

Biennial Report

January 1, 2005 – December 31, 2006

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January 1, 2005 – December 31, 2006

State Auditor – Janice Mueller

LEGISLATIVE AUDIT BUREAU

The Bureau is a nonpartisan legislative service agency responsible for conducting financial and program evaluation audits of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau. For more information, write the Bureau at 22 E. Mifflin Street, Suite 500, Madison, WI 53703, call (608) 266-2818, or send e-mail to leg.audit.info@legis.wisconsin.gov. Electronic copies of current reports are available on line at www.legis.wisconsin.gov/lab.

State Auditor - Janice Mueller

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STATE OF WISCONSIN

Legislative Audit Bureau

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Janice Mueller
State Auditor

January 12, 2007

Governor James E. Doyle and
Members of the Legislature
State Capitol
Madison, Wisconsin 53702

Dear Governor Doyle and Members of the Legislature:

This biennial report, which is required under s. 13.94(1)(j), Wis. Stats., summarizes the Legislative Audit Bureau's statutory responsibilities and highlights significant accomplishments from January 1, 2005 through December 31, 2006.

In the 2005-06 biennium, we produced more than 80 independent audits, evaluations, reviews, opinions, and certifications. This work helps to assure the Legislature and the public that financial transactions and management decisions have been made effectively, efficiently, and in compliance with the law and that the policies and practices of state agencies are consistent with legislative intent. It frequently includes recommendations to improve government programs and services, maximize federal reimbursements, and ensure that public funds are wisely spent and appropriately accounted for.

We are proud to deliver accurate and useful information that enhances accountability and assists the Legislature in its oversight of executive branch agencies. We look forward to serving the Legislature, the Governor, and the people of Wisconsin in the coming years.

Respectfully submitted,

Janice Mueller
State Auditor

JM/JT/ss

Purpose and Organization ■

The Legislative Audit Bureau assists the Legislature in maintaining effective oversight.

The Legislative Audit Bureau is a nonpartisan service agency that assists the Legislature in maintaining effective oversight of state programs and finances by:

- independently and systematically examining the accounting records and financial statements of entities that receive public funds;
- performing broader reviews of government operations that promote good fiscal and management practices; and
- evaluating specific programs and services that the State of Wisconsin provides to its citizens.

Our audits and evaluations establish performance criteria and measure existing conditions, their probable causes, and actual and potential effects. We frequently recommend improvements to existing practices. Our work provides assurance that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor.

Authority and Responsibilities

Our authority and responsibilities are enumerated in s. 13.94, Wis. Stats.

The authority and responsibilities of the Bureau and the State Auditor are enumerated in s. 13.94, Wis. Stats., which includes a broad mandate to provide assurance that financial transactions have been made in a legal and proper manner and to review state agency performance and program accomplishments. Statutes grant us access to financial records and other documentation relating to state agencies and certain other entities, and they require us both to be strictly nonpartisan and to maintain the confidentiality of audits in progress.

Appendix 1 describes our recurring and one-time audit responsibilities. Our work includes:

- conducting financial audits and performance evaluations of state agencies and programs as enumerated in s. 13.94 and elsewhere in statutes, or at the request of the Legislature, the Joint Legislative Audit Committee, the Joint Committee on Legislative Organization, or the Governor;
- issuing independent auditor’s opinions on the State’s financial statements, which are published in the Comprehensive Annual Financial Report prepared in December of each year by the Department of Administration;
- verifying state agencies’ compliance with laws and program regulations pertaining to federal funds received by the State of Wisconsin each year;
- performing other independent audits at the request of state agencies that must demonstrate compliance or provide assurance of sound financial practices;
- reviewing financial issues related to the Southeast Wisconsin Professional Baseball Park District, the Milwaukee Brewers Baseball Club, and the Green Bay/Brown County Professional Football Stadium District;
- conducting “best practices” reviews of governmental service delivery by counties and municipalities; and

- performing other audit and program evaluation work initiated by the State Auditor or in response to requests by individual legislators or other units of government.

Our authority to audit any county, city, village, town, or school district is described in s. 13.94(1)(m), Wis. Stats. Under gaming compacts between the State of Wisconsin and 11 Native American tribes, audited financial statements of Indian gaming operations are required to be made available to us for use in conducting annual financial audits and biennial performance evaluations of gaming activities, as required under s. 13.94(1)(eg), Wis. Stats.

The scope of our authority under s. 13.94(4)(a)1, Wis. Stats., was expanded twice during the 2005-06 biennium:

- 2005 Wisconsin Act 335 expanded our audit authority to include the Wisconsin Aerospace Authority, which was created by Act 335; and
- 2005 Wisconsin Act 441 expanded our audit authority to include any unincorporated cooperative association.

Staffing and Management Changes

Staff are appointed by the State Auditor from outside the classified service.

The Legislative Audit Bureau has an authorized staffing level of 86.8 positions. Staff are appointed by the State Auditor from outside of the State's classified civil service system. All professional staff hold bachelor's degrees, and many have also earned advanced degrees in areas such as accounting, business administration, public policy, and law.

Approximately two-thirds of professional audit staff are in the Financial Audit Division, and most are certified public accountants. Program and policy analysts in the Program Evaluation Division make up most of the remaining professional staff.

After nearly 33 years of continuous service to the people and the State of Wisconsin, Jacob Klam retired from the post of Deputy State Auditor on December 29, 2006. He began his career as a financial auditor in 1974 and has served as a strong advocate for government accountability and sound financial practices under every State Auditor in the Bureau's history. He is a certified public accountant, a creative and inspirational manager, and a model of integrity. A legislative citation commending Mr. Klam and his work is reproduced on p. 6. Our organization chart as of January 2007 appears in Appendix 2.

State of Wisconsin



CITATION BY THE LEGISLATURE

KNOW YOU BY THESE PRESENTS:

***WHEREAS,** Jacob Klam, began his career as a financial auditor with the Legislative Audit Bureau on May 20, 1974, was appointed financial audit director on March 8, 1981, Assistant State Auditor on April 7, 1991, and Deputy State Auditor on April 12, 1998; and*

***WHEREAS,** Jacob Klam has consistently proven his skills as a certified public accountant, worked diligently to resolve complex government accounting issues, served as a strong advocate for sound financial practices in the State of Wisconsin, and acted to ensure appropriate accountability for and oversight of state resources; and*


***WHEREAS,** Jacob Klam has been an effective manager, teaching and inspiring others with grounded creativity, good humor, patience, and resolve; and*

***WHEREAS,** Jacob Klam has modeled leadership skills shaped by the guiding principles of nonpartisan public service, ethical integrity, and a commitment to quality which has earned him the respect of all which whom he works; and*

***WHEREAS,** Jacob Klam worked under each of the past three State Auditors to clearly communicate audit findings and recommendations to state agencies and the Legislature; and*

***WHEREAS,** Jacob Klam will retire having achieved nearly thirty-three years of continuous state service; now*

***THEREFORE,** the members of the Wisconsin Legislature, on the motion of Senator Roessler and Representative Jeskewitz, hereby commend and congratulate Jacob Klam on his service to the Legislative Audit Bureau, the Wisconsin Legislature, the citizens of Wisconsin, and the government auditing profession.*


JOHN G. GARD
Speaker of the Assembly


ALAN LASEE
President of the Senate

December 19, 2006
Date


ROBERT J. MARCHANT
Chief Clerk of the Senate

Budget

In both fiscal year (FY) 2005-06 and FY 2006-07, our annual operating budget was approximately \$4.8 million in general purpose revenue (GPR) and \$1.7 million in program revenue from audit contracts with other state agencies.

Joint Legislative Audit Committee

The Joint Legislative Audit Committee has advisory responsibilities for the Audit Bureau.

