

# *Biennial Report*

*January 1, 2001 – December 31, 2002*

State Auditor - Janice Mueller

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## LEGISLATIVE AUDIT BUREAU

The Bureau is a nonpartisan legislative service agency responsible for conducting financial and program evaluation audits of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau. For more information, write the Bureau at 22 E. Mifflin Street, Suite 500, Madison, WI 53703, call (608) 266-2818, or send e-mail to [Leg.Audit.Info@legis.state.wi.us](mailto:Leg.Audit.Info@legis.state.wi.us). Electronic copies of current reports are available on line at [www.legis.state.wi.us/lab/windex.htm](http://www.legis.state.wi.us/lab/windex.htm).

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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January 15, 2003

Governor James E. Doyle and  
Members of the Legislature  
State Capitol  
Madison, Wisconsin 53702

Dear Governor Doyle and Members of the Legislature:

This biennial report on the operations and performance of the Legislative Audit Bureau covers the period January 1, 2001 through December 31, 2002. It summarizes the Bureau's statutory responsibilities and reports and is required under s. 13.94(1)(j), Wis. Stats.

The Bureau conducts financial and program evaluation audits to assist the Legislature in its oversight of executive branch agencies. The Bureau's reports are received and reviewed by the Joint Legislative Audit Committee. On December 31, 2002, Audit Committee members were:

Senator Gary R. George, Co-chairperson  
Senator Judith Robson  
Senator Brian Burke  
Senator Joanne Huelsman  
Senator Mary Lazich

Representative Joseph K. Leibham, Co-chairperson  
Representative Samantha Kerkman  
Representative John Gard  
Representative David Cullen  
Representative Barbara Gronemus

Senator Huelsman was appointed to the committee effective August 10, 2001, replacing Senator Peggy Rosenzweig. Representative Gronemus was appointed to the committee effective May 16, 2001, replacing Representative James Kreuser.

During the biennium we published 45 numbered reports that include independent financial and compliance audits, management reviews, and program evaluations. We also released shorter, unnumbered reports or letters to address individual legislators' or the Audit Committee's requests for information on narrowly defined issues, and in response to state or federal funding requirements. We are proud to deliver accurate, timely, and useful analyses that enhance the accountability of state government, and we look forward to serving the Legislature, the Governor, and the people of Wisconsin in the coming years.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Janice Mueller'.

Janice Mueller  
State Auditor

JM/JT/ss



## Responsibilities, Organization, and Funding ■

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The Legislative Audit Bureau is a nonpartisan legislative service agency that conducts financial audits and program evaluations to assist the Legislature in maintaining effective oversight of state programs. The Bureau was created by Chapter 659, Laws of 1965. Our statutory authority and duties are enumerated in s. 13.94, Wis. Stats., which includes a broad mandate to audit fiscal issues of the State and, in connection with our audits, to review state agency performance and program accomplishments.

In addition to recurring audits that are mandated in s. 13.94 and elsewhere in statutes, we perform one-time financial audits, evaluations, and program reviews at the direction of the Governor, the Legislature, the Joint Legislative Audit Committee, or the Joint Committee on Legislative Organization; as requested by state agencies; or as initiated by the State Auditor. Financial audits determine whether agencies have conducted and reported their financial transactions in a legal and proper manner. Program reviews and evaluations help to ensure that programs are administered effectively, efficiently, and in accordance with the law and the policies of the Legislature and the Governor.

As required by statutes, we complete our audits, reviews, and evaluations by producing detailed reports. Our reports become public documents when they are released to the Joint Legislative Audit Committee, which may subsequently hold public hearings to address our findings and recommendations. In conjunction with our reports to the Legislature, we may issue management letters that contain recommendations for agency improvements but do not require direct legislative action. We also conduct periodic reviews of local government operations and report on best practices that may save public funds or result in more effective service delivery. In response to requests for information on narrowly defined issues, we issue short, unnumbered reports or letters to individual legislators or the Audit Committee, and we respond to briefing requests from other legislative committees.

## Statutory Responsibilities

Section 13.94, Wis. Stats., requires us to audit the records of every state department, board, commission, independent agency, or authority at least once each five years; to audit the central accounting records of the Department of Administration and the books and accounts of the State Treasurer at least once every two years; and to reconcile the accounting records of the Department of Administration and the State Treasurer with deposits in the state treasury or state depositories at least once every two years. We are also required to perform annual financial audits of entities such as the Department of Employee Trust Funds, the State of Wisconsin Investment Board, the State Fair Park Board, the Division of Gaming, and the Wisconsin Lottery; biennial evaluations of the Investment Board's policies and management practices, the Division of Gaming, and the Wisconsin Lottery; and financial audits of the State Life Insurance Fund, the Local Government Property Insurance Fund, and the Patients Compensation Fund at least once every three years. Our statutory responsibilities for recurring audits under s. 13.94 and elsewhere in Wisconsin Statutes are summarized in Appendix 1.

Statutes also require us to review the quarterly statements of economic interest and reports of economic transactions that members and employees of the State Investment Board file with the Ethics Board. In completing the annual financial audits and biennial performance evaluations of gaming activities required under s. 13.94, Wis. Stats., we make use of audited financial statements of gaming operations that are required to be made available to us under gaming compacts between the State of Wisconsin and 11 Native American tribes.

In addition to the recurring audits listed in state statutes, one-time audits may be mandated or requested by the Legislature. During the 2001-02 biennium, we fulfilled more than a dozen one-time audit requirements or requests in recent legislation, including:

- a requirement in 1995 Wisconsin Act 289 for an evaluation of the Wisconsin Works (W-2) program;
- a request in 1999 Wisconsin Act 9 for an evaluation of regional hazardous materials response teams; and
- a requirement in 1997 Wisconsin Act 27 for an evaluation of the full-time open enrollment program.

During the 2001-02 biennium, the Legislature required or requested that we perform a number of one-time audits of state programs in the future, including:

- a quantitative and qualitative evaluation of the success of restorative justice programming in Milwaukee County, which is to be released by October 1, 2004; and



- a performance evaluation of the Educational Services Program for the Deaf and Hard of Hearing, which is to be released by June 30, 2006.

We also became responsible for evaluating the Fox River Navigational System Authority and, beginning in 2004, for conducting annual evaluations of area cooperation compacts under which municipalities collaborate to provide governmental services such as law enforcement, fire protection, and emergency services.

## Audit Requests

Individual legislators may request financial audits or evaluations of specific topics, programs, and agencies by making written requests to the co-chairs of the Joint Legislative Audit Committee, which has advisory responsibilities for the Bureau. State agencies may also request audits that assist them in meeting external audit requirements or their oversight responsibilities. Our largest requested audit is the annual single audit, which identifies all federal funds received by the State and the University of Wisconsin System. In performing the audit, we test compliance with federal grant requirements.

