	$128.5	$28,789,897	$202.4
	5,000-9,999	30	$32,777,460	$143.8	$57,001,038	$250.1
	10,000-24,999	37	$61,085,428	$109.7	$136,408,742	$245.0
	25,000-49,999	15	$55,266,867	$106.5	$128,572,681	$247.8
	50,000-99,999	10	$66,214,072	$98.0	$173,875,891	$257.4
	100,000 and above	3	$166,408,525	$181.8	$329,223,018	$359.7
Town	Less than 1,000	699	$37,637,082	$89.8	$908,319	$2.2
	1,000-2,499	413	$42,016,003	$67.8	$3,290,514	$5.3
	2,500-4,999	104	$21,355,781	$60.6	$5,857,570	$16.6
	5,000-9,999	38	$17,899,850	$67.4	$16,214,932	$61.1
	10,000-24,999	4	$5,321,551	$76.8	$12,047,190	$173.9
Village	Less than 1,000	231	$19,577,205	$172.8	$8,304,009	$73.3
	1,000-2,499	93	$23,359,729	$165.2	$23,335,036	$165.0
	2,500-4,999	37	$17,480,459	$137.7	$26,772,667	$210.9
	5,000-9,999	20	$18,482,366	$132.8	$31,614,510	$227.1
	10,000-24,999	17	$20,522,942	$89.5	$40,372,810	$176.0
	25,000-49,999	3	$7,465,324	$86.9	$16,680,654	$194.2
County	2,500-4,999	1	$1,198,607	$257.5	$1,277,076	$274.3
	5,000-9,999	3	$4,659,376	$230.4	$2,985,433	$147.7
	10,000-24,999	21	$85,080,858	$221.5	$49,511,185	$128.9
	25,000-49,999	19	$101,807,805	$140.4	$73,867,775	$101.8
	50,000-99,999	13	$104,929,928	$109.7	$70,202,100	$73.4
	100,000 and above	15	$802,661,181	$223.1	$219,834,621	$61.1

			Fire Protection		Parks and Recreation	
Municipality Type	Population Category	# of Municipalities	Total Expenditures	Per Capita	Total Expenditures	Per Capita
City	Less than 1,000	6	$691,824	$136.8	$394,197	$78.0
	1,000-2,499	49	$8,788,717	$103.9	$6,596,054	$78.0
	2,500-4,999	40	$11,379,498	$80.0	$17,284,084	$121.5
	5,000-9,999	30	$20,392,542	$89.5	$17,471,180	$76.7
	10,000-24,999	37	$62,745,798	$112.7	$39,820,503	$71.5
	25,000-49,999	15	$83,940,042	$161.8	$39,936,136	$77.0
	50,000-99,999	10	$106,630,052	$157.8	$43,491,925	$64.4
	100,000 and above	3	$177,403,755	$193.8	$30,630,155	$33.5
Town	Less than 1,000	699	$19,489,932	$46.5	$2,563,933	$6.1
	1,000-2,499	413	$30,618,417	$49.4	$2,901,650	$4.7
	2,500-4,999	104	$15,848,337	$45.0	$2,889,246	$8.2
	5,000-9,999	38	$18,370,457	$69.2	$4,031,327	$15.2
	10,000-24,999	4	$8,582,418	$123.9	$4,061,572	$58.6
Village	Less than 1,000	231	$12,534,742	$110.7	$9,860,090	$87.0
	1,000-2,499	93	$17,070,849	$120.7	$7,586,770	$53.6
	2,500-4,999	37	$10,808,770	$85.1	$5,572,251	$43.9
	5,000-9,999	20	$10,662,352	$76.6	$7,622,868	$54.8
	10,000-24,999	17	$22,386,453	$97.6	$10,636,409	$46.4
	25,000-49,999	3	$10,326,566	$120.2	$2,022,089	$23.5
County	2,500-4,999	1	$60,970	$13.1	$0	$0.0
	5,000-9,999	3	$587	$0.0	$1,106,595	$54.7
	10,000-24,999	21	$12,085	$0.0	$10,563,918	$27.5
	25,000-49,999	19	$18,902	$0.0	$11,736,909	$16.2
	50,000-99,999	13	$25,614	$0.0	$11,240,349	$11.8
	100,000 and above	15	$40,505	$0.0	$122,911,177	$34.2

Source: *2009 County and Municipal Revenue and Expenditures*, Wisconsin Department of Revenue.

- The Wisconsin Department of Public Instruction administrative salary report shows of 424 school districts, administrative staff were paid a total of $472 million in salary and fringe benefits in 2011. This is an increase from $438 million in 2007. During the same time period, pupil enrollment has dropped from 875,534 to 871,550.



There are existing tools for local governments to share services. Below is a review of the current law tools available.

<u>Levy Limit Adjustments and Exclusions</u>

- An adjustment is allowed for political subdivisions transferring services. The transferring government must reduce its allowable levy by the cost of the service and the receiving government may increase its allowable levy by the same amount. *s. 66.0602(3)(a) & (b)*

- Counties that consolidate a service from a political subdivision of the county to the county level are allowed to increase their allowable levy by the amount of the cost of that service. *s. 66.0602(3)(g)*

- Amounts paid by a municipality as charges assessed by a joint fire department that would cause the municipality to exceed its levy limit are added to the allowable levy for that municipality. *s. 66.0602(3)(h)(2)*

- In the context of intergovernmental cooperation agreements, a municipality that increases its allocation of costs of a shared service between multiple municipalities may adjust its allowable levy by the amount of that increased cost allocation. Municipalities seeing their costs decline must reduce their allowable levies by an offsetting amount. *s. 66.0602(3)(i)*