The Joint Legislative Audit Committee has advisory responsibilities for the Audit Bureau. It may direct us to conduct audits and evaluations, and it receives and reviews the reports we issue. The Audit Committee approved 9 audit requests and held 15 hearings to address our audit findings during the 2005-06 biennium.

The Audit Committee consists of the co-chairpersons of the Joint Committee on Finance, two other majority and two minority party senators, and two other majority and two minority party representatives. Throughout the 2005-06 biennium, its members were:

Senator Carol A. Roessler, Co-chairperson	Representative, Suzanne Jeskewitz, Co-chairperson
Senator Robert Cowles	Representative Samantha Kerkman
Senator Scott Fitzgerald	Representative Dean Kaufert
Senator Mark Miller	Representative David Travis
Senator Julie Lassa	Representative David Cullen

Additional information on Audit Committee hearings—including hearing notices, live and recorded broadcasts, and presentation materials from past hearings—can be found at our Web site, www.legis.wisconsin.gov/lab.



Reporting and Quality Assurance ■

Our reports become public documents when they are released to the Joint Legislative Audit Committee.

The written reports we prepare typically review financial transactions or analyze agency performance or public policy issues. When they are released to the Joint Legislative Audit Committee, our reports become public documents. We publish five types of reports:

- independent financial audits;
- program evaluations and reviews;
- letter reports;
- best practices reviews; and
- independent audit opinions and certifications.

Report Types

Financial audits include detailed, impartial reviews of the financial statements prepared by an audited entity.

Financial audits are detailed, impartial reviews that focus on:

- the accuracy of financial statements prepared by an audited entity;

- the effectiveness of internal controls, which are the policies and procedures established by management to ensure the integrity and comprehensiveness of data collected by the accounting system; and
- compliance with required accounting or other standards, including laws, regulations, and contracts or grant agreements.

We perform independent financial audits as required by statutes and at the request of some agencies, which require them to meet external audit requirements. Our financial audit reports include an auditor’s opinion that indicates whether financial transactions have been conducted and reported appropriately, as well as a report on internal controls and on our tests for compliance with certain laws and other regulations. Noncompliance in these tested cases could have a direct and material (that is, quantitatively or qualitatively significant) effect on the amounts shown in the financial statements.

Our evaluations and reviews measure the extent to which an agency or program is achieving its objectives.

Our program evaluations and reviews help to ensure that government programs are administered effectively, efficiently, and in accordance with both law and policies. They are frequently performed at the request of individual legislators, upon approval by the Joint Legislative Audit Committee. Both evaluations and reviews are designed to measure the extent to which an agency or program is achieving its objectives. They typically include recommendations for improving agency operations or enhancing legislative oversight, and they often summarize policy issues for future consideration by the Legislature.

Letter reports are limited in scope.

Letter reports are more limited in scope than financial audits or program evaluations and reviews. They frequently provide information on topics that have been narrowly defined by the Audit Committee or individual legislators, such as contracts for cellular phones and their use by state employees, or the financial management of selected Wisconsin Works (W-2) agencies.

Best practices reviews identify variations in the cost or effectiveness of services delivered by local governments, including counties, cities, villages, and towns, and recommend practices to save public funds or improve effectiveness. The State Auditor determines the frequency, scope, and subject of these reviews in consultation with a five-member advisory council whose members represent the Wisconsin Counties Association, the Wisconsin Alliance of Cities, the League of Wisconsin Municipalities, and the Wisconsin Towns Association.

An unqualified opinion signifies that audited financial statements reliably represent an entity's true financial condition.

Independent audit opinions and certifications issued by us are published in the State of Wisconsin's Comprehensive Annual Financial Report and in annual reports prepared by the University of Wisconsin (UW) System, the State of Wisconsin Investment Board, and the Department of Employee Trust Funds. An unqualified, or "clean," opinion signifies that after reviewing an agency's financial statements and the accompanying notes, the auditor has concluded they conform to generally accepted accounting principles (GAAP), or in some cases to another standard, and that they reliably represent the agency's true financial condition. In contrast, a qualified opinion expresses reservations about the financial statements because, for example, underlying records are not sufficient or accounting principles have not been consistently applied from year to year.

Reports Issued

We issued numerous financial audits and program evaluations in the 2005-06 biennium.

From January 2005 through December 2006 we issued:

- 2 audits of the State of Wisconsin's general financial statements, which are intended to provide the most complete picture of the State's financial position and operating results, and which require on-site audit work at every major state agency;
- 2 single audit reports, which tested state agencies' compliance with federal grant requirements related to \$9.2 billion in FY 2004-05 expenditures, and \$9.3 billion in FY 2003-04 expenditures;
- 2 separate audit opinions on the stand-alone financial statements of UW System, prepared at the request of UW System management;
- 20 other financial audit reports, nearly all of which include unqualified opinions that indicate the auditor has no reservations about the fair presentation of financial statements for the period audited;
- 12 program evaluations and reviews addressing concerns related to commerce and economic development; public education, including UW System and the Wisconsin Technical College System; the environment and natural resources; human services and health care; local government activities; and various operations and enterprises of state government.

- 1 best practices review intended to help county governments in planning effective emergency management services; and
- numerous letter reports, opinions, and certifications that provide accurate, impartial, and useful information to the Legislature, other state agencies and units of government, and the people of Wisconsin.

We fulfilled three audit requirements included in recent legislation.

We fulfilled three one-time audit requirements included in recent legislation:

- a requirement in 1999 Wisconsin Act 123 for an audit of Children At Risk programs funded through the Department of Public Instruction;
- a requirement in 1999 Wisconsin Act 105 for an audit of the Volunteer Fire Fighter and Emergency Medical Technician Service Award program; and
- a requirement in 2001 Wisconsin Act 57 for an audit of the Wisconsin Educational Services Program for the Deaf and Hard of Hearing.

In addition:

- We presented our audit findings at 15 hearings conducted by the Joint Legislative Audit Committee and briefed other legislative committees and individual legislators on issues ranging from state fleet management to welfare reform.
- The findings and recommendations we reported in a September 2005 evaluation of voter registration were reviewed by the 2004 Legislative Council Special Committee on Election Law Review as it developed recommendations for the Legislature.
- We testified before the 2006 Legislative Council Special Committee on Strengthening Wisconsin Families as it reviewed our 2005 and 2006 findings related to the W-2 and Milwaukee County Child Welfare programs.

- We testified before the 2006 Legislative Council Special Committee on Disaster Preparedness Planning on best practices we identified in a November 2006 review of county emergency management activities.

Quality Assurance

We adhere to professional auditing standards.

Financial audit staff adhere to professional auditing standards promulgated by the American Institute of Certified Public Accountants and the Comptroller General of the United States. These standards require auditors to:

- be free, in both fact and appearance, from impairments to independence;
- maintain professional competence through continuing education;
- have an appropriate internal quality control system in place; and
- employ peer reviews to assess compliance with auditing standards and the adequacy of the internal quality control system.

We maintain organizational and personal independence from the entities we audit.

As part of the legislative branch of state government, we maintain organizational independence from the entities we audit, which are primarily agencies of the executive branch. The State Auditor is appointed by the Legislature's Joint Committee on Legislative Organization, and all staff are required to complete annual ethics statements to identify any personal or external circumstances that could reasonably lead third parties to question their independence.

Financial auditors complete 80 hours of continuing professional education every two years, as required by government auditing standards, and both financial auditors and program evaluators receive training in core audit skill areas, including interviewing; conducting legal research; developing audit findings; and using WiSMART, the State's central accounting system. In addition, staff independently complete self-study courses and attend training sessions sponsored by the National State Auditors Association, the Midwest Intergovernmental Audit Forum, and the National Legislative Program Evaluation Society.