## Structure and Staffing

The Legislative Audit Bureau is headed by the State Auditor, who is appointed by the Legislature's Joint Committee on Legislative Organization. The State Auditor appoints staff from outside of the classified civil service system.

The Bureau has an authorized staffing level of 86.8 positions and is organized as the Financial Audit Division, the Program Evaluation Division, Information Systems Support, and Editorial and Administrative Services. Approximately two-thirds of audit staff are in the Financial Audit Division, and one-third are in the Program Evaluation Division. Our organization chart is Appendix 2.

## Budget

Our annual operating budget is approximately \$5.8 million in general purpose revenue (GPR) and program revenue from audit contracts with other state agencies. GPR expenditures were \$4.4 million in fiscal year (FY) 2000-01, and \$4.2 million in FY 2001-02. Program revenue expenditures were \$1.3 million in FY 2000-01 and \$1.4 million in FY 2001-02.





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## Noteworthy Reports of the Biennium ■

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The largest financial audit we conduct each year is our audit of the State of Wisconsin's annual financial statements. In FY 2001-02, these statements reflected new accounting rules established by the Governmental Accounting Standards Board for all government entities. During the 2001-02 biennium, we also fulfilled requirements and requests in recent legislation by completing evaluations of the Wisconsin Works (W-2) program, emergency management issues, and the full-time open enrollment program, as well as a management audit of the State of Wisconsin Investment Board.

A number of other noteworthy reports focused on the Milwaukee area, including our third review of Milwaukee Brewers stadium costs, an evaluation of the Milwaukee Metropolitan Sewerage District (MMSD), and a review of Milwaukee County government. We also reviewed the regulation of nursing homes and assisted living facilities, evaluated prison health care, and audited financial statements and state agencies' compliance with federal grant requirements.

We are pleased to have received formal recognition from our peers in the National Legislative Program Evaluation Society (NLPES), who selected us to receive the 2002 Excellence in Evaluation Award for program evaluation reports published in the past three calendar years.

### Audit of Wisconsin's FY 2001-02 Financial Statements

Three changes in the State of Wisconsin's FY 2001-02 financial statements are especially noteworthy:

- for the first time, a statement of net assets was required to be prepared for the State as a whole;
- infrastructure assets of the State were valued at \$9.2 billion and included within the statement of net assets; and
- the State was required to present a management discussion and analysis, to allow readers to more fully understand the financial statements.

The statement of net assets required under accounting changes mandated by the Governmental Accounting Standards Board shows that Wisconsin had, in total, \$27.6 billion in assets and \$13.8 billion in liabilities, for a net asset balance of \$13.8 billion at the close of FY 2001-02. Of the net asset balance, \$13.3 billion was invested in capital assets, including infrastructure, and \$3.6 billion was legally restricted for specific purposes. Excluding capital assets and legally restricted funds from the net asset balance leaves unrestricted net assets with a negative value, which is (\$3.1 billion). This means the State began FY 2002-03 with financial obligations that exceeded its financial resources on hand, and thus deferred the financing of significant obligations to future periods.

Infrastructure assets were valued at \$9.2 billion based on the State's estimated historical cost to construct roads and bridges. Depreciation is not applied to these assets as long as the State maintains them to a standard it has established. This standard is that at least 85 percent of state-owned roads and bridges are in good or fair condition. The State asserted that as of June 30, 2002, 95 percent of its roads and 92 percent of its bridges were in good or fair condition.

The financial statements are included in the State's Comprehensive Annual Financial Report, which is prepared by the Department of Administration and available from the State Controller's Office. This report includes the Department of Administration's management discussion and analysis, which is required under the new reporting standards, as well as our opinion that the financial statements are fairly presented in accordance with the accounting standards. As the State's auditors, we assist state agencies in understanding the new accounting requirements and developing procedures to meet these requirements. We worked closely with the State Controller's Office and state agency accountants to ensure that Wisconsin continues to meet the highest standards of financial reporting.

## Wisconsin Works (W-2)

To fulfill the requirement in s. 49.141(2g)(a), Wis. Stats., for a financial and performance audit of the W-2 program, we completed a series of reports begun in 1999. We published the fifth report in this series, an evaluation of the child care subsidy program available to W-2 participants and other low-income working families, in January 2001. Our final, comprehensive report on the administration and effectiveness of W-2 was published in April 2001. We also issued two

unnumbered reports that reviewed administration of the program by 16 private and public agencies and how the Department of Workforce Development and W-2 agencies sanction program participants.

W-2 is a time-limited employment assistance program that was created by 1995 Wisconsin Act 289 to help participants achieve economic self-sufficiency. It took effect statewide in September 1997. W-2 participants, who are primarily women with dependent children, earn wages or receive cash grants and other program services based on their employment status. Report 01-1 is an evaluation of the child care subsidy program available to W-2 participants and other low-income working families. In FY 1999-2000, when approximately 33,000 families and 60,500 children participated, program expenditures were \$191.3 million, including \$43.8 million in GPR. FY 1999-2000 expenditures exceeded budgeted levels by \$10.2 million, primarily because enrollment increased significantly after changes in the 1999-2001 biennial budget expanded eligibility and reduced family copayments.

We identified three key factors affecting program participation: copayment amounts, the availability of regulated care, and transportation. We also found potential for continued program growth based on comparisons with other midwestern states; however, the newness of the program and the number of changes made since its inception limited our ability to project the extent of growth in the future. We noted that management of child care grant programs could be improved, and we presented alternatives for the Legislature to consider in addressing funding issues during its 2001-03 session.

An unnumbered report released in February 2001 addressed the administration of W-2 by a statewide sample of 16 private and public agencies, but almost all of our findings concerned Employment Solutions, Inc., a provider of W-2 services in Milwaukee County. We identified inappropriate charges of \$270,268 for work Employment Solutions conducted outside of Wisconsin that was not related to the W-2 program, and \$97,133 in unallowable and questioned transactions that included expenditures for entertaining its employees, advertising, legal services, local hotel charges, and a variety of restaurant and other food charges. We also found that Employment Solutions provided substantially higher staff performance incentives than other W-2 agencies: 1999 performance incentives averaged \$9,635 each for the 84 employees receiving them, and the agency's chief executive officer received a total of \$61,645 that reflected incentive payments for performance in 1998 and 1999. We identified \$12,604 in unallowable costs and \$114,487 in questioned costs for six other W-2 agencies.