- Amounts levied by a county for a countywide emergency medical system are not subject to levy limits. *s. 66.0602(3)(e)(6)*

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Intergovernmental Cooperation Agreements

- Under subchapter III of Chapter 66, county and municipal governments, as well as all other political subdivisions, are given broad power to share the provision of various services. Specific provisions are made relating to:
  - Municipal interstate cooperation (s. 66.0303)
  - Conduit revenue bonds (s. 66.0304)
  - Political subdivision revenue sharing (s. 66.0305)
  - Boundary changes under cooperative plans (s. 66.0307)
  - Creation, organization and powers of regional planning commissions (s. 66.0309)
  - Cooperative financing of housing projects (s. 66.0311)
  - Mutual assistance in health, fire and police services (ss. 66.0312, 66.03125, 66.0313, respectively)
  - Cooperation for federal rivers, harbors or water resources projects (s. 66.0315)
  - Creation of cooperation regions for MSAs (s. 66.0317).

Consolidation Statutes

- A town, village or city may consolidated with a contiguous town, village or city if an ordinance is passed by two-thirds votes of the governing bodies and the merger is ratified by the voters of each municipality. For towns, the merger must also be submitted to the circuit court and approved by DOA prior to its submission to the voters for ratification. *s. 66.0229*

- All or part of a town may consolidate with a contiguous city or village if the following processes are completed (*s. 66.0230*):
  1) Resolutions describing a basic level of services to be provided are adopted by the governing bodies
  2) Boundary agreements developed between the consolidating municipalities and adjacent municipalities
  3) A comprehensive plan for the consolidated municipalities
  4) An ordinance passed by a two-thirds vote of the governing bodies
  5) A referendum vote of each community's electors that must pass by majority vote

Comprehensive Planning Grants

- Under comprehensive planning grants, one of the required areas to be included in a plan is the intergovernmental cooperation element. *s. 66.1001(2)(g)*

- To the extent that a municipality or municipalities entering into a comprehensive plan incur costs related to the development of an intergovernmental cooperation plan, they can obtain funds for a study. One of the eligible expenditure areas under the comprehensive planning grants is for planning consultant services, which could include consultant services related to estimating efficiencies from consolidated services. *s. 16.965(2). However, these grants currently have no dedicated funding source.*

Below is a partial listing and discussion of existing efforts by local governments to share services.

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Use of Levy Limit Provisions

Levy Limit Adjustment/Exclusion Utilized		2005	2006	2007	2008	2009	2010	Totals
Service Transfers From Other Municipalities	# of Claims	3	3	0	4	1	3	14
	$ Amount	$662,328	$854,526	$0	$183,290	$33,437	$1,046,457	$2,780,038
Intergovernmental Cooperation Agreements	# of Claims	0	0	0	0	9	9	18
	$ Amount	$0	$0	$0	$0	$6,551	$13,090	$19,641
Joint Fire Departments	# of Claims	0	5	8	11	9	6	39
	$ Amount	$0	$134,158	$39,921	$49,907	$62,376	$33,918	$320,280
County Consolidation/County Service Transfer From Other Subdivision	# of Claims	3	3	5	2	3	1	17
	$ Amount	$1,063,116	$374,151	$2,336,688	$300,030	$743,708	$458,722	$5,276,415
Countywide EMS Exclusion	# of Claims	0	0	3	5	9	6	
	$ Amount	$0	$0	$2,027,275	$2,958,398	$5,210,169	$4,523,050	

Examples of Intergovernmental Cooperation Agreements

- Approximately 25 municipalities are presently engaged in cooperative boundary agreements.
  - 23 have arrangements related to the transfer of property
  - 11 include revenue sharing provisions
  - Ex: city of Kenosha, town of Somers agreement
    - Approved in 2005, plan period extends to 2035
    - Integrates and consolidates sewer and water agreements
    - Provides revenue sharing payments from Somers to Kenosha
    - Requires Kenosha support of future Somers incorporation

- City of Racine revenue sharing program
  - Shared tax base between city of Racine and its neighbors
  - Racine provides numerous centralized services, water and sewerage in particular, to neighboring municipalities, but has a much smaller tax base per capita
  - Revenue sharing agreement shares taxes generated via new developments with all participating municipalities according to a distribution formula

- In 2005, the town of Harrison contracted with Calumet County for the provision of law enforcement services.

- In 2005, the villages of Plover and Whiting in Portage County entered into a service sharing agreement for fire protection.

Selected Consolidations

- Village of Rochester merged with the town of Rochester in 2008.

- Village of Bristol merged with the town of Bristol in 2010.

- Ongoing attempt by the city and village of Pewaukee to merge.

- Town of Madison eventually to be dissolved into the city of Madison.

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- Town of Burke is to be annexed by the city of Madison, the village of De Forest, and the city of Sun Prairie by 2036.

Comprehensive Planning Grants

- In comprehensive plans submitted by municipalities, one chapter of the plan must be devoted to describing existing, planned and potential intergovernmental cooperation agreements with neighboring communities.

- The city of Stevens Point's comprehensive plan identifies possible consolidation opportunities to transfer the provision of EMS services to the county level as well as pursuing additional cooperative boundary agreements.

- The village of Whitefish Bay's comprehensive plan identifies a number of services that could be better provided by the county, including centralized information technology services.

Other Information

- Local Government Institute report from 2010 found that 91 percent of respondents in a 2009 survey had engaged in some form of service sharing. The survey included officials from 71 counties, 77 cities, 122 villages and 150 towns across the state.

