



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary-designee

VIA EMAIL

April 29, 2022

State Senator Robert Cowles
Co-chair, Joint Legislative Audit Committee
118 South, State Capitol
Madison, WI
Sen.Cowles@legis.wisconsin.gov

State Representative Samantha Kerkman
Co-chair, Joint Legislative Audit Committee
315 North, State Capitol
Madison, WI
Rep.Kerkman@legis.wisconsin.gov

Dear Co-Chairpersons Cowles and Kerkman:

The Department of Administration (DOA) herein submits to the Joint Legislative Audit Committee (Committee) an update on the status of its efforts to implement recommendations related to concerns identified by the Legislative Audit Bureau (LAB) in Audit Report 21-23 "State of Wisconsin FY 2020-21 Financial Statements" (Report). We thank the LAB for the opportunity to act on these recommendations and their work in highlighting these important issues.

On December 21, 2021, the LAB completed the financial audit of the State of Wisconsin as of and for the fiscal year that ended June 30, 2021. In the report, LAB recommended that by April 1, 2022, DOA report to the Joint Legislative Audit Committee on its continued efforts to resolve balances in clearing appropriations.

The SCO has continued to work with the agencies previously identified as needing additional assistance to overcome obstacles that have prevented them from resolving their clearing appropriation balances by helping to find appropriate solutions and developing written plans. Enclosed the Committee will find additional information on DOA's plans and timelines for addressing remaining issues identified by the audit. We appreciate the opportunity to provide this update to the Committee on DOA's improvements to executive branch operations and financial management.

Sincerely,

Kathy Blumenfeld
Secretary-designee

Attachment



DOA RESPONSE TO LAB Report 21-23 RECOMMENDATIONS

29 April 2022

SUMMARY

In Audit Report 21-23 “State of Wisconsin FY 2020-21 Financial Statements,” the Legislative Audit Bureau (LAB) recommended the Department of Administration (DOA) continue its efforts to address balances remaining in clearing appropriations as of the end of the fiscal year. (21-23, p.14).

DOA is committed to complying with statutory requirements and has undertaken measures to meet the LAB’s recommendations. On March 30, 2022, the State Controller’s Office (SCO) approved a plan proposed by DOA to address the central fuel procurement program, appropriation 91300. The Department of Justice (DOJ) appropriation 90300 currently being used to record settlement funds, is the subject of ongoing litigation which will inform how it is addressed.

Written responses for resolving existing balances as of June 30, 2021, in specific clearing appropriations are included below.

BACKGROUND

The Department of Administration (DOA) is responsible for maintaining the State’s accounting records in the State Transforming Agency Resources (STAR) system, approving all payments, and ensuring budgetary control is enforced. Under s. 20.904, Wis. Stats., and Section 03-07 of the *State of Wisconsin Accounting Manual*, agencies are required to clear all revenues and expenditures from their clearing appropriations before the close of the accounting records for the fiscal year, and at such other times as determined by DOA.¹

In 2016, the State Controller’s Office created a checklist to guide agencies through a month-end review of financial information to help ensure accuracy in their accounting records. One of the tasks on this monthly checklist directs agencies to clear out revenues and expenditures recorded to clearing appropriations during the month.

The State Controller’s Office (SCO) also completes an annual review of clearing appropriations and advises agencies to clear revenues and expenditures from those appropriations before year-end. This review concentrates on revenues and expenditures but does not highlight balances that might exist in balance sheet accounts. These balances are often a result of timing issues that clear themselves up shortly after the fiscal period ends. Agencies certify the balances reflected in their appropriations annually.