Report 01-7, our final, comprehensive report on the administration and effectiveness of W-2, showed large declines in the number of individuals receiving cash assistance under the program but found there was mixed success in achieving economic self-sufficiency for participants. For example, 46.7 percent of former participants who filed 1999 Wisconsin income tax returns had incomes above the poverty level when earned income tax credits were included, but more than one-third of former participants in our sample did not file tax returns. We also found

that an increasing number of former participants were returning to the program for cash assistance or other services. In July 2000, Milwaukee County accounted for 85.2 percent of all returning participants statewide, and 42.4 percent of all Milwaukee County participants were returning participants. Two years earlier, only 2.7 percent of Milwaukee County participants had been returning participants. Finally, we found significant variations in the extent to which W-2 agencies sanction their participants for noncompliance with program requirements. The rate of sanctioning was consistently higher in Milwaukee County than elsewhere in the state, and four of the five agencies serving Milwaukee County sanctioned more than 20 percent of their participants receiving cash assistance from October 1999 through December 2000.

In December 2002, we again reviewed how the Department of Workforce Development and W-2 agencies sanction W-2 program participants. In an unnumbered report, we noted that the Department has taken reasonable and appropriate steps to remedy problems associated with the inappropriate sanctioning, but a significant number of errors persist. We also expressed concern about the timeliness of W-2 agency reviews of inappropriate sanctions, because W-2 agencies had not reviewed more than half of the 263 potentially inappropriate sanctions issued since April 2001.

## Emergency Management

In response to a non-statutory provision in 1999 Wisconsin Act 9, we evaluated contracts between the Department of Military Affairs' Division of Emergency Management and regional hazardous materials response teams and, in a separate letter, addressed both the hazmat teams' role as first responders to threats of terrorist activity and the availability of federal funds to enhance state and local preparedness. Both report 02-1 and the unnumbered report were published in January 2002.

Because most Wisconsin communities are served by volunteer or part-time fire departments that cannot maintain specially trained and equipped staff to respond to releases of hazardous materials, the State contracts with ten municipal fire departments to provide regional coverage for incidents requiring the highest level of skin and respiratory protection. The regional Level A teams are well-established and functioning as expected, and Wisconsin's statewide response coverage, ongoing training of hazmat personnel, and established response protocols and procedures provide a solid base for planning responses to potential terrorist threats from chemical or biological agents. However, we noted that Wisconsin's hazmat-related expenditures, which in FY 2000-01 totaled \$2.3 million and included \$1.4 million for regional Level A teams, have been significantly higher than those of other states. We suggested that the Legislature review the roles of the hazmat teams and methods of allocating funds among them, as well as the possibility of developing alternative funding sources for their activities.

## Open Enrollment

1997 Wisconsin Act 27 created the full-time interdistrict open enrollment program and directed us to evaluate its first four years of operation. In report 02-15, we noted that participation increased each year since the program's inception, but only 1.1 percent of all Wisconsin public school students participated in the program in the 2001-02 school year. Few districts reported developing new or innovative programs in response to open enrollment, and nearly three-quarters of 426 participating school districts gained or lost less than \$75,000 in state aid under the program. Minority participation has also been relatively low: 19.9 percent of all public school students belonged to one or more minority groups in 2001-02, but minority students accounted for 11.6 percent of open enrollment transfers in that year.

At least two Wisconsin school districts considered creating Internet-based charter schools that would be eligible for program funding and would attract home-schooled and other students from across the state. If both proposals had been approved, the virtual school contractors would have been eligible to receive up to \$2.1 million in open enrollment revenue in the 2002-03 school year. If half of the 20,382 home-schooled students in Wisconsin participated in the open enrollment program through charter schools, transfer payments would increase by \$52.9 million and there would be a substantial increase in school costs eligible for state general school aids. Therefore, we suggested the Legislature carefully consider the costs associated with funding the education of home-schooled students under proposals for on-line virtual schools.

## State of Wisconsin Investment Board

Since 1999, we have been required by s. 25.17(51m), Wis. Stats., to perform biennial management audits of the State of Wisconsin Investment Board, which managed \$67.0 billion in assets of the Wisconsin Retirement System, the State Investment Fund, and five smaller insurance and trust funds as of December 31, 2000. Annual financial audits of the Investment Board's investment activities are required under s. 13.94, Wis. Stats.

Our management audit focused on the Opportunity Portfolio, a higher-risk alternative portfolio that made private equity and other investments in emerging markets in Asia and Eastern Europe. In November 2001, we reported that the Investment Board's Opportunity Portfolio for the Wisconsin Retirement System's Fixed Retirement Trust Fund, which had assets of approximately \$1 billion, had failed to meet its performance benchmarks or the Investment Board's expectations that it would earn higher returns than more traditional investments. We also expressed concern that some trustees had financial interests in entities associated with the portfolio that had not been publicly disclosed, and we suggested the Investment Board avoid the appearance of conflicts of interest by revisiting its policies to ensure trustees comply with provisions of the State Ethics Code. In

response to report 01-18, the Investment Board combined the Opportunity Portfolio with its Private Equity Portfolio and established procedures for increased oversight and due diligence for private equity investments.

## Other Noteworthy Reports

The Joint Legislative Audit Committee directed us to begin monitoring costs and reporting on construction and other issues related to a new stadium for the Milwaukee Brewers in 1997. We published our third review in May 2002. Other noteworthy reports of that year include an evaluation of MMSD and reviews of Milwaukee County government and the regulation of nursing homes and assisted living facilities. We evaluated prison health care in 2001 and addressed state government operations in financial audits and broader reviews conducted throughout the biennium.

### Milwaukee Brewers Stadium Costs

To finance design and construction of a 43,000-seat stadium for the Milwaukee Brewers Baseball Club, 1995 Wisconsin Act 56 created the Southeast Wisconsin Professional Baseball Park District and authorized it to issue revenue bonds and impose a 0.1 percent local sales and use tax in five counties. To address concerns about stadium costs exceeding legislative and public expectations, the Joint Legislative Audit Committee directed us to periodically report on the project's costs and status.

In report 02-8, we analyzed available revenue and expenditure information and reviewed anticipated costs for ongoing operation and maintenance of the stadium complex, revisions to major agreements and new contracts signed by the District's governing board, and efforts to meet statutory goals for the participation of minorities and women in project construction. We determined that through December 2001, the District spent \$413.9 million on project construction, or \$13.4 million more than budgeted. In addition, the District spent \$14.2 million in 2001 for post-construction operations and maintenance.

We found that public funds that were intended to help the Brewers support stadium maintenance costs will instead go to the team's lenders. Therefore, we suggested the District work with the Brewers to ensure that needed repairs and maintenance projects are completed and that the public's investment in the project—which we estimated will total \$1.0 billion through 2030—is adequately protected. We also suggested that the District improve its management of a private skybox that serves as its conference room, its contracting for stadium management services, and its documentation of administrative expenditures.