- Respondents to the same survey indicated that public transportation, fire protection, public health, libraries and EMS were the areas in which cost savings from service sharing could most readily be found.

This is a look at other state's efforts to incentivize sharing services among local governments.

New York

Incentive or Assistance Programs:

- High Priority Planning Grants are noncompetitive planning grants for city or county charter revisions that include functional consolidations or increased shared services; municipal mergers, consolidations or dissolutions; countywide shared services; or the transfer of local functions to the county and multi-county or regional services. Activities shall have a great potential for cost savings, structural change and management improvements. The grant maximum is $50,000 for village dissolutions or charter revisions, a single applicant may apply.

- General Efficiency Planning Grants are competitive planning grants to help identify and study opportunities to improve local government efficiency and cost savings, including health plan consolidations. The grant begins at $25,000 for the first two municipalities, with an additional $1,000 for each additional municipality. The grant maximum is $35,000.

- Efficiency Implementation Grants are competitive grants to assist applicants in implementing plans to improve local government efficiency and cost savings. The grant

begins at $200,000 per municipality. The grant maximum is $1,000,000. Transitional personnel costs essential for implementation are allowed for a period of up to three years. If funding is for the implementation of a past Shared Municipal Services Incentive study, the local cost share for that study shall offset local share of this grant only.

- 21st Century Demonstration Projects are competitive grants promoting large-scale, transformative change in municipalities that can be used as models for municipal innovation. This may include consolidation of services on a multi-county basis, consolidation of certain services countywide, creation of a regional entity empowered to provide multiple functions on a countywide or regional basis, the creation of a regional or city-county consolidated municipal government, Boards of Cooperative Educational Services consolidation of school districts or school district services, or the creation of a regional smart growth compact or program. A maximum of $400,000 per municipality may be awarded.

- Incentive Payments for Consolidation or Dissolution of Municipalities
    - Municipalities consolidating, dissolving or merging can choose between:
        - Increase in revenue sharing payment of 15 percent of combined municipal levies of consolidating municipalities or $1 million annually, whichever is less. Payments continue in perpetuity.
        - A 25 percent increase in shared revenues or $1 million, whichever is less. Payments continue in perpetuity.
        - $250,000 for the first year after consolidation, phased-down in equal parts of $50,000 a year for the next four years. Aid cannot exceed 25 percent of combined property tax levy of consolidating municipalities.

Authorizing Statutes:

- 2011 SB 1824 built upon The Citizen's Empowerment Act of 2009 to streamline the process by which voters may petition for a municipal consolidation. Under the original law, dissolution of a local unit of government required the lesser of 10 percent of the registered voters or five thousand citizens to sign a petition for a referendum to gain ballot access. If the referendum passed, the local unit of government was required to submit a plan for consolidation, which would then be subject to a subsequent referendum process. Under the new bill, the process is somewhat streamlined with the removal of excess procedures.

New Jersey

- 2006 Special Session Joint Legislative Study Committee on Government Consolidation and Shared Services made 18 recommendations, including:
    - Consolidation of Public Safety Answering Systems.
    - Sharing of municipal courts
    - Tying a portion of state aid to local governments to certain efficiency measures that would be set at the state level. Benchmarking used for this purpose would

also be available to the public to apply public pressure on local governments to reduce costs.
    - Centralize property assessment at the county level.

- A recommendation of the committee led to the development of the Local Unit Alignment, Reorganization and Consolidation Commission (LUARCC) in 2007.
    - LUARCC provides data on municipal performance and financial statistics as well as providing best practices reports and guidance for consolidation and shared services efforts.

- 2011 law modified existing consolidation procedures to allow voters in contiguous municipalities to petition for consolidation.
    - A number of registered voters equal to 10 percent of the votes cast in the previous general election for members of the state General Assembly in each municipality must sign the petition in order for a referendum on whether or not to create a commission to produce a plan for consolidation.
    - Alternatively, the governing bodies of each municipality may vote to create a commission, or a petition can be successful in one municipality while governing bodies initiate the process in other municipalities.
    - If the referendum garners a majority in each municipality, a consolidation commission will be formed.
    - The commission produces a report on consolidation, outlining the plan for the proposed consolidation.
    - This plan is then put to a vote of the electorates of each municipality. A majority of the voters in each municipality must approve the plan.

<u>Rhode Island</u>

- 2010 Senate Commission on Shared Municipal Services[59] identified several areas for potential consolidation and service sharing including:
    - Public safety dispatching services
    - Local government information technology services, where currently most local governments maintain their own systems and have substantial excess capacity as well as their own maintenance contracts
    - Property tax assessment
    - Statewide purchasing programs to pool the state and local governments' combined purchasing power

- The commission recommended the creation of a standing joint legislative committee dedicated to local government consolidation issues, which would be broken into several specialized subcommittees that would focus on particular areas of potential consolidation and shared services.

- The commission also identified growing other post employment benefit (OPEB) liabilities as a concern that warrants additional monitoring.

[59] Rhode Island Special Commission Report on Municipal Shared Services, http://www.rilin.state.ri.us/specialreports/senate_commission_on_municipal_shared_services_analysis_052410.pdf

Michigan

- Fiscal year 2012 budget includes overhaul to shared revenue program to provide incentives and assistance for local government consolidation as well as reducing employee compensation costs.

- $200 million of revenue sharing payments contingent on meeting the requirements of the three following categories:
  1. Accountability and transparency metrics adopted by October 1, 2011
     - Counties and municipalities must establish a financial "dashboard" of key metrics so that citizens can track the financial performance of local governments.
     - Establish a transparency tool or Citizens Guide.

