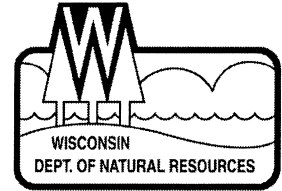


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April 9, 2020

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

Subject: Update on Audit of State-Owned Residential Properties

Dear Senator Cowles and Representative Kerkman:

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

1. **Audit Report Recommendation:** Comply with Department of Administration policies in executing lease agreements with employees residing in state-owned residential properties.

DNR's Response & Actions Taken: The department intends to fully comply with Department of Administration policies as those policies are finalized. The department is assisting DOA in this effort through its active participation on the housing work group established by DOA.

2. **Audit Report Recommendation:** Accurately implement all rental payment adjustments required by the Department of Administration in a timely manner.

DNR's Response & Actions Taken: The department intends to fully comply with Department of Administration policies as those policies are finalized. The department is assisting DOA in this effort through its active participation on the housing work group established by DOA.

The DOA Secretary will communicate with the DNR Secretary on an annual basis any necessary rental payment adjustments. Any necessary rental payment adjustments will be communicated to the impacted tenant and appropriate bureau. Rental payment adjustments will be executed within 30 days of notification from DOA.

3. **Audit Report Recommendation:** Develop a formal mechanism to track information for its state-owned residential properties.

DNR's Response & Actions Taken: All DNR residential properties have been entered and flagged as residential properties in DNR's Building Inventory System. A report

summarizing DNR's residential properties will be provided to the Department of Administration on an annual basis, or as requested.

- 4. Audit Recommendation:** Improve communication among staff when employees terminate employment or discontinue residing in a state-owned property in a timely manner to ensure the rental payment does not continue to be charged.

DNR's Response & Actions Taken: Department Payroll staff will send quarterly emails to staff living in residential properties and their direct supervisors asking them to affirm the staff still reside in those facilities and to ensure they are not being charged rent if they no longer reside in a state-owned property.

- 5. Audit Recommendation:** Proactively monitor uncollected rental payments and following up in a timely manner with employees to receive these payments.

DNR's Response & Actions Taken: Department Payroll staff have begun auditing these payments on a bi-weekly basis to ensure all rental payments are received in a timely manner. Staff will be immediately notified of any uncollected payments.

- 6. Audit Recommendation:** execute new lease agreements to correct rental payment amounts that incorrectly included a 50.0 percent rental payment discount;

DNR's Response & Actions Taken: The department has made determinations about which staff currently residing in state-owned residential properties should receive a 50% rental payment discount and which should not (see item #8).

The department has issued new appointment letters for all staff that are required to live in state-owned residential facilities as a condition of their employment.

Any future adjustments to rental payment amounts will be made in accordance with DOA direction established following items #1 and #2, as noted above.

- 7. Audit Recommendation:** Consider tax implications of rental payment discounts it incorrectly provided in current and prior lease agreements.

DNR's Response & Actions Taken: The department has consulted with DOA/Division of Personnel Management (DPM) and DOA Legal Counsel to consider the tax implications of any rental payment discounts that were incorrectly provided in current or prior lease agreements.

- 8. Audit Recommendation:** Reassess residential properties to determine whether it is necessary for an employee to reside in the property to properly conduct job responsibilities.

DNR's Response & Actions Taken: The department has conducted an internal review of all properties that have state-owned residential facilities. As part of this review, property operations were evaluated for the importance of staff residing on the property to maintain critical business operations. The department has determined there are currently ten staff that are required to reside on-site to properly perform their job duties and these required duties are a condition of their employment. These staff have now been issued new appointment letters.

9. **Audit Recommendation:** Formally documenting procedures for managing state-owned residential properties and communicating them to all appropriate staff.

DNR's Response & Actions Taken: The department has an established employee housing policy and will update this policy in accordance with DOA direction established following items #1 and #2, as noted above.

10. **LAB's Recommendation:** reporting by April 10, 2020, to the Joint Legislative Audit Committee on the status of its efforts to implement these recommendations.

DNR's Response & Actions Taken: This action is completed with this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Preston D. Cole". The signature is written in a cursive, flowing style.

Preston D. Cole
Secretary