## Milwaukee Metropolitan Sewerage District

Our July 2002 evaluation of the Milwaukee Metropolitan Sewerage District analyzed sewer overflows and the District's plans to reduce or prevent them in the future, changes in water quality in Milwaukee-area waterways, the District's efforts to comply with its wastewater discharge permit, and the regulatory and enforcement actions of the Department of Natural Resources. We noted in report 02-12 that the average discharge of untreated wastewater was reduced by 81.3 percent after the District's Deep Tunnel went into operation in 1994, but sewer overflows were not reduced to the extent anticipated, and the District discharged 13.2 billion gallons of untreated wastewater since 1994. Water quality has improved within the City of Milwaukee, where stormwater and sanitary sewers are combined, but outside of the combined sewer area there have not been substantial improvements. Furthermore, neither Lake Michigan nor Milwaukee-area rivers met state and federal water quality standards at the time of our report. Plans to increase Deep Tunnel capacity and reduce flooding will be costly. We made no recommendations for legislative consideration, but we suggested ways for the District to improve its planning for future capital projects.

## Milwaukee County

We reviewed Milwaukee County government operations after controversy related to the expansion of pension benefits for elected officials and employees led to broad questions about the county's operations and costs. In report 02-16, which was published in September 2002, we made recommendations for Milwaukee County to improve its general fiscal management and oversight of its pension system, and we identified potential improvements and efficiencies in county board procedures and the county's budgeting and hiring processes. We also made suggestions for reducing Parks Department operating costs and recommendations to improve budgeting in the Sheriff's Department. We noted that both Milwaukee County and the State may wish to assess responsibility for patrolling Milwaukee-area expressways and how the costs of these patrols should be funded, but that formally transferring responsibility for expressway patrols from the Milwaukee County Sheriff's Department to the State Patrol would require statutory changes and additional costs for the State.

## Nursing Homes and Assisted Living Facilities

Report 02-21, our December 2002 review of the Department of Health and Family Services' regulation of nursing homes and assisted living facilities, noted significant differences in the State's oversight of these two types of long-term care facilities. We found that 47.1 percent of assisted living facilities had not been visited by inspectors for any reason for at least one year and provided options for the Legislature to consider if it is not satisfied with the current regulatory process for assisted living facilities. We also included recommendations to improve the enforcement process for nursing homes and assisted living facilities.

## Prison Health Care

In our May 2001 evaluation of prison health care, we reported that the Department of Corrections receives as many as 1,000 requests for health services from inmates each working day. Approximately 60 percent of these requests are for prescription refills. We found that approximately one-third of the inmate population suffers from at least one chronic illness and recommended the Department improve its management of chronic illnesses and contract oversight. However, report 01-9 noted limited opportunities and significant challenges for reducing health care costs because of increases in the costs of certain medical services and pharmaceuticals the Department is required to provide.

## State Government Operations

While much of our work directly relates to evaluating specific programs and services the State provides to its citizens, we also perform financial audits and broader reviews of government operations, as well as financial audits that contribute to the Legislature's oversight of executive branch operations. For example, we performed annual audits of the Wisconsin Lottery and the Mental Health Institutes, as well as biennial audits of the financial statements of the Unemployment Reserve Fund, the Universal Service Fund, and the Petroleum Inspection Fee Revenue Obligations program. While such financial audits do not typically lead to specific legislative recommendations, they promote good fiscal practices.

The federal government requires annual audits of state agencies' compliance with federal grant requirements, and our annual audit of federal programs encompasses every state agency receiving federal funds and identifies questioned costs or other problems in administering the federal programs. The two single audits completed in the biennium, reports 01-8 and 02-7, included a total of \$1,152,400 in questioned costs. Questioned costs and noncompliance findings are settled through a resolution process involving the state agencies and related federal departments, and they usually do not require direct legislative action.

## Award for Excellence in Evaluation

We were presented with the 2002 NLPES Excellence in Evaluation Award at the annual meeting of the National Conference of State Legislatures in July 2002. The award is given annually to the office that has best advanced the field of legislative program evaluation over the past three calendar years. In announcing the award, NLPES noted that our office "has demonstrated a long history of timely evaluations on key policy issues for Wisconsin's Legislature." Particular recognition was given for our reports on the W-2 program, which resulted in the implementation of program and policy changes and in funding reallocation by the Legislature and which gained national media attention.

## Report Summaries ■

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After our reports have been released to the Joint Legislative Audit Committee, they are public documents. Numbered reports include independent financial audits, program evaluations, and reviews. The first two digits of each numbered report indicate its year of publication.

Unnumbered reports and letter reports, which are typically shorter documents that address more narrowly defined issues, are produced in response to legislative requests or state or federal funding requirements. Best practices reviews identify local government practices that may save public funds or provide more effective delivery of government services.

As noted, our annual independent auditor's reports on the State of Wisconsin's financial statements are included in the State's Comprehensive Annual Financial Report, which is prepared by the Department of Administration and available from the State Controller's Office. Our independent auditor's reports on the financial statements of the State of Wisconsin Investment Board, the University of Wisconsin System, and the Department of Employee Trust Funds are published in those agencies' annual reports.

More detailed summaries and the full text of reports we publish are available electronically at [www.legis.state.wi.us/lab/windex.htm](http://www.legis.state.wi.us/lab/windex.htm). Paper copies may be ordered from our office.

## Numbered Reports Released in 2001

- 01-1 Wisconsin Shares Child Care Subsidy Program  
*Department of Workforce Development*

The program assists W-2 participants and other low-income working families in paying for child care. Participation has grown substantially since 1996. In FY 1999-2000, approximately 33,000 families and 60,500 children participated at a cost of \$191.3 million in federal and state funds. Should participation continue to grow, the Legislature will need to determine whether to appropriate additional funds or make program changes to limit participation.

- 01-2 State Recycling Programs  
*Department of Natural Resources*

Wisconsin recycles a larger percentage of its municipal solid waste than the national average and provides more funding for local recycling efforts than other midwestern states. State expenditures from the segregated Recycling Fund, which were used primarily to fund grants for the operation of municipal recycling programs, were \$28.9 million in FY 1999-2000. We found little relationship between the percentage of local costs covered by a municipality's recycling grant and the municipality's recycling rate.

- 01-3 WHA Television

We provided an unqualified opinion on WHA Television's FY 1999-2000 financial statements. WHA Television received over \$14.3 million in support and revenue during FY 1999-2000, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

- 01-4 WHA Radio

We provided an unqualified opinion on WHA Radio's FY 1999-2000 financial statements. WHA Radio received over \$7.3 million in support and revenue during FY 1999-2000, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

- 01-5 Wisconsin Lottery  
*Department of Revenue*

We issued an unqualified opinion on the Wisconsin Lottery's financial statements for FYs 1999-2000 and 1998-99. Total lottery sales decreased from \$428.2 million in FY 1998-99 to \$406.7 million in FY 1999-2000. However, a one-time provision of GPR to fund \$76.0 million in FY 1999-2000 expenses contributed to the increase in property tax relief funded by the Lottery in FY 1999-2000.