  2. Service sharing and consolidation
     - Local governments must submit a plan or identify current efforts regarding service sharing/consolidation. Local governments must set forth a "good faith" effort by January 1, 2012.
     - $5 million will be set aside to help communities with one-time costs associated with undertaking consolidation initiatives. Rules regarding the distribution of the grants will be promulgated by the Michigan Department of the Treasury.

  3. Employee compensation best practices
     - Make changes similar to what the state did for new or reopened contracts.
     - Various possible pension changes.
     - Require employees to pay 20 percent of health insurance premium costs.

- Local governments receive one third of their potential payment, which is apportioned on the basis of population, for each of the three major categories in which they meet the outlined criteria.

Indiana

- The Kernan-Shepard Commission in 2007 recommended a number of changes to Indiana's local government structure, including:
  - Transferring nearly all town functions to the counties
  - Countywide property assessment
  - Consolidate public safety dispatching at the county or multi-county level
  - Create a countywide body to administer all public safety services
  - Eliminate excess county elected positions and consolidate those positions under the county executive
  - Strengthen power of voters to compel consolidation between local governments
  - Establish a statewide benchmarking system for local governments to allow both the state government and voters to monitor productivity and progress

- An accompanying analysis by Ball State University researchers in 2009[60] (Faulk and Hicks, 2009), suggested scale economy savings of approximately $200 million due to

[60] Ball State University Study, February 2008, http://www.insideindianabusiness.com/newsitem.asp?ID=27617

scale economies created by consolidation and an additional $360 million to $420 million due to other efficiency measures.

Kentucky

- County/metro government for Louisville/Jefferson County.

This is a list of some of the concerns local governments have had with sharing services and/or consolidation efforts.

- Shared revenue provides no incentives for service consolidation, particularly since the formula is frozen. Some argue that the old formula actually provided a disincentive to find cost savings since the distribution was based on tax effort.

- Too much needless competition for growth in tax base. Shared tax bases would help to incentivize service consolidation.

- Uniformity clause limits ability of local governments to deal with issues of tax rate disparities between merging communities. The issue most often cited is that the municipality with the lower municipal mill rate is unwilling to accept the higher mill rate of the other municipality. Uniformity does not allow for differential mill rates within a municipality under any circumstances.

- Consolidation efforts require consultants to identify areas of savings as well as long-term financial planning associated with mergers and the implementation of shared services. The state provides few avenues for funding these studies.

A 2011 Legislative Council Special Committee on Local Service Consolidation had these recommendations to incentivize sharing services.

- The Joint Legislative Council established the Special Committee on Local Service Consolidation in May 2010 to review current law and practices in the provision of local government services. The committee was tasked with making recommendations as needed to current law to facilitate greater partnership among local units of government for more cost-effective provision of services.

- The committee held four meetings in 2010 in August, October, November and December. At the meetings the committee heard testimony from local government officials, academics, representatives from local government advocacy organizations and private consultants that advise local governments in Wisconsin on a range of issues including discussion of existing statutes and existing as well as planned consolidation efforts.

- The committee recommended four bill drafts on the following issues:
  - Repeal 2009 Act 28 maintenance of effort requirement for county and municipal emergency services expenditures. (This was repealed by 2011 Act 32.)

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- Amend the constitution's uniformity clause provisions to allow for differential property tax rates as part of a consolidation.

- Providing loans for the study or implementation of service sharing agreements and local government mergers.

- Levy limit exceptions for costs related to service consolidation implementation.

Options to Incentivize the Sharing of Services among Local Governments:

- Create a grant program to help fund consolidation and shared service studies by local governments. If local governments do not pursue efforts, require the governments to repay the state. A modest program could be funded by a carve-out of County and Municipal Aid payments.

- Enhance the Division of Intergovernmental Relations in the Department of Administration to provide greater technical support to local governments pursuing service sharing and consolidation, including providing information regarding best practices.

- If the present Shared Revenue formula was replaced with a multi-part formula that ran annually to redistribute aid to counties and municipalities, a portion of the formula could be established to provide a greater weighting to expenditures that are governed by an intergovernmental cooperation agreement. This would have the effect of incentivizing communities to enter into service sharing agreements by rewarding those efforts with additional aid as well as rewarding those with existing agreements. Under the prior formula, if a local government realized savings due to a service sharing agreement and passed the savings onto taxpayers in the form of lower levies, that community would actually see less aid.
    - Payments, or certain portions of payments, could be contingent on limits on expenditure growth, similar to the Expenditure Restraint program, to ensure that service sharing agreements are leading to budget savings.

- Similar to Michigan, reduce Shared Revenue payments partially for all municipalities and tie payment of that portion to the adoption of certain best practices for service sharing and consolidation. The cuts could possibly be based on population density with the thought being more populated areas have more potential to share services that sparsely populated rural areas. The 1995 State Administration Value and Efficiency or SAVE report recommended cutting shared revenue by 5% to incentivize sharing services and cooperation[61].

- Modify the Uniformity Clause of the Wisconsin Constitution to allow for differential tax rates for municipalities and counties completing a consolidation for a certain period of time (10 – 15 years). 2011 Legislative Council Special Committee on Local Service Consolidation made this recommendation.

[61] State of Wisconsin Commission for the Study of Administrative Value and Efficiency, January 10, 1995, http://www.lafollette.wisc.edu/publications/otherpublications/SAVE_Report.pdf

- Provide voters with a stronger ability to bring the issue of consolidation with neighboring local governments to a vote similar to proposals implemented in New York and New Jersey.

