



**STATE OF WISCONSIN**

**Legislative Audit Bureau**

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Janice Mueller  
State Auditor

March 25, 2011

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

We recently identified up to \$12.0 million in federal funds the Legislature could either direct the Department of Children and Families to spend on specific public assistance programs or lapse to the State's General Fund for use as general purpose revenue (GPR) in the 2011-13 biennium. In addition, because the Department of Administration did not make certain accounting entries at the end of fiscal year (FY) 2009-10, we believe it could immediately make \$668,478 available to the General Fund as GPR for the fiscal year that ends on June 30, 2011.

**Funds in Department of Children and Families Accounts**

Wisconsin's counties administer federally funded programs such as Wisconsin Works (W-2) and the Wisconsin Shares Child Care Subsidy Program under contracts with the Department of Children and Families. The Department reimburses the counties' costs for administering these programs, and then seeks reimbursement for the federal share of these costs from the U.S. Department of Health and Human Services.

The Department of Children and Families uses the State's central accounting system to record the payments it makes to counties and the reimbursements it receives from the federal government. As a result of the federally approved methodology used to calculate reimbursements, there is often a difference—either positive or negative—between the amounts recorded as charges to federal accounts and the amounts recorded as federal reimbursements. The Department refers to this difference as the Random Moment Sampling (RMS) variance.

As part of the annual Single Audit we perform to verify state agencies' compliance with federal grant requirements, we monitor the RMS variance. We are concerned because, as shown in Table 1, a cash balance that represents the RMS variance has increased from \$2.3 million as of June 30, 2005, to nearly \$8.4 million as of June 30, 2010. The amount would have been greater if the Department had not used \$2.5 million in available funds to repay the U.S. Department of

Health and Human Services for federal audit disallowances under the former Aid to Families with Dependent Children program.

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Table 1

**Cash Balance Representing RMS Variance**

June 30	Balance
2005	\$2,333,808
2006	2,281,266
2007	7,022,172
2008	9,973,751
2009	8,557,972
2010	8,373,781

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It is prudent for the State to maintain a positive RMS variance balance. However, as of January 31, 2011, an unaudited cash balance of \$12.0 million representing the RMS variance had accumulated in the State's working bank account, which is more than a prudent amount.

The source of these funds is mainly the federal Temporary Assistance for Needy Families (TANF) and Child Care and Development Fund block grants. Revenues from these grants are included in the Governor's 2011-13 biennial budget proposal, which the Legislature will consider as 2011 Senate Bill 27 and 2011 Assembly Bill 40. However, the W-2/TANF budget included in that proposal—which projects \$28.8 million in available W-2/TANF funding at the end of FY 2012-13—does not reflect the accumulated cash balance that represents the RMS variance. Therefore, the RMS variance represents an unaudited total of \$12.0 million in cash for which the Department of Children and Families has no immediate plans.

We note that while these funds are accounted for in a federal appropriation, their use is not subject to any federal requirements. Therefore, the Legislature could choose to:

- designate a portion of the accumulated cash balance that represents the RMS variance for specific program-related purposes, and specifically include any designated amount in the W-2/TANF budget; or

- direct the Department of Children and Families to immediately lapse some of the accumulated cash balance that represents the RMS variance to the General Fund, where it would be available as GPR for the 2011-13 biennium.

### **Unencumbered Balances Available as GPR**

Section 20.505(8)(hm), Wis. Stats., requires the Department of Administration to transfer a portion of the revenues received under tribal-state gaming compacts to various agency appropriations and, at fiscal year-end, to revert any unencumbered balances in specified appropriations to the appropriation authorized under s. 20.505(8)(hm), Wis. Stats. Any tribal gaming revenues in excess of the amounts transferred to the agencies are accounted for as GPR of the General Fund.

At the end of FY 2009-10, the Department of Administration did not make the necessary accounting entries to revert unencumbered balances in the appropriations of various state agencies to the appropriation authorized under s. 20.505(8)(hm), Wis. Stats. As shown in Table 2, a total of \$668,478 remained in these appropriations as of June 30, 2010. Because these funds were not reverted, they are excess funds that the Department of Administration could immediately make available to the General Fund as GPR for the fiscal year that ends on June 30, 2011.

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Table 2

#### **Unencumbered Balances as of June 30, 2010**

Department	Amount
Children and Families	\$498,116
Health Services	104,636
Commerce	33,464
All others	32,262
<b>Total</b>	<b>\$668,478</b>

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Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
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Please contact me if you have any questions regarding the additional funding we identified.

Sincerely,

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

Janice Mueller  
State Auditor

JM/BN/bm

cc: Members, Joint Legislative Audit Committee

Members, Joint Committee on Finance

Michael Huebsch, Secretary  
Department of Administration

Eloise Anderson, Secretary  
Department of Children and Families

Bob Lang, Director  
Legislative Fiscal Bureau