## 01-6 State Use of Computer Consultants

Executive branch agencies spent \$93.6 million in FY 1998-99 for consulting services to supplement the work of 1,383 state information technology (IT) staff. Consultants have been used to develop large IT systems and to manage peak workloads, as well as for ongoing projects, including work also done by state staff. Management of the use of consultants and of large-scale IT projects could be improved.

01-7 Wisconsin Works (W-2) Program  
*Department of Workforce Development*

Approximately two-thirds of the 2,129 former participants who left W-2 in the first quarter of 1998 filed tax returns in 1999. Based on reported income alone, only 33.8 percent of this group was above the federal poverty level for 1999. However, when earned income tax credits are included, 46.7 percent of the group was above the federal poverty level. The increasing number of former participants who return to W-2 for assistance and the sanctions imposed by some W-2 agencies warrant legislative attention.

## 01-8 State of Wisconsin Single Audit, 1999-2000

We performed the FY 1999-2000 single audit of the State of Wisconsin to meet federal audit requirements. We questioned \$1,027,571 in costs the State charged to federal grants and in lost interest earnings to the federal government because of various delays. Our opinion on the State's compliance with federal regulations is qualified because of material noncompliance by the Department of Workforce Development.

01-9 Prison Health Care  
*Department of Corrections*

In FY 1999-2000, the Department spent \$37.2 million and employed 232.5 full-time equivalent staff to provide health care to approximately 14,900 adult inmates. Since FY 1994-95, health care expenditures increased 120.1 percent, while the number of inmates increased 56.4 percent. Management improvements could potentially offset some cost increases.

01-10 Administration of the County Sales and Use Tax  
*Department of Revenue*

In calendar year 2000, 53 county governments imposed the county sales and use tax, from which they received \$215.2 million in revenues. However, in June 2000 the Department made a delayed distribution of \$13.0 million that raised concerns about the accuracy and timeliness of its distribution process. The Department has since developed measures to reduce inaccuracies in distributions.

01-11 Patients Compensation Fund  
*Office of the Commissioner of Insurance*

The Patients Compensation Fund insures health care providers in Wisconsin against medical malpractice claims that exceed primary malpractice insurance levels established in statutes. We provided an unqualified opinion on the Fund's financial statements for FYs 1999-2000, 1998-99, and 1997-98. The Fund improved its financial status with an accounting surplus of \$27.2 million as of June 30, 2000. To address concerns about actuarial estimates of loss liabilities, we recommended a comprehensive review of the consulting actuary's methods and assumptions by an independent actuary.

01-12 University of Wisconsin Hospital and Clinics Authority

The Authority is an independent, nonprofit public entity established in 1996 to operate the University of Wisconsin Hospital and Clinics. In FY 1999-2000, it had revenue of \$400.0 million and operating expenses of \$395.0 million. To finance an aggressive building program, it issued \$106.5 million in bonds, the full limit allowed by statutes. Financial performance has been mixed: revenue in excess of expenses declined from \$13.8 million in FY 1996-97 to \$5.0 million in FY 1999-2000 but increased during FY 2000-01. The Authority has had difficulty employing a sufficient number of nurses.

01-13 Prior Authorization for Therapy and Other Services  
*Department of Health and Family Services*

Some therapy services provided under the Medical Assistance program require prior authorization by the Department of Health and Family Services. Processing times have increased primarily because forms must be returned to providers for additional information. Service requests for individuals from the ages of 3 to 21 are denied or modified most frequently.

01-14 Wisconsin Mental Health Institutes  
*Department of Health and Family Services*

We performed an audit of the Institutes' FY 1999-2000 financial statements at the request of the Department of Health and Family Services. While we expressed an unqualified opinion on the Institutes' financial statements, we noted continuing concerns with the Department's patient billing and accounting system.

01-15 Brown County

Expenditures increased 27.1 percent from 1995 to 1999, but Brown County's financial condition has been satisfactory. Nevertheless, corrections expenditures increased substantially from 1995 to 1999 and were projected to increase 27.1 percent from 2000 to 2001, largely because of staffing increases for a new jail. Brown County provides a level of cultural, recreational, and educational services that most other counties do not; many

of these services are funded by property tax revenue. To address projected deficits in the future, the county will need to better control costs or seek additional revenue.

01-16 Health Insurance Risk-Sharing Plan (HIRSP)

*Department of Health and Family Services*

We provided an unqualified opinion on HIRSP's FY 1999-2000 financial statements and followed up on issues raised in prior audits. Steps are being taken to address an overpayment of prescription drug claims, which totaled \$5.5 million from July 1998 through January 2001. In FY 2001-02, when funding for the plan changes from a cash-based to an accrual-based approach, policyholders, insurers, and health care providers will be required to provide an additional \$16.6 million to fund an accumulated deficit.

01-17 Bridge Inspection Program

*Department of Transportation*

The Department of Transportation does not adequately monitor program expenditures, which were an estimated \$2.2 million in FY 2000-01, nor does it evaluate the cost-effectiveness of its use of private-sector consultants. Inspections have not always been completed as frequently as required by law, and timeliness has not improved in recent years. Although inspections could not have detected the failure of Milwaukee's Hoan Bridge in December 2000, the Department had not inspected the bridge in a timely manner.

01-18 State of Wisconsin Investment Board

The Investment Board was successful in exceeding its performance benchmarks for the Fixed Retirement Trust Fund, although long-term returns continued to lag those of other public pension funds. The \$1 billion Opportunity Portfolio, a higher-risk portfolio, did not meet expectations of earning higher returns, in part because of troubled South Korean investments. Increased oversight is needed to prevent potential conflicts of interest.

01-19 Petroleum Inspection Fee Revenue Obligations Program

The Petroleum Inspection Fee Revenue Obligations Program provides financing for payment of claims under the Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program. We provided an unqualified opinion on the FY 2000-01 financial statement. During our audit period, the State issued \$20 million in revenue obligations. Along with debt issued in prior years, these revenue obligations allowed the Department of Commerce to reduce a backlog of approved but unpaid PECFA claims from \$196 million as of January 1, 2000 to \$15 million as of June 30, 2001.

## 01-20 Wisconsin Educational Communications Board Radio Network

We provided an unqualified opinion on the radio network's FY 2000-01 financial statements. The radio network received over \$6.8 million in support and revenue during FY 2000-01, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

## 01-21 Wisconsin Educational Communications Board Television Network

We provided an unqualified opinion on the television network's FY 2000-01 financial statements. The television network received over \$10.3 million in support and revenue during FY 2000-01, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

## Numbered Reports Released in 2002

## 02-1 Regional Hazardous Materials Response Teams

A well-established network of regional Level A teams responds to releases of hazardous materials throughout Wisconsin. FY 2000-01 hazmat-related expenditures, which totaled \$2.3 million and included \$1.4 million for the regional teams, were higher than other states'. The costs that regional teams charge responsible parties vary widely, and reimbursement rates paid by the State should be standardized. The Legislature may wish to review funding and response structures.