- Combine school administration functions and staff. This would reduce the cost of school administration without closing schools. This would eliminate the loss of school identity within a community which is often the impediment to consolidation and change.

Special Thanks for this appendix goes to Brian Quinn, Budget Analyst, Department of Administration.

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Appendix 5

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May 6th 2011

Total number of referrals for 1st quarter:	188
Total number of cases completed to date:	188
Total number of cases with O.P. or Savings established:	60 – 30%
Number of cases awaiting disposition from agency:	43
Number of cases with no changes:	85
Total O.P. discovered to date:	$305,073.82
Total cost avoidance reported to date:	$268,248
Total savings reported to date:	$573,321.82
Cost savings ratio calculated to date:	$9.55 - $1

NOTE: All additional overpayments and savings that will be reported for the 1st quarter will go against this already paid cost, significantly driving up the ratio.

We are finding about a 30% error rate so the 43 cases still awaiting a disposition by the agencies should be in about 15 additional cases.

A "ball park" figure of savings for those cases should be an additional $150,000 that would bring the cost saving ratio to $12 To $1.

Appendix 6

DHS Program Integrity Improvement Recommendations for Governor's Commission on Waste, Fraud and Abuse

Short-term

Regularly distribute reports from our EBT system that identify irregularities in usage and provide guidance to local agency staff regarding disposition of these reports for their agencies. Reports include

- Open WI customers regularly using their benefits in another state (considering state border counties)
- Multiple cards issued to the same individual consistently
- Multiple cards going the same address
- Multiple transactions in a short period of time

Create and send out a "misuse letter" with each Quest card and ForwardHealth card issued informing members of the consequences of trafficking or letting someone else use their card.

- Provide a standard "misuse" letter for agencies to use when they receive reports of suspected trafficking

Clearly define and coordinate our priorities with the Department of Children and Families (DCF) to enhance our current automated benefit recovery system (CARES) to make it easier to determine an overpayment and establish a claim. We contract with DCF to collect on the claims established.

Proactively obtain guidance and cooperation from USDA Food and Nutrition Service (FNS) on retailer fraud issues to develop creative solutions to deter FSP benefits trafficking. Ideas include:

- Requiring some proof of ID from questionable card users.
- Creating a graduated enforcement process for chronic card abusers (i.e. letter, interview, investigation, sanction)
- A card user education program similar to MA Program

Realign DHS resources to provide additional staff support for Department program integrity efforts including recipient and provider fraud detection and prevention, quality assurance and training efforts.

Long-term

Stronger legislative language is needed to require sharing of automated information between departments (and states) to assure accurate and real-time eligibility determinations. An example would be to use trusted third party sources that provide current address or wage information.

Develop a statewide error prone profile that would be integrated into the eligibility determination system (CARES) to identify potential fraud cases for immediate review and

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efficient follow up and resolution. (Example: No income reported, but report paying rent. This needs follow up to determine how rent is being paid.)

Support the enactment of the Fraud, Waste, and Abuse Provisions of the Affordable Care Act

Support the proposals contained in Governor Walker's proposed 2011-2013 Biennial Budget to increase the resources available to the Department of Health Services to invest in new technology and provide additional staffing.

Support the Department's work with US DOJ, WI DOJ, FBI, IRS, OIG on the Wisconsin Health Care Fraud Enforcement Initiative to combine resources in a coordinated manner to combat fraud and abuse.

Utilize our existing Fraud Prevention and Investigation Consortia and agencies to develop and pilot new fraud prevention initiatives

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Department of Corrections' Committee for Responsible and Efficient Government

CREG

1 COMMITTEE MISSION & MEMBERS

2 SUMMARY OF SUGGESTIONS

3 EMPLOYEE INPUT

4 PROCESS & PRESENTATIONS

5 ACCOMPLISHMENTS

SIX MONTH REPORT 04.05.11 to 10.31.11

The Department of Corrections' Committee for Responsible and Efficient Government held its organizational meeting on April 5, 2011, as the Waste, Fraud, and Abuse Committee. There was consensus by the members that the name Waste, Fraud, and Abuse Committee could be construed by staff as negative. Chair Schuh recommended renaming the Waste, Fraud, and Abuse Committee to the Committee for Responsible and Efficient Government (CREG).

CREG was formed in accordance with Governor Scott Walker's Executive Order #2, which created the Governor's Commission on Waste, Fraud and Abuse to identify waste, fraud and abuse in state government programs and state appropriations and to recommend solutions.

Secretary Gary Hamblin authorized CREG to work with employees of the agency statewide to uncover instances, processes, policies or protocols that are wasteful, inefficient or subject to fraud and abuse and recommend solutions or steps to eliminate them, reduce the cost of operations or improve efficiency. On September 20, 2011, CREG duties were expanded to assist with employee input concerning capital budget building projects.

CREG Members

Dennis Schuh – Office of the Secretary, Executive Assistant, Chair of the Committee

Melissa Roberts, Office of the Secretary, Legislative Liaison, Vice-Chair

David Bajkiewicz – Division of Juvenile Corrections, Office of Management & Budget, Budget & Policy Analyst

Roland Couey – Division of Management Services, Bureau of Budget & Facilities Management, Director

Linda Eggert – Office of the Secretary, Public Information Director

Randall Hepp – Division of Adult Institution, Jackson Correctional Institution, Warden

Stephanie Hove – Division of Community Corrections, Region 7 Assistant Regional Chief

Aaron Sabel Assistant Regional Chief, Region 4 is temporarily assisting while Stephanie is on an alternate assignment.