In 2006, a peer review validated our internal quality control system.

Our internal quality control system includes detailed auditing policies and procedures, documentation requirements, supervisory review of all working papers, and both senior staff and editorial reviews of report drafts. Every three years, this system and our working papers from selected financial audits are reviewed by our peers from other states for compliance with financial auditing standards, under the auspices of the National State Auditors Association. In our 2006 peer review, the team found and reported that our control system was suitably designed and that our work was completed in compliance with it. In 2006, the National Legislative Program Evaluation Society of the National Conference of State Legislatures reviewed our 2005 evaluation of voter registration and recognized its “significant impact on public policy.”

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Requesting Our Services ■

Although some of the audits we perform are mandated by Wisconsin Statutes, most of our program evaluation work is requested by legislators through the Joint Legislative Audit Committee. As noted, state agencies may also request our services in order to meet external audit requirements.

Any legislator may request an evaluation or audit by writing to the Co-chairs.

Any legislator may request our services by writing to the Audit Committee's Co-chairs. Audit requests should clearly identify the topic, program, and agency in question, as well as the specific concerns that justify an audit or evaluation. Legislators may wish to discuss their requests with the State Auditor before submitting them to the Audit Committee. She can provide information on similar topics that have already been addressed and help to assess feasibility, as well as whether the size and scope of the proposed inquiry is best suited to a numbered report or might be better addressed by a more limited review.

Receiving Reports

Whether it is initiated in response to legislation or requested by individual members of the Legislature and approved by the Joint Legislative Audit Committee, our work remains confidential until it is made public by us and distributed to members of the Legislature. On the day of publication, printed reports are distributed to all members of the Audit Committee, other legislators, the Governor, the press, and other interested parties. Anyone who wishes to be

notified by e-mail when reports are released may visit our Web site, *www.legis.wisconsin.gov/lab*, and subscribe to the announcement service. Our Web site also lists work in progress, summarizes numbered reports issued since 1993, and includes the full text and highlights of all published reports from 1998 through 2006. The first two digits of each document number indicate the year of publication.

Our reports for the 2005-06 biennium are indexed chronologically in Appendix 3 and Appendix 4, and by principal audited entity in Appendix 5. For copies of our publications, please order or print from our Web site, call (608) 266-2818, or write to:

Legislative Audit Bureau
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Madison, WI 53703

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Commerce and Economic Development
Education
Environment and Natural Resources
Human Services and Health Care
Local Government Issues and Activities
State Government Operations and Enterprises
State Insurance Programs
Telecommunications, Radio, and Television
Audit Opinions and Certifications

Report Highlights ■

The key issues, facts, and findings of major numbered reports are summarized in our Report Highlights.

To make our work readily accessible to the widest possible audience, we began publishing *Report Highlights*—a summary of the key issues, facts, and findings in each major numbered report—in January 2003. Each *Highlights* also lists our recommendations, summarizes our conclusions, and suggests areas for future consideration by the Legislature. To illustrate the scope of our work in the 2005-06 biennium, they are reproduced here, along with summaries of other significant work on the following topics:

- Commerce and Economic Development
- Education
- Environment and Natural Resources
- Human Services and Health Care
- Local Government Issues and Activities
- State Government Operations and Enterprises
- State Insurance Programs
- Telecommunications, Radio, and Television
- Audit Opinions and Certifications

Our work often identifies opportunities to realize significant cost savings, increase federal funding, reduce ineffective spending, and ensure that funding has been appropriately accounted for. For example, in the 2005-06 biennium we identified:

- \$5.9 million in additional federal funds for adoption assistance (for details, see report 05-5, *State of Wisconsin, 2003-04 [Single Audit]*);
- \$4.5 million available to the General Fund from other funds and accounts, as well as an error in the State Historical Society's internal accounting records that understated the balance in its endowment by \$1.1 million (for details, see *Letter on Budgetary Issues*, dated May 2005);
- approximately \$3.2 million in additional federal funding available to state agencies, (for details, see report 06-4, *State of Wisconsin, 2004-05 [Single Audit]*);
- approximately \$1.9 million in excess W-2 payments statewide (for details, see report 05-6, *Wisconsin Works (W-2) Program*);
- nearly \$678,000 in unallowable and questioned costs charged by contractors providing child welfare services in Milwaukee County, including a \$541,604 duplicate reimbursement request (for details, see report 06-2, *Milwaukee County Child Welfare—Finances and Staffing*);
- \$210,689 in pharmacy claims paid for cancelled policies (for details, see report 05-9, *Health Insurance Risk-Sharing Plan*); and
- \$35,400 in funds recovered from a contractor in Milwaukee County that had inappropriately charged the W-2 program (for details, see *Letter on Financial Management of Selected W-2 Agencies*, dated July 2005).



Commerce and Economic Development

Highlights

- **State Economic Development Programs** (Report 06-9)

The Department of Commerce and seven other state agencies spent an estimated \$152.8 million on economic development in the 2003-05 biennium. We identified 152 programs that provided financial and other assistance to businesses, local governments, and other organizations. Our report includes recommendations to improve accountability by reducing duplicative programs, improving coordination, and tracking program results.

Other Reports

- **Letter on Applied Technology Centers at Gateway Technical College** (June 2006)

Gateway Technical College constructed two applied technology centers at a cost of \$7.4 million and contracted with two private, nonprofit corporations to manage their daily operations. Since the centers opened, Gateway has spent \$2.3 million to support their operations. Based on cost, we question Gateway's decision to enter into a contract with one of the nonprofit corporations for use of four fiber-optic lines.

- **Letter on Multifamily Dwelling Code** (May 2005)

The Multifamily Dwelling Code was merged with the Commercial Building Code in 2002. Although the combined code addresses a number of consistency and safety concerns, steps could be taken to improve the timeliness of plan reviews and compliance with refund requirements.

- **Unemployment Reserve Fund** (Report 05-3)

Please see State Government Operations and Enterprises.

Audit Committee Action

- *Hearing on State Economic Development Programs, August 29, 2006*

State Economic Development Programs

August 2006

Report Highlights ■

The State spent an estimated \$152.8 million on economic development programs in the 2003-05 biennium.

Wisconsin's economic development programs are intended to create jobs, attract and retain businesses, or otherwise encourage economic growth. The Department of Commerce is the State's lead agency, but seven other state agencies also administer economic development programs to assist businesses, local governments, and organizations.

We identified 152 economic development programs administered by state agencies.

In the 2003-05 biennium, state spending on economic development was an estimated \$152.8 million. That amount includes funding for grants and loans, as well as spending for direct program services and administrative costs. In addition, \$109.3 million was provided in bonding authorization, as well as \$36.0 million in loan guarantees and \$27.9 million in tax credits claimed by businesses.

At least one project in every county was awarded economic development funds during the period we reviewed.

As both the number and types of economic development programs have grown, some policymakers have raised concerns about their scope, effectiveness, and coordination. Therefore, at the direction of the Joint Legislative Audit Committee, we:

Efforts to measure and report program results have been limited.

- compiled a program inventory, including each program's purpose, award criteria, and sources of funding;
- analyzed the type and distribution of financial assistance and program services provided;
- reviewed information collected by state agencies to evaluate program effectiveness; and
- reviewed other states' efforts to enhance accountability in their economic development programs.

Key Facts and Findings

Projects in Milwaukee, Dane, and Rock counties received nearly one-third of all grants and loans awarded during our review period.

From FY 2001-02 through FY 2004-05, 109 businesses and local governments received \$500,000 or more in financial assistance.

Projects in eight counties that met no criteria for economic distress were awarded 21.3 percent of grants and loans during our review period.

Every part of Wisconsin is currently designated as a development zone.

Accountability could be enhanced by verifying that those receiving assistance have met their commitments.

