



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

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Audit Recommends State Agencies Improve Oversight of Residential Properties

MADISON – Today, the nonpartisan Legislative Audit Bureau (LAB) released an audit of State-Owned Residential Properties (report 19-26). LAB initiated this audit in response to a report made to its Fraud, Waste, and Mismanagement Hotline. The Department of Administration (DOA) is required to administer residential properties, which are managed by state agencies and leased to state employees. As of December 2018, the Department of Natural Resources (DNR) managed 32 properties occupied by 32 employees, and the University of Wisconsin (UW) System managed a total of 114 properties occupied by 171 employees.

LAB found that DOA did not comply with all statutory requirements, did not track all properties for which it was statutorily responsible, and did not monitor state agency compliance with its policies, which had not been revised since 1975. Although DOA is statutorily required to conduct appraisals of these properties every ten years, the last appraisals were conducted in 1995.

“This audit shows just how valuable the Fraud, Waste, and Mismanagement Hotline is in making sure state government is on track,” said Representative Samantha Kerkman (R-Salem Lakes). “In this case, the Audit Bureau found a decades-long inattentiveness that spanned three agencies across multiple administrations. I’m appreciative of the people who contact the hotline and the opportunity it creates for investigating and improving state government.”

“We will definitely be working with these state agencies to bring these properties and their policies back into statutory compliance. The fact that this audit is the result from a tip made to the Waste, Fraud, and Mismanagement Hotline proves we need to continue to look at all aspects of state government to maintain accountability, but that sometimes we need others to report the government waste and abuse that they see,” said Senator Robert Cowles (R-Green Bay).

LAB also found that, during 2019, DNR will have undercharged an estimated \$38,900 and UW institutions will have undercharged an estimated \$24,000 for rental payments because they did not implement all required rental payment adjustments determined by DOA since 1998.

Certain employees may be required to reside in the properties as a condition of employment while other employees may opt to reside in them. IRS guidelines specify the criteria that must be met to avoid treating rental payment discounts an employer may offer to an employee as taxable income for an employee. LAB found that DNR demonstrated compliance with IRS guidelines in only 2 of 32

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lease agreements and UW institutions demonstrated compliance in only 3 of 16 lease agreements in effect in December 2018. UW-Madison was unable to provide lease agreements in effect during December 2018 for 6 of 12 employees it required to reside in properties. In addition, LAB found that DNR incorrectly provided a 50.0 percent rental payment discount in some lease agreements it executed with state employees.

In addition to recommending that DOA comply with statutory requirements and increase monitoring and oversight of these properties, LAB also recommended that DNR and UW System comply with DOA policies and improve the management of lease agreements each executes with state employees.

Copies of LAB's report (report 19-26) may be obtained from its website at www.legis.wisconsin.gov/lab or by calling (608) 266-2818. Report concerns related to state government activities, including those involving UW System and UW institutions, to LAB by calling the toll-free hotline at 1-877-FRAUD-17.

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