Stephen Mahoney – Division of Management Services, Purchasing Agent – Senior

Debra O'Connell – Division of Community Corrections, Region 7 Probation & Parole Agent

Jocelyn Schoeneck – Division of Juvenile Corrections, Interstate Compact

Adam Sutter – Division of Adult Institutions, Prairie du Chien Correctional Institution, Correctional Sergeant

Gloria Thomas – Office of the Secretary, Office of Legal Counsel, Assistant Legal Counsel

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COMMITTEE MEETINGS

CREG has held eight meetings beginning with monthly meetings on April 5, May 12, June 1, and July 8. CREG increased meetings to bi-monthly and held meetings on September 7, September 20, October 4, and October 25.

Employees' Recommended Solutions or Steps

Decrease costs

Increase revenue

Increase

Summary of Employees' Suggestions

The following lists contain examples of the suggestions and recommendations received and may not represent whether the concept was accepted for implementation by the committee. Many of the suggestions are in the review and research process while others may have been tabled or reviewed and declined.

Examples to Decrease Costs

- Hours of work (12 hour shifts, reduce line supervisor's shifts to 8 hours, overtime, utilization of overtime, limit overtime available in one pay period)
- Consolidation of superintendents at correctional centers
- Contracts
- Creation of positions of psychotherapists or fill positions
- Elimination of positions (unit managers, pool officers), units, programs, diets
- Employee benefits (health insurance, modify sick leave and overtime availability, modify retirement calculations to be based on base pay without overtime, eliminate employee reimbursement for uniforms)

Examples to Increase Revenue

- Co-pays or payments (medications, application for interstate compact, inmate notary services, religious meals, inmate ID, driver's license, and drivers education)
- Surplus (equipment from EAS/SOGS, fencing)

Examples to Increase Efficiency

- Computerization of forms (e.g., inmate payment on court orders; agent master list; storage of documents; medical records; supervision fee coupon books)
- Debit cards for inmate release funds
- Utilize staff for certain programs or assignments (e.g., DAI social workers to teach CGIP; P & P Agents to take fingerprints)

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Employees from the following divisions and units within the Wisconsin Department of Corrections (DOC) have provided input:

A. Division of Adult Institutions (DAI)

Correctional Institutions

Chippewa Valley Correctional Treatment Facility
Columbia Correctional Institution
Dodge Correctional Institution
Fox Lake Correctional Institution
Green Bay Correctional Institution
Jackson Correctional Institution
Kettle Moraine Correctional Institution
Milwaukee Secure Detention Facility
New Lisbon Correctional Institution
Oakhill Correctional Institution
Oshkosh Correctional Institution
Prairie du Chien Correctional Institution
Racine Correctional Institution
Racine Youthful Offender Correctional Facility
Redgranite Correctional Institution
Stanley Correctional Institution
Taycheedah Correctional Institution
Waupun Correctional Institution
Wisconsin Secure Program Facility (WSPF)

Correctional Centers

Black River Correctional Center
Drug Abuse Correctional Center
Felmers O. Chaney Correctional Center
Flambeau Correctional Center
Kenosha Correctional Center
Robert Ellsworth Correctional

Bureau of Health Services (BHS)

Bureau of Correctional Enterprises

B. Division of Community Corrections (DCC)

Regions

Region 1
Region 2
Region 3
Region 4
Region 5
Region 6
Region 7
Region 8

Cashier's Office
Records Office

C. Division of Juvenile Corrections (DJC)

Central Office

D. Division of Management Services (DMS)

Bureau of Budget and Facilities Management
Bureau of Finance and Administrative Services
Bureau of Personnel and Human Resources
Bureau of Technology Management (BTM)

E. Office of Secretary

One suggestion submitted to the Governor's Office was referred to DOC CREG!

Process for Review of Employees' Suggestions

- Employee sends input or suggestion to CREG via electronic or paper submission
- CREG reviews
- CREG obtains more information if needed
- CREG refers to appropriate division, person or other entity for input (e.g., Governor's Commission on Waste, Fraud, and Abuse; Office of State Employee Relations)
- CREG reaches a consensus on a recommendation
- CREG responds to employee
- CREG follows-up as needed

"Efficiency is doing better what is already being done."

~Peter F. Drucker

Presentations & Discussions

BHS – Inmate Medical Costs (David Schuller & Lindsey Banta)

BHS – Pharmacy costs for medications (David Schuller)

DMS – DOC Facility Contracts (Committee Member Couey)

DMS – DOC Fleet (Jerry Salvo and Robert Deaver)

DMS – information related to inmate dentures (Committee Member Mahoney)

DMS – BTM Equipment Delivery Policy/Cell Phone Reimbursement/Fleet Policy (Tim LeFave)

DMS – DOC Facility Contracts (Jim Schey/Kevin Reid-Rice)

DAI & Office of Legal Counsel (OLC) – Kosher Diets (Committee Members Hepp & Thomas)

DAI – Security Supervisors Hours of Work Per Day (Committee Member Adam Sutter)

OLC – Kosher & Religious Diets (Andrea Olmanson)

DMS – Capital Budget Process (Kevin Reid-Rice)

WSPF – Barber & Cosmetology Program review (Warden Tim Haines)

DMS – DOC Fleet (Anna Oehler)

DMS – Payroll and Paycheck processing (Anna Oehler)

Department of Corrections' Committee for Responsible and Efficient Government

Six Month Accomplishments

General Accomplishments

CREG has been successful in terms of reaching employees statewide and receiving input from employees. Employees from four of four (100%) divisions, 19 of 20 (95%) correctional institutions, eight of eight (100%) community corrections regions, six of 16 (37.5%) correctional centers, juvenile corrections central office staff, and other units in central office have provided input. As previously noted, CREG has received one referral from the Governor's Office. Employees have provided over 150 suggestions to eliminate perceived wasteful, inefficient, or processes subject to fraud and abuse.