Scope of Efforts

We identified 152 economic development programs. From fiscal year (FY) 2001-02 through FY 2004-05, 78 of these programs primarily offered grants or loans; 58 primarily offered direct services such as consulting, regulatory assistance, and planning; and 16 offered loan guarantees, bonding authorization, and targeted tax credits. We estimate that as of June 30, 2005, state agencies were authorized at least 247.9 full-time equivalent staff for administering these economic development programs.

We identified a large number of programs that provide similar services. For example, 34 programs assist businesses in purchasing fixed assets such as land, buildings, or equipment, and 26 programs assist with business planning.

Some programs target specific types of businesses or encourage the growth of particular industries.

Targeted Programs	
Type of Business	Number of Programs
Small Business	46
Early-Stage Business and Entrepreneurs	40
Agricultural Business	34
Technology-Based Business	21
Minority-Owned Business	18

For example, 46 programs target small businesses, including 35 that provide financial assistance and 11 that provide services such as business planning or technical assistance.

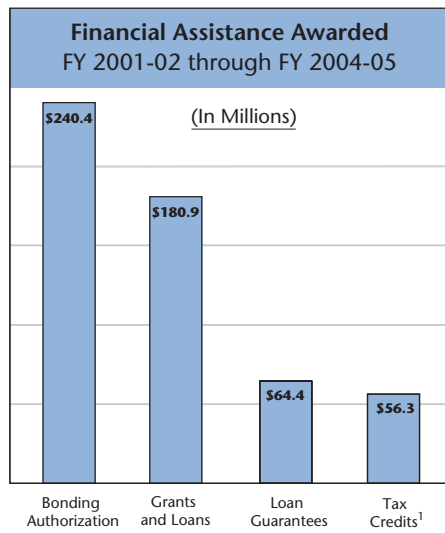
Some program duplication may be desirable to ensure that services are available statewide or that they can be provided locally. However, duplication increases administrative costs and may confuse those seeking assistance or hinder the Legislature's ability to assess program accomplishments and provide adequate oversight.

We identified 23 programs that were inactive during some or all of our audit period. Six have already been repealed, but the remaining 17 have not. Consolidation or elimination of some of these programs could simplify both program administration and oversight.

Distribution of Financial Assistance

We analyzed the \$180.9 million in grants and loans for economic development that state agencies awarded to businesses, individuals, local governments, and other organizations from FY 2001-02 through FY 2004-05. Projects in Milwaukee, Dane, and Rock counties received nearly one-third of all funds awarded during that period, but at least one project in every county was awarded a grant or loan.

Although economic development projects in Milwaukee County received more funding than those in other counties, on a per capita basis Milwaukee County's grant and loan awards were \$2.71 below the statewide average of \$30.38. From FY 2001-02 through FY 2004-05, per capita grant and loan funding ranged from \$1.63 in Menominee County to \$120.09 in Green County.



¹Because tax credits are tracked on a calendar year basis, we reviewed the amounts awarded from 2001 through 2004.

Some economic development programs also assist Wisconsin businesses by facilitating access to capital. State agencies authorized \$240.4 million in bonding for economic development during the past two biennia, including \$239.6 million in industrial revenue bonds and \$770,100 in bonds to raise capital for farm loans. In addition,

six economic development programs guaranteed \$64.4 million in loan principal payments if borrowers default.

Tax policies are also an important component of the State's economic development efforts. To encourage economic development in specific geographic areas, businesses located in designated development zones have been eligible for income tax credits since 1988. Statutes currently allow for the designation of as many as 135 development zones under five programs, and every part of the state is included in at least one development zone.

Through June 30, 2005, the Legislature authorized up to \$406.6 million in development zone tax credits, and Commerce awarded \$122.6 million in credits to eligible businesses. Businesses in Milwaukee County received 26.5 percent of the \$56.3 million in income tax credits awarded during the four-year period we reviewed.

Improving Coordination and Accountability

To make informed decisions about economic development programs, policymakers need accurate and reliable information about their costs and effectiveness. However, agency responsibility for administering economic development programs is fragmented, efforts to measure and report results are limited, and no single entity is responsible for ensuring that the programs are working toward common policy goals. For example, we identified 26 councils, task forces, or other bodies that are responsible for overseeing and coordinating various aspects of the State's economic development programs.

We believe accountability could be enhanced by improving coordination, reducing the number of programs with similar purposes, consolidating agency reporting requirements, and disclosing project costs and benefits to the public.

	Available Credits (In Millions)	Amount Awarded (In Millions)
Community Development Zones	\$ 38.2	\$ 23.3
Development Opportunity Zones	29.4	11.5
Enterprise Development Zones	294.0	84.4
Agricultural Development Zones	5.0	0.9
Technology Zones	40.0	2.4
Total	\$406.6	\$122.6

Recommendations

We include recommendations for the Department of Commerce to report to the Joint Legislative Audit Committee by February 15, 2007, on its efforts to:

- ☑ identify duplicative and outdated programs (p. 40);
 - ☑ improve procedures for tracking and reporting actual project results (p. 77);
 - ☑ improve procedures for monitoring the long-term success of projects (p. 79);
 - ☑ improve tracking and reporting of tax credits claimed by businesses located within development zones (p. 96); and
 - ☑ provide additional information on the effectiveness of the Certified Capital Companies program (p. 101).
- We also include a recommendation that the University of Wisconsin System and the Wisconsin Technical College System designate an economic development liaison at each campus, publish directories of their business assistance programs, and report to the Joint Legislative Audit Committee by February 15, 2007 (p. 49).
- Finally, we include recommendations for the Legislature to consider:
- ☑ specifying criteria for designating future development zones (p. 90);
 - ☑ encouraging the establishment of clear and measurable goals to ensure that programs are coordinated effectively (p. 113);
 - ☑ reducing the number of programs by consolidating statutory requirements and standardizing eligibility criteria for similar programs (p. 115);
 - ☑ consolidating reporting requirements for state agencies (p. 116); and
 - ☑ enacting public disclosure requirements to improve the transparency in the use of state funds for economic development (p. 117).

The Legislative Audit Bureau is a nonpartisan legislative service agency that assists the Wisconsin Legislature in maintaining effective oversight of state operations. We audit the accounts and records of state agencies to ensure that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law, and we review and evaluate the performance of state and local agencies and programs. The results of our audits, evaluations, and reviews are submitted to the Joint Legislative Audit Committee.

Additional Information

Report 06-9 includes a response from the Department of Commerce, call (608) 266-2818 or visit our Web site:



www.legis.state.wi.us/lab

Address questions regarding this report to:

Paul Stuibler
(608) 266-2818

Legislative Audit Bureau

22 East Mifflin Street
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Janice Mueller
State Auditor

Education

Highlights

- **University of Wisconsin System Personnel Policies and Practices** (Report 06-12)

We conducted this evaluation at the request of the Legislature and the President of UW System. In 2005, UW System's unclassified staff—and particularly faculty—reported using considerably less sick leave than other UW System employees. At retirement, they also converted more accumulated sick leave to fund their health insurance premiums. Policy changes intended to limit the job protections offered to “at will” employees require continued scrutiny, and more complete reporting is needed on staff with the position title of consultant.

- **Wisconsin Educational Services Program for the Deaf and Hard of Hearing** (Report 06-3)

In FY 2004-05, the Department of Public Instruction spent \$11.0 million to provide program services at the Wisconsin School for the Deaf and for outreach statewide. Outreach services have expanded. Because enrollment at the school is declining, classroom staffing ratios should be closely monitored.

- **Children At Risk Program** (Report 05-4)

The program is intended to reduce the number of students in grades 5 through 12 who are at risk of not graduating from high school. In FY 2003-04, \$3.5 million in Children At Risk program funding was spent in 21 school districts. Indicators of at-risk student achievement have been mixed.