02-2 Forestry Account  
*Department of Natural Resources*

In FY 2000-01, expenditures from the account totaled \$72.3 million and included \$18.7 million in Department of Natural Resources administrative costs. The Department and other state agencies spent \$4.5 million from the account on activities not directly related to forestry. Rapid growth in the Managed Forest Law program has limited forest management efforts.

## 02-3 Technology for Educational Achievement in Wisconsin (TEACH) Board

In FY 2000-01, the Board spent \$61.3 million, including \$44.4 million in GPR, on programs to invest in telecommunications equipment and services and to train teachers and others in the use of educational technology. School district officials support the programs, but limited information is available on their effectiveness. The Legislature may wish to address reporting requirements for participating school districts, how new technologies should be assessed, and how TEACH programs should be funded and structured in the future.



## 02-4 WHA Radio

We provided an unqualified opinion on WHA Radio's FY 2000-01 financial statements. WHA Radio received over \$8.2 million in support and revenue during FY 2000-01, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

## 02-5 WHA Television

We provided an unqualified opinion on WHA Television's FY 2000-01 financial statements. WHA Television received over \$14.8 million in support and revenue during FY 2000-01, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

## 02-6 Vehicle Emissions Testing Program

*Department of Natural Resources and Department of Transportation*

Wisconsin tests vehicle emissions in seven southeastern counties to comply with the federal Clean Air Act and to reduce ozone levels. Testing is generally more stringent than the federal model requires. The Department of Transportation has not adequately managed the State's contract with a private firm operating the testing stations, and the Legislature may wish to consider program changes.

## 02-7 State of Wisconsin Single Audit, 2000-01

We performed the FY 2000-01 single audit of the State of Wisconsin to meet federal audit requirements. We questioned \$124,829 in costs the State charged to federal grants and in interest earnings lost to the federal government because unspent federal funds were not returned promptly. Our report includes descriptions of our findings of internal control weaknesses and noncompliance with federal requirements, state agencies' plans for corrective action, and the State's Schedule of Expenditures of Federal Awards.

## 02-8 Milwaukee Brewers Stadium Costs

*Southeast Wisconsin Professional Baseball Park District*

Stadium construction costs through December 2001 total \$413.9 million, but the District will continue to incur stadium operation and maintenance costs throughout its 30-year lease with the Brewers. The District will likely own a greater share of the stadium complex than the 64.0 percent that was originally anticipated. The District's governing board needs to improve its documentation of administrative expenditures.

02-9 Wisconsin Lottery  
*Department of Revenue*

We issued an unqualified opinion on the Wisconsin Lottery's financial statements for FYs 2000-01 and 1999-2000 and reviewed the incentive-based retailer performance program that was implemented in January 2000 to address declining sales. In FY 2000-01, participating Wisconsin retailers earned 7.1 percent of lottery sales, the highest rate among seven midwestern states. However, lottery sales declined by \$21.6 million in FY 1999-2000 and by \$5.6 million in FY 2000-01.

02-10 State Fair Park

This was our first annual financial audit of State Fair Park under s. 13.94(1)(dm), as provided for in 1999 Wisconsin Act 179. We issued an unqualified opinion on State Fair Park's FY 2000-01 financial statements but noted that expenses exceeded revenues in three of the past six fiscal years. State Fair Park's efforts to replace aging and deteriorating facilities increased debt service costs funded by program revenue from \$1.2 million in FY 1995-96 to \$2.0 million in FY 2000-01. Other planned construction and organizational changes may help to improve the financial viability of the fairgrounds but could increase financial risk and limit legislative oversight.

02-11 Division of Gaming  
*Department of Administration*

We issued an unqualified opinion on the FY 2000-01 and FY 1999-2000 financial statements. The Division's financial activity changed significantly from prior years because gaming compacts between the State and 11 Native American tribes were renegotiated and a 1999 constitutional amendment requires the Division to transfer unencumbered appropriation balances related to racing and bingo operations to the Lottery Fund at year-end.

02-12 Milwaukee Metropolitan Sewerage District

Although a \$2.3 billion sewer improvement program has significantly reduced both the number and the volume of sewer overflows, the program has not reduced overflows to the extent anticipated. The District is in the process of implementing a \$786.4 million building program to reduce overflows. Water quality has improved in parts of the District's service area.

02-13 Wisconsin Mental Health Institutes  
*Department of Health and Family Services*

We performed an audit of the Institutes' FY 2000-01 financial statements at the request of the Department of Health and Family Services. While we expressed an unqualified opinion on the Institutes' financial statements, one-time adjustments totaling \$14.6 million were required to correct reporting errors in patient receivable balances for both the Winnebago and the Mendota Mental Health Institute.

02-14 Universal Service Fund  
*Public Service Commission*

We provided an unqualified opinion on the Fund's FY 2000-01 and FY 1999-2000 financial statements. The Universal Service Fund supports telecommunications services and access, including Internet access in schools and libraries and programs to assist low-income and disabled individuals. It is funded through assessments on telecommunications providers, which totaled \$19.6 million in FY 2000-01. In the same year, expenditures totaled \$17.7 million.

02-15 Open Enrollment Program  
*Department of Public Instruction*

Participation has increased significantly since the program's implementation in the 1998-99 school year, but fiscal and programmatic effects have been limited to a few districts. Minority student participation has been relatively low. Increased participation through virtual charter schools could increase school costs eligible for state general school aids.

02-16 Milwaukee County

Oversight of the Milwaukee County Employees' Retirement System should be improved. Operations of the county board could be further streamlined, budgeting for sick leave could be improved, and the hiring process could be made more efficient. In addition, some lesser-used golf courses could be closed to reduce operating costs. Prescription drug costs for inmates are likely to far exceed budgeted amounts for 2002.

02-17 Health Insurance Risk-Sharing Plan (HIRSP)  
*Department of Health and Family Services*

We provided an unqualified opinion on HIRSP's FY 2000-01 financial statements. Although HIRSP showed an accounting deficit of \$8.2 million at the end of FY 2000-01, a recent change from a cash-based to an accrual-based funding approach is expected to improve the plan's financial position. Enrollment increased 27.1 percent in FY 2000-01, and claims costs increased 48.9 percent. Continuing increases in both areas will present continuing challenges for the Department of Health and Family Services, which also needs to remain diligent in its financial management of HIRSP.

02-18 State Life Insurance Fund  
*Office of the Commissioner of Insurance*

The Fund was created in 1911 to provide low-cost life insurance policies to Wisconsin residents. Its statutory-based financial statements for calendar years 2001, 2000, and 1999 are fairly presented in accordance with insurance accounting practices prescribed by the Commissioner of Insurance. The Fund, which is self-funded through insurance premiums and investment earnings, returned between \$3.7 and \$3.9 million to policyholders as dividends in each of the three years audited.

