



Public Service Commission of Wisconsin

Ellen Nowak, Chairperson
Mike Huebsch, Commissioner
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610 North Whitney Way
P.O. Box 7854
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February 1, 2018

The Honorable Robert Cowles, Co-Chair
Joint Legislative Audit Committee
State Capitol, Room 118 South
Madison, Wisconsin 53702

The Honorable Samantha Kerkman, Co-Chair
Joint Legislative Audit Committee
State Capitol, Room 315 North
Madison, Wisconsin 53702

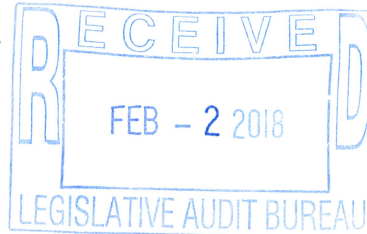
Dear Senator Cowles and Representative Kerkman:

In response to the recent Universal Service Fund (USF) audit by the Legislative Audit Bureau (LAB) (Report 17-11), we are reporting on the efforts of the Public Service Commission (Commission) to implement recommendations related to financial reporting.

Report 17-11 recommended that the Commission develop detailed written procedures for preparing USF financial statements; seek assistance from agencies administering USF-funded programs when preparing adjusting journal entries; and implement a thorough secondary review process. As detailed below, we have addressed the audit recommendations.

We developed detailed written procedures for preparing the USF financial statements. The procedures incorporate information that was previously documented in the spreadsheets used to calculate the adjusting journal entry amounts as well as information that was obtained from LAB. This includes background information on the adjusting journal entries, instructions on how to calculate the adjusting journal entry amounts, and a comprehensive list of reports and queries needed for the calculations. In addition, the procedures include steps for reviewing financial reporting requirements and accounting standards to ensure that all applicable requirements are followed and new standards are appropriately implemented. This includes references to resources provided by the State Controller's Office as well as links to authoritative guidance provided by the Governmental Accounting Standards Board.

Our detailed written procedures also outline a process for working with the other agencies administering USF-funded programs when preparing the adjusting journal entries. Historically we have worked with the Department of Public Instruction to prepare the complex adjusting journal entries related to the programs they administer. We will continue to do this. The 2018-2019 Biennial Budget Act, 2017 Wisconsin Act 59, requires the unencumbered balance from each USF appropriation to be transferred to the broadband expansion grant appropriation.



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In order to transfer the correct amount from each appropriation, we will need to work closely with the other agencies to understand their expenditure activity. This understanding will help us ensure that the expenditures reported in the USF financial statements are accurate.

The Commission recently filled the accountant position responsible for USF-related items as well as the Financial Manager position. This will allow for the appropriate separation of duties between the preparation and review of the financial statements. The USF accountant will prepare the adjusting journal entries and financial statements, which will then be reviewed by the Financial Manager. This review will include detailed recalculations as well as analytical procedures to identify account balances that do not meet expectations. We will also share the completed financial statements and notes with the USF Director and the other agencies who administer USF-funded programs, and request that they confirm that the financial statements appear reasonable.

We appreciate the opportunity to provide you with a summary of the efforts we have taken to address the financial reporting audit recommendations in Report 17-11. We are confident that the steps that we have taken to address the audit recommendations will ensure accurate financial reporting going forward.

Please let us know if you have any questions. We would be happy to discuss them with you.

Sincerely,



Ellen E. Nowak
Chairperson



Sarah Klein
Administrator
Division of Business & Program Management

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cc: Joe Chrisman, State Auditor
Legislative Audit Bureau