- **Universal Service Fund** (Reports 06-5 and 05-14)

Please see Telecommunications, Radio, and Television.

Other Reports

- **Letter on Applied Technology Centers at Gateway Technical College** (June 2006)

Please see Commerce and Economic Development.

- **Letter on Employment of Felons by the Wisconsin Technical College System** (June 2006)

We identified 15 Wisconsin Technical College System (WTCS) employees under state supervision for felony convictions, including 6 who were convicted while employed by WTCS. We include recommendations for technical colleges to determine whether any of the convictions were substantially job-related and for the WTCS Board to clarify policies related to background checks.

- **Letter on Employment of Felons by UW System** (February 2006)
We identified 40 UW System employees under state supervision for felony convictions, including 15 who were convicted while employed by UW System. Our report includes recommendations for UW institutions to determine whether any of the convictions were substantially job-related and for the Board of Regents to clarify policies related to background checks and the termination of staff who engage in serious criminal behavior.

- **Letter on Use of Outside Legal Counsel by the Wisconsin Technical College System** (August 2005)
Wisconsin's 16 technical college districts spent \$8.2 million for outside legal services from FY 1999-2000 through FY 2003-04. Our letter recommends that Gateway Technical College immediately terminate an agreement to pay a former employee \$120,000 annually for fewer than 80 hours of legal service per month and provide fringe benefits through January 2008.

- **Letter on Materials Distribution Services and Surplus With A Purpose** (August 2005)
UW-Madison's Materials Distribution Services (MDS) and Surplus With A Purpose (SWAP) programs expanded considerably in the five-year period we reviewed. The programs' expenses and revenues increased at similar rates.

- **Independent Audits of the University of Wisconsin's Financial Statements**
Please see Audit Opinions and Certifications.

- **Letter on Medical College of Wisconsin Education Contract** (August 2005)
Please see Human Services and Health Care.

- **Letter on Marquette School of Dentistry Service Contract and Dentistry Education Contract** (August 2005)
Please see Human Services and Health Care.

Audit Committee Action

- *Hearing on UW System Personnel Policies and Practices, November 29, 2006*

- *Hearing on Milwaukee Area Technical College District, June 20, 2006 and September 13, 2005*

- *Hearing on Use of Outside Legal Counsel by the Wisconsin Technical College System, September 13, 2005*

- *Hearing on the Employment Practices of UW System, September 13, 2005*

- *Hearing on Children At Risk Program, April 27, 2005*

An Evaluation:

Personnel Policies and Practices

University of Wisconsin System

October 2006

Report Highlights ■

Faculty reported using considerably less sick leave than other types of staff.

Many unclassified staff within UW System reported using little or no vacation time.

Policy changes related to back-up positions will require continued scrutiny.

Some consultants' salaries exceeded the pay ranges for positions with similar responsibilities.

The University of Wisconsin (UW) System provides instruction, research, and public service statewide through 26 campuses and an extension service. In September 2005, it employed approximately 42,000 individuals, including faculty, administrators, and other staff outside the State's classified service, as well as classified employees such as custodians, financial specialists, and information technology staff.

UW System's classified staff are typically represented by unions that negotiate salaries and fringe benefits through collective bargaining agreements. Its 28,100 unclassified staff are typically eligible for the state benefits afforded classified staff, including sick leave and vacation time, but they are subject both to personnel policies that are defined in statutes and administrative rules and to UW System policies.

At the request of the Joint Legislative Audit Committee and the UW System President, we evaluated UW System's personnel policies and practices related to:

- the use and reporting of sick leave and vacation time by unclassified staff;
- the availability of "back-up positions" and extended paid leave to unclassified staff in administrative positions;
- the employment of consultants; and
- the use of faculty sabbaticals.

Our analysis of UW System's employment of felons, which was also requested by the Audit Committee, was released as a letter report in February 2006.

Key Facts and Findings

In 2005, 45.2 percent of all UW System employees who earned sick leave reported using none.

Reported sick leave use by UW System employees declined since 2003.

In 2005, retirees from UW System generally converted more sick leave to health insurance credits than other state employees did.

Back-up or concurrent positions provide job protections for limited appointees.

Despite policy changes, the number of employees with back-up positions is unlikely to decrease rapidly.

In September 2005, 134 unclassified UW System staff had the position title of consultant.

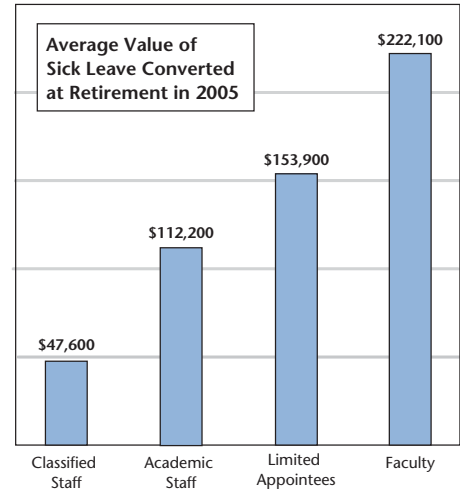
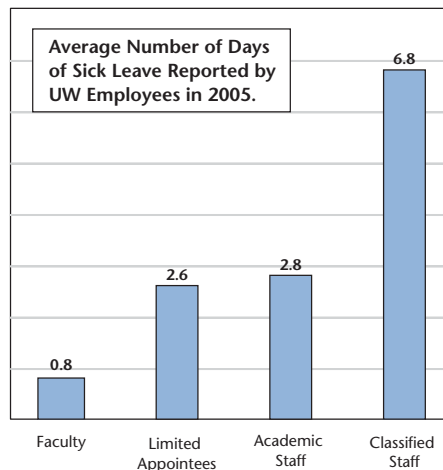
Sick Leave

In addition to faculty, UW System's unclassified staff includes:

- senior administrators such as the UW System President, the chancellors of individual institutions, vice presidents, and other limited appointees in administrative positions that are designated in statutes or system policies; and
- academic staff, who are administrative, professional, and research personnel.

We found that unclassified staff within UW System, and particularly faculty, reported using considerably less sick leave than classified staff. In 2005, 45.2 percent of all UW System employees who earned sick leave—including 4,975 faculty, 5,756 academic staff, and 613 limited appointees—reported using none.

Most employees can be expected to report using at least some sick leave



over a three-year period, but 6,772 unclassified staff reported using none from 2003 through 2005.

UW System's unclassified staff, and particularly faculty, also convert more accumulated sick leave to health insurance credits than other state employees do. Statutes provide that unused sick leave is to be converted at retirement to credits that can help individuals pay post-retirement health insurance premiums.

We analyzed the value of conversion credit accounts for state employees who retired in 2005. The average account value for unclassified staff within UW System was greater than the average value for classified staff within UW System and for staff in other state agencies.

Although faculty salaries are higher, on average, than those of most other UW System staff, the number of hours of unused sick leave explained most of the variation in account values in 2005.

Vacation Time

Full-time unclassified staff within UW System, including faculty with 12-month appointments, earn 22 days of vacation time annually. Faculty with 9-month appointments do not earn vacation time.

From 2003 through 2005, faculty who earned vacation time reported using less of it than other UW System employees did. During this three-year period, 197 unclassified staff reported using no vacation time at all, and 1,176 reported 20 days or less.

The large number of unclassified staff who reported using little or no vacation time raises questions about the effectiveness of UW System's current reporting requirements and compliance with them.

Limited Appointments and Back-Up Positions

Unclassified UW System staff in limited appointments are "at will" employees who serve at the pleasure of their appointing authority. However, statutes provide that both tenured faculty and academic staff who accept limited appointments with any of 17 statutorily enumerated position titles cannot lose their original faculty or academic staff positions.