Specific Accomplishments

- Development and Approval of Employee Input Form.
- Discussions with staff from the BTM related to options for submission of suggestions or information to the CREG including the capability of submitting suggestions in an anonymous format.
- Development and Approval of computerized Employee Input Form.
- Establishment of CREG Page on internal web site MyDOC.
- As of October 30, 2011, received over 150 employee suggestions.
- Obtaining additional information as needed.
- Arranged for presentations as needed.
- As result of review of DOC fleet, White Paper is being developed by staff in DMS.
- Referred three suggestions to Secretary Hamblin and received approval for those suggestions.
- Development of an electronic format for the agent master list.
- Application fee for Interstate Compact (subject to further review of proposed fee).
- Modification of fleet operations.
- Reviewed buildings plans. The committee has also been tasked with providing staff based review and comment on building and facility improvement projects prior to submission to the State Building Commissions.
- Created a multi-tiered recognition process to provide appreciation and recognition to employees responsible for providing suggestions that are accepted and implemented in furtherance of the goals of the committee.

Response to Employees' Suggestions

Number Received **>150**

Number and % Reviewed **>70 (47%)**

Number and % Closed **10 (7%)**

Number and % Referred to Divisions **28 (19%)**

Number and % Referred to Secretary **3 (1%)**

Number and % Approved by Secretary **3 (100%)**

Number and % Implemented **3 (100%)**

Department of Corrections

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Secretary
Gary Hamblin

Deputy Secretary
Chuck Cole

Executive Assistant
Dennis Schuh

For more information about the Wisconsin Department of Corrections visit our website at:

http://www.wi-doc.com/

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Appendix 8

Section	***Law Changes***
Putting the 'Integrity' in Program Integrity	- Reinstitute more frequent program eligibility verifications for FoodShare and shorten certification periods, if staff is available to do so.
	- Eligibility verifications should, to the extent possible, involve face-to-face interviews.
	- Charge for the cost of replacement Quest cards from FoodShare recipients and evaluate the feasibility of requiring FoodShare recipients to get replacement cards in person whenever possible, unless a disability or other extenuating circumstance prevents them from doing so.
	- Require a photo I.D. on Quest cards. This will provide a psychological deterrent to potential FoodShare scammers. Some retailers I.D. buyers when they use their credit cards so requiring a photo I.D. card for Quest card holders should not create an undue hardship for retailers or recipients.
	- Require the Department of Health Services to pursue statutory changes that would permit established claims to be referred to the Department of Revenue without a judgment. Specifically, explore adding lien and levy collection functionality for FoodShare by changing state law. These collection processes are already in place and they could streamline collection processes from program to program and increase year to year collections.
	- Increase the number of employees at the Legislative Audit Bureau and task these employees with auditing Wisconsin's public assistance programs once every three years and making recommendations for changes to the Legislature's standing committees and to the Department of Health Services and the Department of Children and Families. At least once per administration, the FoodShare, Medicaid, Child Care and W-2 programs would be audited.
	- Provide better follow through with recommendations made in the Audit Bureau. Potentially create six month status reports from the audited entity of how they are implementing the recommendations.
	- The Audit Bureau should take random samples of data from enrollees and claims cases to ensure accuracy and compliance with laws, procedures, and policies.
	Child Care Shares
	Recommendation: Clarify in statute that certification and licensing applies strictly to the number of children in care.
	Eliminate Joint Certification and Licensing: Under current law Child Care Providers are typically either "certified" or "licensed" depending on the number of children in their care. Current law, however, has the anomaly that allows Providers to be jointly certified and licensed or to move back and forth between these regulations. While this does not happen often when it does it creates problems with jurisdictional handoffs and as a result it slows down any enforcement action.
	Recommendation: Clarify in statue that the 40% rule applies to all homes operated by the provider.
	Apply 40% Rule to all Sites: Recent legislation limited the number of children of employees who can care for their own children to be no more than 40% of the children under care. This law was put into place to avoid families taking care of each other's children. The law was written to be specific to each "home". Some certified Child Care Providers are certified for multiple homes. When this happens the 40% rule can be avoid by having the employee's children being taken care of in different homes.
	Recommendation: Clarify that all Providers who have care in 2 or more sites must meet licensing requirements.