## 02-19 Petroleum Inspection Fee Revenue Obligations Program

We provided an unqualified opinion on the program's financial statement for FYs 2001-02 and 2000-01. From January 2000 through June 30, 2002, the State issued \$280.25 million in revenue obligations under the program. This debt has allowed the State to continue to pay PECFA claims. However, because claims continued to be received during FY 2001-02, the backlog of approved but unpaid claims increased to \$30 million as of June 30, 2002, compared to \$15 million as of June 30, 2001.

## 02-20 Division of Gaming

*Department of Administration*

The Division monitors and regulates tribal gaming operations, pari-mutuel wagering at dog tracks, charitable gaming, and crane games. In 2001, tribal gaming revenue increased to \$970.9 million; however not all tribes experienced revenue increases. The tribes now share an additional \$24.0 million in annual gaming revenue with the State. The State's oversight of Indian gaming operations could be improved.

## 02-21 Regulation of Nursing Homes and Assisted Living Facilities

*Department of Health and Family Services*

From FY 1997-98 to FY 2000-01, the number of citations issued to nursing homes increased 6.1 percent, and the number issued to assisted living facilities increased 140.3 percent. Regulatory oversight differs, but nursing homes are inspected more frequently than assisted living facilities. The most common enforcement option is the state forfeiture. Other penalties, such as restrictions on admissions, licensure constraints, additional management oversight, and criminal charges, are rarely imposed.

## 02-22 Unemployment Reserve Fund

*Department of Workforce Development*

We provided an unqualified opinion on the Fund's financial statement for FYs 2001-02 and 2000-01. The Fund's adjusted cash balance related to taxable employers declined \$236 million, to \$1.47 billion, as of June 30, 2002. Since this cash balance continues to exceed the statutory minimum that allows employers to be taxed under the lowest rate schedule, the Fund is able to charge employers the lowest authorized unemployment tax rates.

## 02-23 Wisconsin Educational Communications Board Radio Network

We provided an unqualified opinion on the radio network's FY 2001-02 financial statements. The radio network received \$7.6 million in support and revenue during FY 2001-02, including state support, member contributions, funding from the Corporation of Public Broadcasting, and various other grants.

## 02-24 Wisconsin Educational Communications Board Television Network

We provided an unqualified opinion on the television network's FY 2001-02 financial statements. The television network received \$10.9 million in support and revenue during FY 2001-02, including state support, member contributions, funding from the Corporation of Public Broadcasting, and various other grants.

## Unnumbered and Letter Reports

## Settlement with Fort James Corporation—February 2001

We performed a limited review of a settlement between the State and the Fort James Corporation for natural resource damages arising from the release of PCBs into the Fox River. Under a consent decree signed by the Department of Natural Resources and the Department of Justice on November 15, 2000, the State will not sue Fort James. In exchange, Fort James has agreed to provide or fund environmental restoration projects at a cost that has been estimated at \$7.0 million. The settlement has been controversial, and our review identified significant issues related to the agreement and the damage assessment process.

## Employment Solutions, Inc.—February 2001

In our review of financial transactions for 16 W-2 agencies, we found that Employment Solutions had charged the State \$270,268 for activities conducted outside of Wisconsin that were not related to the W-2 program. In addition, we identified \$35,899 in unallowable costs and questioned another \$61,234 that Employment Solutions charged to the program. We also identified \$12,604 in unallowable costs and \$114,487 in questioned costs for six other W-2 agencies.

## Center for Tobacco Research and Intervention—February 2001

We completed a limited review of the FY 1999-2000 funds provided to the University of Wisconsin-Madison Medical School's Center for Tobacco Research and Intervention as part of the State's lawsuit settlement with tobacco manufacturers. In the 1999-2001 biennial budget, the Center was appropriated \$1.0 million annually in tobacco settlement funds. We found the Center's expenditures were consistent with legislative intent. However, because few expenditures had been incurred, it was too early to assess the effectiveness of the Center's programs.

## Budgetary Issues—June 2001

During the course of our FY 1999-2000 single audit, we identified approximately \$2.1 million in available funds for the Legislature to consider during its 2001-03 biennial budget deliberations. That amount included approximately \$1.8 million for the General Fund, \$246,000 for the Conservation Fund, and \$40,000 for the Transportation Fund. The \$1.8 million available for the General Fund included purchasing card rebates, unliquidated encumbrances, and additional interest

earnings that could have been generated by immediately claiming federal funds the State was entitled to receive under the Temporary Assistance for Needy Families program.

Actuarial Audit of the Wisconsin Retirement System Prepared by Milliman USA—August 2001

Statutes require that we contract for the performance of an actuarial audit of the Wisconsin Retirement System (WRS) at least once every five years. The actuarial firm Milliman USA, which performed this audit, found that proper actuarial methods and assumptions are being used for the WRS and offered observations on trends in contribution rates.

Environmental Cooperation Pilot Program—September 2001

The program is intended to provide up to ten companies with increased flexibility in complying with environmental regulations while maintaining existing levels of environmental protection. One agreement was finalized at the time of our review. Both the Department of Natural Resources and companies identified challenges associated with the program, which was established in 1997. Addressing these challenges will be important because the Legislature may be asked to consider a new flexible environmental management program, known as Green Tier.

Wisconsin Family Care Implementation Process Evaluation Reports Prepared by the Lewin Group—November 2001 and December 2002

We are required by 1999 Wisconsin Act 9 to contract for an evaluation of the cost-effectiveness, accessibility, and quality of care provided by the Family Care pilot program. The Lewin Group, Inc., completed the second and third of its contracted reports in this two-year period. We reviewed those reports, which noted progress in implementing the program for adults who are elderly or disabled. The program continues to evolve to meet federal requirements and the needs of individuals who are found functionally and financially eligible.

Best Practices Review: Local E-Government Services—December 2001

Local governments in Wisconsin increasingly use the Internet to deliver information and services electronically. Most have already met a recommendation of the Blue-Ribbon Commission on State-Local Partnerships for the 21st Century (the Kettl Commission) that larger local governments launch Web sites by June 30, 2002. Local governments report efficiencies that include improved levels of service, but security and privacy present challenges for e-government.

Wisconsin Public Broadcasting Foundation, Inc.—December 2001 and December 2002

In each year, we conducted a financial audit of this foundation, which raises funds for the Wisconsin educational radio and television networks. We issued unqualified independent auditor's reports on the financial statements and notes for FY 2000-01 and FY 2001-02.

#### Terrorism Response Preparedness and Funding—January 2002

Wisconsin's hazardous materials response teams have an important role as first responders to threats of terrorist activity involving weapons of mass destruction. The Department of Emergency Management has proposed that 94 percent of a \$3.8 million grant from the federal Department of Justice be designated for local governments, including hazardous materials response teams, to purchase specialized equipment for response to terrorist incidents. An additional \$1.7 billion may be available to states as part of recent congressional action to support preparedness and response.