¹ 20.904 Transfer of appropriation charges. (1) CLEARING ACCOUNTS PERMITTED. Whenever for economy or convenience, any materials or services are purchased, or expense is incurred and the same is properly apportionable and chargeable to more than one appropriation, within a single state agency, the responsible state agency may, subject to the approval of the department of administration, direct payment of the same out of one of the appropriations chargeable with some part of such materials, services or expense or out of a separate clearing account. (2) REIMBURSEMENT OF CLEARING ACCOUNTS. In any such case the state agency making the purchase or incurring the expense shall determine prior to the closing of the books for the fiscal year, and at such other times as may be determined by the secretary of administration, the amounts chargeable to the several appropriations and shall issue transfer vouchers, setting forth in each voucher the reason therefor. The department of administration shall credit the appropriation or account from which payment was originally made and shall debit the appropriation directed to be charged by the transfer voucher in the amount named therein.”

CLEARING APPROPRIATIONS

As identified by LAB in Audit Report 21-23, at the close of the accounting records for fiscal year (FY) 2020-21, two of approximately 100 clearing appropriations in STAR had a balance of a positive or negative \$1.0 million or more. The SCO, through virtual meetings and email exchanges, coordinated with DOA to develop a plan for how to resolve the existing balance in their clearing appropriation 91300. The Department of Justice (DOJ) appropriation 90300, currently being used to record settlement funds, is the subject of ongoing litigation which will inform how it is addressed.

Department of Administration - *Business Unit 50500, Clearing Appropriation 91300*

The Department of Administration administers the central fuel procurement program, which allows the State to consolidate fuel purchases for utilities and negotiate for better utility rates by providing utilities in bulk. This includes administration of contracts with utility companies, approval of utility invoice payments, and billing of program participants, including state agencies and municipalities, monthly. The delivery of the program administration services is accomplished via Chapter 20 appropriation s. 20.505(1)(kc), Wis. Stats. Payments to utility companies, and amounts billed to and collected in arrears from state agencies and municipalities for those payments, have been transacted through the central fuel clearing appropriation, created under s. 20.904(1), Wis. Stats. Section 20.907(5)(e)1, Wis. Stats., and the *State of Wisconsin Accounting Manual (Wisconsin Accounting Manual)*, Section 03, Sub-section 07, authorize the use of custody appropriations to collect and disburse moneys that are payable to persons other than the State. The amounts collected by DOA from state agencies and municipalities under the central fuel procurement program are for amounts that are payable to persons other than the state - utility companies - for the fuel and utilities provided by those companies to their state agency and municipality customers. The custodial nature of amounts received and paid under this program aligns with the intent and authority under s. 20.907(5)(e)1, Wis. Stats., and the *Wisconsin Accounting Manual*.

The Department proposed and has been approved to convert existing appropriation 91300 from a clearing appropriation, authorized under s. 20.904(1), Wis. Stats., to a custody appropriation authorized under s. 20.907(5)(e)1, Wis. Stats.; in which the amounts collected from agencies and municipalities for payments to utility companies would be deposited. DOA further proposed and was approved to bill monthly for estimated fuel and utility costs in advance of the receipt of monthly utility bills and to use these funds to make payments to the utility companies. In each subsequent month, DOA would bill central fuel customers for their estimated costs as well as the difference between the previous month's estimated and actual expenditures (i.e., "true up"). The proposed plan was approved to be implemented at the start of FY 2022-23.

Department of Justice - *Business Unit 45500, Clearing Appropriation 90300*

The Department of Justice's (DOJ) use of clearing appropriation 90300 relates to its ongoing disagreement with the Joint Committee on Finance about the scope of funds subject to s. 165.10, Wis. Stats., which requires all "settlement funds" to be transferred by the Attorney General to the General Fund. Most recently, on March 11, 2022, a circuit court in Polk County ruled that all the money DOJ has received from settlements has already been "deposited into the general fund", including the amounts existing in the clearing account, and s. 165.10 does not require that DOJ place settlement funds in general purpose revenues. The Legislature has appealed the decision.

SCO will continue to monitor DOJ's use of the clearing appropriation and the status of the litigation, with the intent of working with DOJ on any actions it seeks to take with respect to these funds based on the courts' rulings. According to DOJ, it is planning to credit funds in the clearing account to appropriations consistent with the circuit court's ruling prior to the end of the fiscal year and has indicated it will provide an explanation of that crediting to SCO and DOA.