In December 2005, 1,088 UW System employees held limited appointments, including 117 with statutorily enumerated position titles and 971 others whose titles are

not enumerated in statutes but whose positions were allowed to be limited appointments under UW System policies. All of these employees held "back-up positions" into which they could transfer when leaving their limited appointments, but only 218 of the 971 were in positions that required them to have faculty tenure. Most of the 753 remaining employees held back-up positions as academic staff.

In July 2005, after increased public attention was given to back-up positions, the UW System President suspended the practice for all newly hired limited appointees. In November 2005, the Board of Regents adopted a resolution to further limit the granting of back-up positions by amending UW System policies and, in some circumstances, offering up to six months of termination notice.

The policy changes permit limited appointments for only the 17 position titles enumerated in statutes, unless the UW System President authorizes an exception. They also stipulate the circumstances under which what they term a "concurrent position" may be granted.

The Board of Regents noted, "The effect of this resolution is to eliminate 'back-up' appointments." However, there appears to be no substantive difference between concurrent and back-up positions, because in both cases an individual is guaranteed a faculty or academic staff position when leaving a limited appointment.

An important unanswered question is the number of employees who will hold concurrent or back-up positions in the future. Some UW System officials have indicated the policy changes will significantly reduce the number of positions with some form of job security, but that may not be the case. Employees who held back-up positions retain their job protections, position titles are being added to those eligible for limited appointments, and future hiring practices are not known. As discussion continues, effective oversight will continue to be important to ensure adequate accountability.

Consultants

"Consultant" is a position title for certain employees within UW System who may be either classified or unclassified staff. In one month—September 2005—134 unclassified consultants were paid a total of \$308,600, and 56 classified consultants were paid a total of \$21,000. We focused our analysis on September 2005 payroll data for 24 unclassified consultants who worked at least half-time and whose annualized salaries were at least \$65,000.

UW System policies do not limit the salaries of unclassified consultants, and we found instances of unclassified consultants' salaries exceeding the pay ranges for positions with similar responsibilities. Under system policies, unclassified consultants are to be hired on a short-term basis, but 6 of the 24 consultants on UW System's

payroll in September 2005 were also on the payroll in March 2003, March 2004, and March 2005.

We also reviewed UW System's sabbatical leave program, which allows faculty to engage in intensive study for up to one year in order to enhance their teaching, or to conduct other scholarly activities. In the 2004-05 academic year, there were 205 faculty sabbaticals. We reviewed 73 sabbatical files and found that most demonstrated compliance with statutory and policy requirements. However, we found some inconsistencies among UW institutions in sabbatical policies, such as for sick leave reported and compensation received while on sabbatical.

Recommendations

We include recommendations for the Board of Regents to:

- ☑ consider modifications to policies for reporting sick leave use by unclassified staff, and report to the Joint Legislative Audit Committee by June 1, 2007, on an improved method (p. 34);
- ☑ consider modifications to policies for reporting vacation time use by unclassified staff, and report to the Joint Legislative Audit Committee by June 1, 2007, on its proposal to improve reporting (p. 39); and

- ☑ report to the Joint Legislative Audit Committee by June 1, 2007, on the number of position titles that have been or are being considered for designation as limited appointments and the job protections available to those who hold them (p. 48).

We include recommendations for UW System Administration to:

- ☑ report to the Joint Legislative Audit Committee by June 1, 2007, on efforts to ensure UW institutions provide and track concurrent and back-up positions uniformly (p. 49);
- ☑ annually report to the Board of Regents on the employment of consultants by UW System (p. 64); and
- ☑ develop both a standard agreement that lists all requirements related to faculty sabbaticals and a standard form to use in determining total compensation received by faculty on sabbatical (p. 75).

We also include a recommendation for the Legislature to consider a review of the sick leave conversion credit program in light of new financial reporting requirements for public employee benefit programs (p. 34).

The Legislative Audit Bureau is a nonpartisan legislative service agency that assists the Wisconsin Legislature in maintaining effective oversight of state operations. We audit the accounts and records of state agencies to ensure that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law, and we review and evaluate the performance of state and local agencies and programs. The results of our audits, evaluations, and reviews are submitted to the Joint Legislative Audit Committee.

Additional Information

For a copy of report 06-12, which includes a response from the President of UW System, call **(608) 266-2818** or visit our Web site:



www.legis.state.wi.us/lab

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Janice Mueller
State Auditor

An Evaluation:

Wisconsin Educational Services Program for the Deaf and Hard of Hearing

Department of Public Instruction

March 2006

Report Highlights ■

Program expenditures have increased primarily because of expanded outreach services.

The Department of Public Instruction (DPI) administers the Wisconsin Educational Services Program for the Deaf and Hard of Hearing, which was created by 2001 Wisconsin Act 57. In fiscal year (FY) 2004-05, the program had 135.6 authorized full-time equivalent (FTE) positions and \$11.0 million in expenditures.

Residential school enrollment has declined more than staffing levels.

The program makes free residential education available to state residents from 3 to 21 years old who are deaf or hard of hearing and provides outreach services such as consultation, training, and mentoring to school districts, students who are deaf or hard of hearing, and their families. In addition, the Wisconsin School for the Deaf in Delevan offers a summer program.

Outreach expenditures totaled \$1.1 million in FY 2004-05.

Act 57 directed the Legislative Audit Bureau to conduct a performance evaluation of the program during FY 2005-06. To assess overall program performance and determine the extent to which DPI has implemented statutory changes, we analyzed:

- program expenditures from FY 2000-01 through FY 2004-05;
- changes in staffing levels;
- enrollment trends at the school; and
- the extent to which outreach services have been expanded, and the types of services provided.

Key Facts and Findings

In FY 2004-05 spending totaled \$11.0 million and the program had 135.6 authorized FTE positions.

In the 2004-05 school year, 142 students from 66 school districts were enrolled in the residential school.

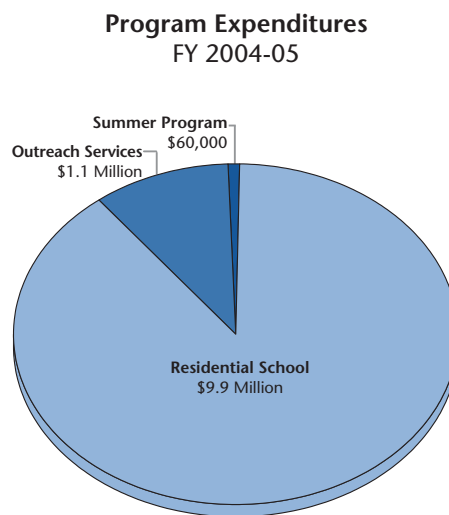
130 students participated in the 2005 summer program.

Expenditures for outreach services more than quadrupled from FY 2000-01 through 2004-05.

Program Expenditures

Program expenditures increased moderately from \$10.0 million in FY 2000-01 to \$11.0 million in FY 2004-05, primarily because of expanded statewide outreach efforts.

In FY 2004-05, spending for outreach services was \$1.1 million. However, at \$9.9 million, residential school expenditures continued to represent the majority of the program's costs.



Wisconsin School for the Deaf

During the 2004-05 school year, 6.3 percent of the 2,252 Wisconsin students who were identified as deaf or hard of hearing and were receiving special education services attended the Wisconsin School for the Deaf.

Enrollment at the residential school has declined in recent years, from 165 students in the 2000-01 school year to 142 students in the 2004-05 school year. Both instructional

and residential staffing at the school have also declined, from 97.7 authorized FTE positions in January 2001 to 91.0 authorized FTE positions in September 2005. In contrast, outreach services have increased, and the number of authorized outreach positions increased from 4.0 FTE in January 2001 to 11.0 FTE in September 2005.