#### Department of Tourism—January 2002

We completed a review of the Department of Tourism's fiscal operations and administrative activities to ensure the effectiveness of management and controls, and compliance with statutory requirements. Overall, the Department has appropriate fiscal policies and procedures in place, but we noted several areas in which fiscal management could be improved.

#### Department of Corrections Technology Management—February 2002

Our limited-scope review of the Department of Corrections' Bureau of Technology Management identified questionable accounting transactions that kept \$2.2 million from being returned to the General Fund. We provided alternatives for the Legislature regarding agency funding practices and recommendations to the Department for improving accountability for computer-related purchases.

#### Medical Assistance Personal Care Providers—April 2002

We reviewed the Department of Health and Family Services' process for auditing Medical Assistance personal care providers. Audit policies and procedures are generally reasonable, but the Department's narrow interpretation and strict application of documentation requirements in 1998 and 1999 created concerns. We made suggestions to the Department for providing additional opportunities for provider education and resuming ongoing audits of personal care providers.

#### Medical College of Wisconsin—August 2002

The Medical College received nearly \$8.0 million in GPR for tuition aid in FYs 1999-2000 and 2000-01, and \$6.7 million in GPR for the development and operation of its family practice residency program. It complied with statutory requirements related to tuition aid and met the statutory goal that minority students represent 5 percent of total enrollment, despite a significant decline in minority enrollment after academic year 1998-99. We questioned the reasonableness of family practice residency program costs totaling \$13,420 because although they are not prohibited, they may be considered excessive or inappropriate entertainment expenditures.

**Dental Education Contract with Marquette University—August 2002**

In FYs 1999-2000 and 2000-01, the Marquette School of Dentistry received approximately \$1.2 million annually in state tuition aid for Wisconsin residents enrolled in its undergraduate dental education program. Minority enrollment declined, but the school complied with statutory, grant, and contractual requirements and spent state funds appropriately.

**Marquette University School of Dentistry Service Grant—August 2002**

In FYs 1999-2000 and 2000-01, the Marquette School of Dentistry received \$5.6 million in GPR to provide dental services to low-income individuals at clinics throughout Wisconsin. Because the dental clinics have expanded their services, and because of a change in the way Marquette University allocates costs, dental clinic expenditures exceeded revenues by nearly \$4.3 million in FY 2000-01.

**Green Bay/Brown County Professional Football Stadium District—August 2002**

As required by s. 229.8273(6), Wis. Stats., we reviewed the Green Bay/Brown County Professional Football Stadium District's efforts to meet contracting and hiring goals for minorities and women in the Lambeau Field reconstruction project. The District is making a good-faith effort to meet statutory contracting and hiring goals. Through December 2001, it exceeded statutory goals for hiring minorities and made measurable progress in hiring women and in contracting with both minority-owned and women-owned businesses. This was our first annual review.

**Sanctioning of Wisconsin Works (W-2) Participants—December 2002**

W-2 agencies may sanction participants who fail to comply with work requirements. From September 1997 through March 2001, W-2 agencies identified underpayments of \$115,792 in 614 inappropriately sanctioned cases. We estimate that W-2 agencies made errors in assessing the appropriateness of an additional 127 cases, which also resulted in underpayments.

**Nursing Homes in Milwaukee—December 2002**

Nursing homes in the City of Milwaukee are generally larger than those in the rest of the state, have lower occupancy rates, are reimbursed for a lower percentage of their allowable Medical Assistance costs, are cited for code violations more frequently, and experience higher staff turnover.



## Audit Opinions and Certifications

Audit opinion on the University of Wisconsin System's FY 1999-2000 annual financial report, issued January 5, 2001

Certification of the State's net indebtedness as of January 1, 2001, issued May 21, 2001

Audit opinion on the State of Wisconsin's FY 2000-01 financial statements, issued December 13, 2001

Biennial certification of cash and securities in the custody of the State Treasurer as of June 30, 2001, issued January 7, 2002

Audit opinion on the University of Wisconsin System's FY 2000-01 annual financial statements, issued January 7, 2002

Audit opinion on the State of Wisconsin Investment Board's FY 2000-01 financial statements, issued January 9, 2002

Certification of the State's net indebtedness as of January 1, 2002, issued June 25, 2002

Audit opinion on the State of Wisconsin Investment Board's FY 2001-02 financial statements, issued December 3, 2002

Audit opinion on the State of Wisconsin's FY 2001-02 financial statements, issued December 13, 2002

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## Appendix 1

### **Statutory Responsibilities for Recurring Audits**

Under s. 13.94, Wis. Stats., and other statutory provisions, the Legislative Audit Bureau is responsible for conducting annual financial audits of:

- the Department of Employee Trust Funds;
- the Capital Improvement Fund;
- the Bond Security and Redemption Fund;
- the State of Wisconsin Investment Board;
- the Division of Gaming within the Department of Administration;
- the Wisconsin Lottery;
- State Fair Park;
- student loans and notes in the possession of the Higher Educational Aids Board;
- grants for dental services at the Marquette University School of Dentistry; and
- the Green Bay/Brown County Professional Football Stadium District's efforts to meet contracting and hiring goals for minorities and women in the Lambeau Field reconstruction project.

We also conduct biennial or more frequent financial audits of:

- the accounts of the State Treasurer;
- the central accounting records of the Department of Administration;
- expenditures from the state appropriation to the Medical College of Wisconsin;
- expenditures under the Higher Educational Aids Board contract for dental education services; and
- the financial status of the local professional baseball park and football stadium districts.

Annual program audit responsibility for area cooperation compacts under which municipalities collaborate to provide governmental services such as law enforcement, fire protection, and emergency services, begins in 2004.

We have biennial program audit responsibility for the State Lottery, the State of Wisconsin Investment Board, and the Division of Gaming within the Department of Administration. In addition, we are required to periodically audit divisions in the Department of Commerce that are responsible for inspections of multifamily housing, to conduct county and municipal best practices reviews, and to monitor the Department of Natural Resources' environmental cooperation pilot program.

Statutes require that we audit the State Life Insurance Fund, the Local Government Property Insurance Fund, and the Patients Compensation Fund at least once every three years. In recent years we have performed these audits every three years and have performed interim work each year for purposes of our annual audit of the State of Wisconsin's financial statements.

At least once every five years, we are required to examine the extent to which state agencies purchase materials, supplies, or equipment manufactured outside the United States. We are also responsible for conducting special examinations of the accounts and financial transactions of any department or office as the Governor, the Legislature, the Joint Legislative Audit Committee, or the Joint Committee on Legislative Organization directs. Finally, as directed by the Joint Legislative Audit Committee, we may audit any county, city, village, town, or school district.

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Appendix 2

**Legislative Audit Bureau Organization Chart**