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	Expand Licensing Rules to Cover all Multiple Site Providers: Family Child Care is certified for Providers who have 4 or less unrelated children. The certification requirements must be met by the certified provider under the assumption that the provider is in the home overseeing the child care services. Current law does not prevent the Provider from having multiple homes. In this case the provider by definition cannot be in each home simultaneously defeating in part the purpose of the certification. Treating the provider in this circumstance under licensing provisions would eliminate this problem.
	Wisconsin Works
	Recommendation: DCF would like to change state statutes to clarify: 1) How W-2 agencies can assign an IPV 2) The appeal process for participatnts assigned the first, and second IPV 3) The process for appealing the third and final IPV 4) The consequences of each IPV The clarification of the IPV administration process will authorize agencies to appropriately apply a first, second, or third IPV. It will also clearly state the rights for a W-2 group member to appeal an IPV through an administrative hearing process and clarify the Division of Hearing and Appeals jurisdiction in this process.
	Clarify Application of Intentional Program Violations: The current process to apply and appeal an IPV (Intentional Program Violation) is unclear and, as a result, IPVs are rarely assigned. According to 49.151(2), IPVs can be assigned by the court or by an administrative hearing. Because of the current lack of clarity in the statute, in regards to the application of the first and second IPV and the jurisdictional rights of the Department of Hearing and Appeals to uphold or administer a first or second IPV through an administrative disqualification hearing, agencies are unable to apply a first or second IPV.
	Recommendation: The change will authorize the department to develop policy regarding EA overpayment recoupment's; to utilize the resources of the Public Assistance Collections Unit to enforce tax refund intercepts and property levies and liens.
	Create Authority to establish and collect overpayments for Emergency Assistance: Currently there is no statutory authority to recover Emergency Assistance (EA) overpayments. EA overpayments occur sometimes despite monitoring when there is fraud by landlords and/or EA applicants or there are errors in issuing EA payments. DCF's authority to recover the EA overpayments is essential to maximize the effectiveness of the EA funding allocation for EA grant payments. DCF would establish statewide standards and the recovered amounts would be designated for EA funding.
State vs. Contract Engineers	- Change 2005 Wisconsin Act 89. Make the cost benefit reports for state highway projects more beneficial by doing them after a project's scope is complete, and perform look backs to compare the actual cost of engineering on projects run by state and consultant engineers.
Shared Services	- Examine incentives for school districts to perform energy audits and follow through with the energy upgrades. Energy efficiency investments can be made outside of spending caps and can deliver sizable savings to taxpayers.
Collective Procurement Intiative	- Amend statutes to allow Cooperative Educational Service Agencies to purchase on state contracts.

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	- Clarify the intent of state statutes as it applies to the Wisconsin Economic Development Corporation and Wisconsin Housing and Economic Development Authority.
Tax Collection Reports	- Require the Department of Revenue to report annually to the Legislature and Governor on the increased enforcement actions conducted by the department to improve delinquent tax collections. Also, require the Department to make recommendations to the Legislature and Governor to increase delinquent tax collections and tax code compliance. Estimated additional revenue to the state, $10 million annually.
UI System Reform	- Reduce fraudulent payments to inmates by continuing cross matches with adult detention facilities.
Community Sensitivity Design Accounting	- Cap the percentage of total project cost that can be spend on CSS to 1.5 percent.
	- Limit the design areas to which CSS can be applied to safety and environmental considerations.
	- Require DOT to annually report how much is spent on CSS.
	- Eliminate CSS as a required element of plan design and construction.
Statewide Wellness	- Recommend the Group Insurance Board design a statewide wellness program and adopt it as part of the uniform benefits package for state employees. the program should focus on incentives and discounts for employees who participate and meet wellness goals.
Spending Restraint	- Build in at least $100 million in agency lapse requirements in future biennial budgets. This lapse amount should fluctuate in proportion to the size of future budgets.
Improve the Effectiveness of Grants	- Review all grant approval processes to ensure there is oversight and institute cost sharing where possible.
	- Continue the ten percent reduction to program revenue appropriations. In the future, use the revenue to either reduce fees for taxpayers or for deficit reduction to save taxpayer dollars.
Agency Efficiency Ideas	
	DATCP
	The department, together with the Department of Revenue, administers the Farmland Preservation Program and related tax credit program. Under the program, landowners may claim up to $10 an acre in refundable tax credits. To qualify for the tax credit, landowners must comply with state soil and water conservation standards. Counties are charged with monitoring a landowner's compliance with those standards. However, some of the information needed to monitor landowners' eligibility and required compliance is off limits to counties because of state privacy laws related to an individual's tax return. DATCP and DOR are examining this issue.
	After discussion and review of the issue, DATCP and DOR have concluded that the best course is to introduce legislation authorizing DOR to share contact information of FPP tax credit claimants with a designated official in each county. That official and authorized staff could then work with claimants to ensure that they are complying with the soil and water requirements for the tax credit. This would not yield any savings, but would increase the effectiveness of the program. The impact cannot be known in advance, since counties are currently unable to identify claimants. The departments are preparing draft legislation for consideration by the legislature.

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	DFI
	Examine ways to reduce cost of required notification of business entities which are subject to Administrative Dissolution.
	State statutes empower DFI to administratively dissolve business entities that do not remain in compliance with the rules of the Division of Corporate and Consumer Services. As part of the dissolution process, the Division of Corporate and Consumer Services mails notice of the dissolution to the registered agent and to the principle office of the business.
	If the notices are returned to DFI as undeliverable, statutes require that notice be published in the official state newspaper. These notices in the official state newspaper have cost DFI nearly $100,000 in each of the past several years. As an alternative, DFI proposes publishing the notices on the department's website, saving the agency the publication costs and potentially reaching a larger audience.
	DNR
	Examine the value of all associated boards, councils, and commissions. Potential savings are $150,000.
	The Department has compiled a list of boards, councils, and commissions that we participate it and assessed cost/benefit. Based on that assessment, the savings would be significantly less than originally projected. In order to garner savings, the Legislature would need to take action to eliminate these Boards, etc. or change the Department's fiduciary responsibility to support these Boards, etc.
	Examine web based public notice permitting. The potential savings are $283,000.
	This proposal requires legislative action to change statutory requirements. The Department has discussed this change with Legislative leadership and provided detail language for the needed change. Issue awaiting bill introduction and legislative action.
	DOR
	Examine moving the unclaimed property program from the Treasurer's office to Revenue. There is increased potential to move some claims to debts.

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[xiii] Connecticut Department of Labor's Lean Government Services, Stephen Dombrowski

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