



BRIEFING SHEET

Report 20-12
September 2020State Auditor
[Joe Chrisman](#)**Master Lease Program***Department of Administration***Background**

Statutes authorize the Department of Administration (DOA) to administer the master lease program, through which state agencies may fund their purchases of IT systems and certain other assets. Statutes also allow the University of Wisconsin, the Legislature, and the courts to use the program to fund purchases.

State agencies apply for master lease funding from DOA, which decides whether to approve their applications. The Legislature is not involved in approving the applications.

To obtain master lease funding, DOA borrows funds from a bank and periodically issues certificates of participation, which are a type of debt instrument similar to bonds. The certificates are not a general obligation debt of the State and are not backed by the full faith and credit of the State. Agencies repay master lease funding, plus interest and administrative fees, from the amounts appropriated to them.

Key Findings

We found concerns with DOA's program policies, consideration of applications for master lease funding, oversight of the program, and statutorily required reporting to the Joint Committee on Information Policy and Technology. The table summarizes our key audit findings.

Recommendations

We recommend DOA revise its master lease policies, document its reviews of applications for master lease funding, ensure state agencies do not obtain more master lease funding than the approved amounts, establish the maximum length of time that state agencies have to obtain master lease funding, and annually submit statutorily required reports.

In addition, the Legislature could consider modifying statutes to require DOA to obtain its approval before approving certain applications for master lease funding and report to the Joint Legislative Audit Committee annually on the use of master lease funding.

Key Audit Findings for the Master Lease Program at DOA

From FY 2014-15 through the first half of FY 2019-20, \$142.1 million of the \$157.9 million (90.0 percent) of master lease funding approved by DOA was for 28 IT projects (*p. 13*).

Projects managed by DOA accounted for \$118.3 million of the \$142.1 million (83.3 percent) in total master lease funding for IT projects (*p. 14*).

From FY 2014-15 through the first half of FY 2019-20, state agencies made a total of \$154.4 million in master lease payments, including repayment of principal, interest, and administrative fees (*p. 16*).

As of December 15, 2019, the principal balance of all outstanding certificates of participation totaled \$88.6 million (*p. 16*).

DOA's program policies were incomplete and outdated (*p. 17*).

DOA did not document the reasons for approving any of the 28 applications for master lease funding for IT projects (*p. 19*).

DOA permitted state agencies, including itself, to obtain a total of \$4.4 million more in master lease funding than the amounts it had approved for eight projects from FY 2014-15 through the first half of FY 2019-20 (*p. 20*).

From October 2014 through October 2019, DOA did not submit statutorily required annual reports on master lease funding for IT projects (*p. 22*).

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