



## WISCONSIN STATE LEGISLATURE

# Joint Audit Committee

Committee Co-Chairs:

State Senator Robert Cowles

State Representative Samantha Kerkman

NEWS RELEASE  
FOR IMMEDIATE RELEASE  
January 10, 2013

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### **Auditors Issue Clean Opinion on State's Financial Statements, But Report Concerns at UW**

**MADISON** – In December 2012, the Department of Administration (DOA) published the Comprehensive Annual Financial Report (CAFR), which presents information about the State's fiscal condition as of June 30, 2012. The nonpartisan Legislative Audit Bureau (LAB) provided a "clean" or unqualified opinion on the fiscal year (FY) 2011-12 financial statements, which were prepared by DOA and included in the CAFR.

When reported in accordance with generally accepted accounting principles (GAAP), the General Fund deficit decreased from \$2.9 billion as of June 30, 2011, to \$2.2 billion as of June 30, 2012. DOA attributes this change primarily to an increase in General Fund revenue and decreases in expenditures and other financing sources and uses. However, the State's long-term debt issued for general government operations totaled \$11.0 billion as of June 30, 2012.

During its audit, LAB assessed internal control measures applied by state agencies and reported concerns related to the University of Wisconsin (UW) System's oversight of the Human Resource System (HRS), which is its new payroll system. First, LAB identified a material weakness related to security over the system, which increases the risk that inadvertent, erroneous, or unauthorized changes could be made to HRS.

As Co-Chair of the Joint Legislative Audit Committee Senator Rob Cowles (R-Allouez) stated "The findings from the LAB highlight an unfortunate reoccurring trend of fiscal mismanagement by the UW System. The identified concerns were uncovered through an audit of the financial statements. We clearly need a more comprehensive review of the HRS at the UW System."

LAB also reports that, due to a lack of oversight and monitoring of fringe benefit processes after implementation of HRS, UW System made errors when calculating Wisconsin Retirement System (WRS) contributions due to the Department of Employee Trust Funds (ETF) that resulted in overpayments of \$17.5 million. In addition, LAB identified that an estimated \$15.4 million in overpayments were made by UW System for health insurance premiums, including \$8.0 million paid for 924 terminated employees from May 2011 through September 2012. Although ETF credited UW System for the \$17.5 million in overpayments to the WRS, provisions in the contracts between the State and health insurance providers appear to limit UW System's ability to recover the entire amount it overpaid for health insurance premiums.

"I am surprised and very concerned by the lack of security and oversight that was found in the HRS system, and the millions of taxpayer dollars that were misspent as a result" said Rep. Samantha Kerkman (R-Randall). "I served in the Legislature when the UW asked for this new system to improve its payroll administration after millions in state funds were previously spent to develop a different payroll that ultimately failed. This new information opens the door for further review of HRS by the Legislature."

For more information about LAB's audit of the State of Wisconsin's Financial Statements, please visit LAB's website at <http://legis.wisconsin.gov/lab/> or call 608-266-2818.