Students are placed in the residential school when an individualized education program (IEP) developed according to state and federal requirements deems it appropriate. The IEPs of nearly 80 percent of students who currently attend the school list more than one disability. A speech or language disability is the most prevalent after hearing disabilities.

Although the majority of its courses cover subjects similar to those provided by schools in local districts, the school's courses are taught by staff using American Sign Language. In addition, some students with significant disabilities attend ungraded classes that are specifically designed to meet their special needs.

Most of the school's students enroll for the full school year. Fifty students, or 35.2 percent, commuted daily from nearby communities in the 2004-05 school year. The remaining 92 students stayed at the residence hall during the week and were transported home on weekends.

Because enrollment has declined faster than staffing levels, the number of teachers exceeds the levels recommended under the school's guidelines. For example, in

the 2005-06 school year, the school is serving 3.9 elementary students per classroom teacher, which is less than the 6.0 students its guidelines recommend. It is also serving fewer than one-half of the high school-level students per classroom teacher that its guidelines suggest. Given enrollment trends and staffing levels, we include a recommendation for DPI to monitor classroom staffing ratios.

The school also offers a summer program for students who are deaf or hard of hearing, as required by Act 57. Enrollment increased markedly in the summer program's first two years, from 84 students in the summer of 2004 to 130 students in 2005.

A goal of the summer program is to provide an opportunity for students who otherwise do not attend the school to interact with peers using American Sign Language. Summer program enrollment for these students increased by 29 students from 2004 to 2005.

Outreach Services

As intended by Act 57, the quantity and the types of services provided by outreach staff have increased. Outreach expenditures more than quadrupled from FY 2000-01, when they were \$248,800, to FY 2004-05, when they were \$1.1 million.

In FY 2004-05, outreach staff provided:

- consultations with educational staff regarding 64 students in 47 local school districts who are deaf or hard of hearing, and 2 children in Birth to 3 programs;

- conferences and training sessions for more than 300 local educational professionals and others;
- mentoring services that included in-home guidance in visual communication and sign language for 56 families, and support from trained parent guides for 35 families with children newly identified as deaf or hard of hearing;
- distance learning courses in American Sign Language for 75 hearing high school students in nine southeastern Wisconsin schools; and
- free captioned media materials for 1,425 registered users in Wisconsin.

Future Considerations

As allowed by Act 57, the program has broadened its focus from primarily serving students at the residential school to also providing

outreach services statewide to students who are deaf or hard of hearing. However, we believe existing outreach services should be broadened as outlined in the program's current strategic plan.

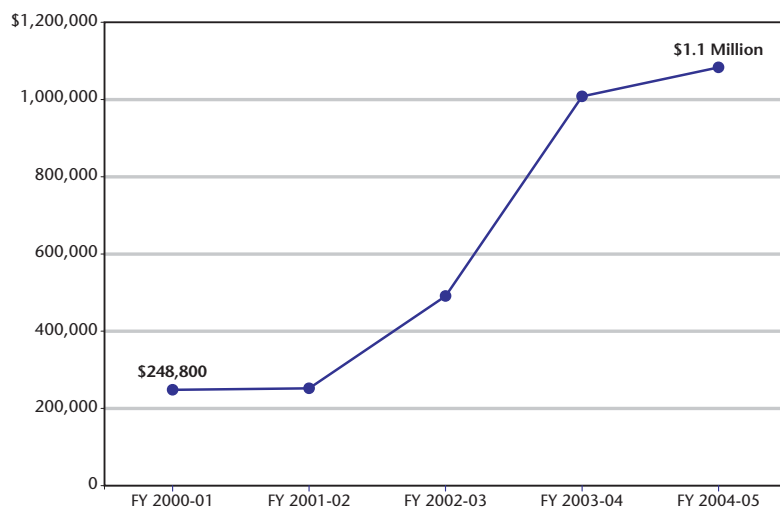
Although there is an interest among the parents of students who are deaf or hard of hearing in receiving instruction in American Sign Language, the program has not yet expanded its distance learning courses beyond those offered to hearing high school students in southeastern Wisconsin.

Recommendations

Our recommendations address the need for DPI to:

- monitor the school's classroom staffing ratios (p. 31) and
- increase technological resources to provide additional distance learning courses statewide (p. 46).

Outreach Expenditures



Additional Information

For a copy of report 06-3, which includes a response from the Department of Public Instruction, call **(608) 266-2818** or visit our Web site:



www.legis.state.wi.us/lab

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Janice Mueller
State Auditor

An Evaluation:

Children At Risk Program*Department of Public Instruction*

March 2005

Report Highlights ■

Program funding represents a small percentage of total funding for at-risk students.

Districts do not comply with requirements to allocate funds to specific at-risk programs.

Indicators of at-risk student achievement have been mixed.

The Children At Risk program, which is administered by the Department of Public Instruction (DPI), is intended to reduce the number of students in grades 5 through 12 who are at risk of not graduating from high school. It was created in the 1985-87 Biennial Budget Act and, in response to recommendations from the Joint Legislative Council Special Committee on Children at Risk, was last modified in 1999 Wisconsin Act 123. Each year since fiscal year (FY) 1990-91, the program has provided \$3.5 million in general purpose revenue (GPR) to participating school districts. These funds represent a small percentage of total funding for at-risk services statewide.

This is our sixth evaluation of the Children At Risk program. Under s. 118.153(6), Wis. Stats., we are required to determine the extent to which funded programs meet statutory performance objectives that include specified attendance rates, graduation for high school seniors, and demonstrated gains in reading and mathematics. However, both the manner in which program funds are allocated by individual districts and inconsistencies in the reporting of performance data limit the conclusions that can be drawn regarding program success. Consequently, we reviewed:

- the number of school districts that have participated in the program, and the funding provided to each district;
- how districts have used funding provided through the program;
- student achievement of statutory performance criteria; and
- school district compliance with statutory requirements.

Key Facts and Findings

The Children At Risk program provides \$3.5 million to eligible school districts annually.

In the 2003-04 school year, 21 participating school districts identified 29,669 at-risk students.

School districts offer a variety of programs and services to at-risk students.

The Legislature may wish to consider whether the program should be maintained, modified, or eliminated.

At-Risk Program Funding

School districts provide a broad range of programs and services to meet the needs of at-risk students, including counseling, after-school programs, and placement in alternative high schools. School district staff note that the majority of at-risk programs and services are provided not only to students identified under s. 118.153, Wis. Stats., but also to those from kindergarten through high school who may need more extensive services for other reasons, such as limited English proficiency or evidence of alcohol or other drug use.

In FY 2003-04, the \$3.5 million provided through the Children At Risk program represented 1.2 percent of the \$290.7 million provided to school districts to serve at-risk students from kindergarten through high school, or to prevent children from becoming at-risk. The total included \$164.2 million in federal funds and \$126.5 million in GPR.

School District Participation

In the 2003-04 school year, 21 districts participated in the Children At Risk program. They identified 29,669 at-risk students. The number of students at risk of not graduating statewide is not known because only districts that receive program funding are required to report to DPI.

Districts receive funding based on the number of their at-risk students who achieve statutory performance objectives. Because of increasing numbers of students achieving

these objectives, payments are prorated. For example, in the 2003-04 school year eligible school districts will receive 51.0 percent of the amount for which they qualified. Milwaukee Public Schools will receive \$1.9 million, or 54.3 percent of all funds the State has allocated for the Children At Risk program.

Statutes require each school district to specify the amount of Children At Risk funding dedicated to each of its programs for at-risk students and to provide a preference in allocating that funding to alternative schools, charter schools, schools within schools, and private agencies.

