January 15, 2021

State Senator Robert Cowles
Co-chair, Joint Legislative Audit Committee
118 South, State Capitol
P.O. Box 7882
Madison, WI 53707-7882

State Representative Samantha Kerkman
Co-chair, Joint Legislative Audit Committee
315 North, State Capitol
P.O. Box 8952
Madison, Wisconsin 53708-8952

Dear Co-Chairpersons Cowles and Kerkman:

The Department of Administration (DOA) herein submits to the Joint Legislative Audit Committee an update on the status of its efforts to implement recommendations related to concerns identified by the Legislative Audit Bureau (LAB) in Report 20-12 "Master Lease Program". We thank the LAB for the opportunity to act on these recommendations and their work in highlighting these important issues.

The Master Lease Program has provided lease financing options to state agencies, the Legislature, and the Supreme Court since 1992. LAB has offered recommendations for improving the program that include establishing policies and processes relating to the use of the Master Lease Program along with annually submitting statutorily required reports. The attached report outlines the actions that DOA plans to take to improve the administration of this important leasing program.

We believe that our responses to the report's recommendations will help us continue optimizing our management and oversight of the state's Master Lease Program.

Sincerely,

Joel Brennan

Joel T. Brennan
Secretary

Attachment

SUMMARY

In Audit Report 20-12 "Master Lease Program", the Legislative Audit Bureau (LAB) offered recommendations for the program that would enhance policies and procedures relating to the use of the Master Lease Program along with ensuring submittal of the required annual Master Lease report regarding IT projects. The Department of Administration (DOA) is currently working to meet these recommendations.

Many of the recommendations have already been implemented and DOA looks forward to formalizing these policies and procedures. In addition, DOA established a cross-divisional workgroup to evaluate the usage of the Master Lease Program for IT projects by optimizing the workflow for approving and monitoring projects while fulfilling statutory requirements. For example:

- DOA is in the process of expanding application requirements for the Master Lease Program to require agencies to justify use of the Master Lease Program and require DOA to collect and maintain information surrounding the program's decision-making process.
- DOA is in the process of formalizing internal policies and its operational framework to ensure that required information is collected and maintained throughout the application process.
- DOA will revisit its Master Lease policies annually and make revisions as appropriate to meet the LAB's recommendations. This will include monitoring agency master lease project funding levels, timelines for obtaining and expending Master Lease funds, and ensuring that required information is provided to the Governor and the Joint Committee on Information Policy and Technology in accordance with statutory mandates.

Specific responses to the remaining LAB recommendations are outlined below.

MASTER LEASE PROGRAM

RECOMMENDATION:
Consider requiring state agencies to submit certain information, such as a detailed statement of why a project should be undertaken when applying for master lease funding. (20-12, p. 20)

DOA RESPONSE:
DOA evaluated the information currently required of applicants to the Master Lease Program and agrees that additional information would be helpful if provided earlier during the DOA review process. Applications for Master Lease funding will expand to include information from the agency that justifies the purchase or project. Regarding IT projects, DOA is working on business processes that identify required documentation from agencies on IT-related projects to be funded with the Master Lease. DOA will share these processes and documentation requirements with all agencies for their information as they consider the use of the State's Master Lease Program.

RECOMMENDATION:

Document its reviews of all applications for Master Lease funding for information technology projects, including those that it submitted for projects it manages, and specify in writing why it approved or rejected each application. (20-12, p. 20)

DOA RESPONSE:

DOA is currently evaluating updates to its business processes to formalize the documentation of technical reviews for IT project-related Master Lease applications, which will include a written justification approving or denying each application. While technical reviews have been consistently completed, they were previously not consistently documented. DOA will share these procedures with all agencies for their information as they consider the use of the State's Master Lease Program.

RECOMMENDATION:

Annually review its master lease policies to ensure that they remain up-to-date. (20-12, p. 19)

DOA RESPONSE:

DOA will formalize the review of its policies on the Master Lease Program at least annually and make revisions as appropriate. DOA will also review how it shares these policies with all state agencies, beyond the case-by-case discussions DOA currently has with state agencies that have an interest in the State's Master Lease Program. This annual review will incorporate any updates to the technical review process for Master Lease applications for IT projects.

RECOMMENDATION:

Consistently follow its master lease policies, including for projects it manages. (20-12, p. 18)

DOA RESPONSE:

DOA will enhance internal policies and frameworks to ensure that it follows DOA policies for approving funding from the Master Lease Program and originating lease schedules. These internal policies, which are intended to formalize the processes used by the State Master Lease Program since 1992, will be updated and implemented after discussions among the different bodies within DOA that are currently involved with the administration of the State Master Lease Program, including but not limited to, the State Budget Office, the State Controller's Office, the Division of Enterprise Technology, and the Secretary's Office.

RECOMMENDATION:

Document the Secretary's approval of all applications. (20-12, p. 20)

DOA RESPONSE:

DOA will include the Secretary's approval documentation as part of the internal policies and framework that are being enhanced. Operating during the pandemic has highlighted the ease of use of various technologies to assist with these policies and procedures.

RECOMMENDATION:

Revise its Master Lease policies, including by specifying the process and criteria it will use to consider applications for master lease funding, specifying how it will determine the expected useful life of funded projects, and requiring master lease funding to be repaid before the end of the expected useful life of funded projects. (20-12, p. 18)

DOA RESPONSE:

DOA concurs that more information would be helpful in the application for Master Lease Program to address expected useful life of each funded item or project, and intends to modify applications for the Master Lease to require this information from the requesting agency. This will replace the ongoing dialogue that currently occurs between DOA and the applicant on the expected useful life, which is not necessarily documented. In addition, DOA will determine the expected useful life (considering actual useful life of prior item or project, useful life of similar projects funded with Master Lease, or opinions of subject matters experts) and ensure that repayments on projects funded with Master Lease will not exceed this expected useful life.

RECOMMENDATION:

Ensure that state agencies, including itself, do not obtain more master lease funding than the amounts approved as part of the application process. (20-12, p. 21)

DOA RESPONSE:

DOA compares Master Lease funding amounts to approved amounts as new lease schedules are originated; this review takes into consideration that Master Lease application approval typically occurs before the final contract or bid prices are known. As part of formalizing its processes and framework, combined with DOA's annual review of processes and legislative reporting requirements, DOA will improve the monitoring of funding amounts versus approval amounts.

RECOMMENDATION:

Establish in its policies the maximum length of time that state agencies, including itself, have to obtain master lease funding after it approves their applications for master lease funding. (20-12, p. 22)

DOA RESPONSE:

Several IT-related projects funded with Master Lease are built over multiple years and delays in instituting some projects are difficult to avoid, however, DOA will establish in our policies the maximum time a state agency can draw on the approved funding amount before re-approval is required.

RECOMMENDATION:

Comply with statutes by annually submitting reports to the Joint Committee on Information Policy and Technology on the use of master lease funding for information technology projects in the previous fiscal year. (20-12, p. 23)

DOA RESPONSE:

DOA submitted this report to the Joint Committee on Information Policy and Technology on September 30, 2020. Furthermore, DOA has established processes to ensure the report is submitted annually to the Joint Committee on Information Policy and Technology within statutory deadlines.