However, because Children At Risk program funding represents only a small portion of their at-risk expenditures, districts typically do not allocate it to specific programs for at-risk students. Instead, Children At Risk program funds are typically deposited into a district's general fund. Because of this practice, it is difficult to isolate the effects of the Children At Risk program.

Student Achievement

For a district to receive reimbursement from the Children At Risk program, an identified at-risk student must achieve at least three of five statutorily defined performance objectives:

- receiving a high school diploma;
- remaining in school;
- an attendance rate of at least 70 percent;

- earning at least 4.5 credits, or a prorated number of credits if the student was enrolled in a program for less than the entire school year; and
- demonstrating, on standardized tests or other appropriate measures, a gain in reading and mathematics commensurate with the duration of enrollment in an at-risk program.

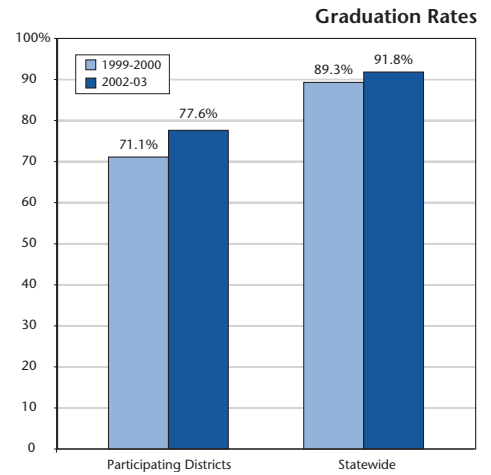
Among the 21 participating districts, 40.2 percent of students identified as at-risk achieved at least three statutory performance objectives in the 2003-04 school year. This is the lowest level in the five-year period from 1999-2000 through 2003-04. By district, the percentage of students achieving at least three objectives ranged from more than 80.0 percent in Janesville and Stevens Point to 25.0 percent or less in five other districts.

The best indicators of success for the Children At Risk program may be

comparative graduation and drop-out rates for participating and non-participating, but otherwise similar, students. School districts do not track this type of information. However, we were able to analyze trends in 11 school districts that participated in the Children At Risk program in each school year from 1999-2000 through 2002-03.

Although the district-wide graduation rate in the 11 participating school districts remained lower than the statewide graduation rate, its increase was greater from 1999-2000 through 2002-03. Among the 11 participating districts, the graduation rate increased 6.5 percentage points, from 71.1 percent to 77.6 percent. Statewide, the increase was 2.5 percentage points.

It may not be reasonable to attribute changes in student performance solely to the Children At Risk program because of the availability of other funding for district at-risk programs. Additionally, because

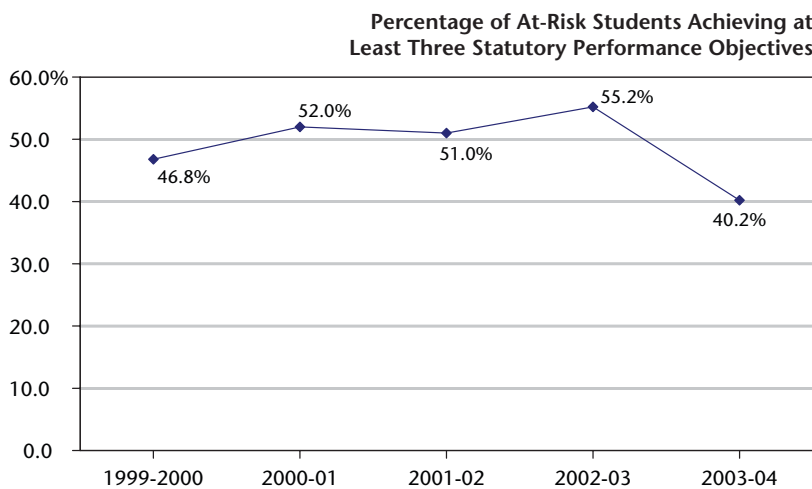


districts receive reimbursement under the Children At Risk program in the year after expenses are incurred, districts decide which programs and services to offer without regard to the level of Children At Risk funding they may subsequently receive.

For Future Consideration

The Governor's FY 2005-07 biennial budget proposes a continued level of funding of \$3.5 million annually for the Children At Risk program. However, the Legislature could consider at least three options for Children At Risk program funding.

First, the program could be eliminated. The lack of attention to program requirements by school districts raises questions about the priority they assign to complying with program requirements. However, most district officials with whom we spoke indicated that because providing at-risk services is a priority, funding for other district programs would likely be reduced if Children At Risk program funding were reduced or eliminated.



Second, funding for the Children At Risk program could be merged with other program funding. For example, the Alternative Education Grant program serves a similar population and has similar program requirements. It is also administered by DPI and receives \$5.0 million annually in GPR funding. Merging these programs could increase both efficiency and accountability, because districts participating in the Alternative Education Grant program are required to report specific program expenditures to DPI, while those participating in Children At Risk do not.

Alternatively, Children At Risk program funding could be merged into general school aids. This option

could make additional funding available to all school districts. However, merging programs or redistributing funds would substantially reduce the amount of funds targeted to the 21 districts currently participating in the Children At Risk program.

Finally, maintaining the program as it is currently structured may help to ensure that services for at-risk students are not reduced in some districts. Although district staff indicated that Children At Risk funding is small compared to total district budgets, demands on available funding for district programs have placed an increased emphasis on maintaining all available funding sources.

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Additional Information

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Janice Mueller
State Auditor

Environment and Natural Resources

Highlights

- **Chronic Wasting Disease** (Report 06-13)
The Department of Natural Resources and three other agencies spent \$32.3 million to address chronic wasting disease (CWD) in the past five fiscal years. However, neither the estimated number of deer in CWD zones nor the percentage infected with CWD has declined. Wisconsin's approach to combating the disease should be reevaluated, and our report identifies three broad approaches for consideration.
- **Fish and Wildlife Funding** (Report 06-6)
In FY 2004-05, the Department of Natural Resources spent \$120.2 million on fish and wildlife activities, including \$68.2 million generated from user fees that are paid primarily by hunters and anglers. We found that 97.6 percent of expenditures funded by these fees benefited hunters and anglers. In each year since FY 2000-01, expenditures from the Fish and Wildlife Account have exceeded revenues. Close monitoring of the account balance is warranted.

Other Reports

- **Letter on Environmental Cooperation Pilot Program** (February 2006)
The Department of Natural Resources should establish a methodology to quantify the environmental and economic effects of the seven agreements established under this program. It should also take steps to ensure adequate public involvement.
- **Letter on Hunter Education Program** (August 2005)
In FY 2004-05, the Department of Natural Resources spent \$1.2 million to administer hunter education courses that are required for anyone who wishes to purchase a hunting license and was born on or after January 1, 1973. In 2004, 3,328 volunteer instructors taught 33,476 students. The number of volunteer instructors, the number of courses held, and the number of students successfully completing courses increased from 2000 to 2004.
- **Financial Audits of Petroleum Inspection Fee Revenue Obligations Program** (Reports 06-14 and 05-16)
Please see State Government Operations and Enterprises

Audit Committee Action

- *Hearing on Fish and Wildlife Funding, June 20, 2006*

An Evaluation:

Chronic Wasting Disease*Department of Natural Resources*

November 2006

Report Highlights ■

DNR accounted for \$26.8 million of the \$32.3 million spent on CWD through FY 2005-06.

Chronic wasting disease (CWD) is a fatal neurological disease that affects members of the deer family, including white-tailed deer and elk. It was first identified among free-ranging deer within the state in February 2002. In the past five fiscal years, four state agencies have spent \$32.3 million to address the disease and monitor its spread, both in the wild and among farm-raised deer.

To date, DNR's efforts to eradicate CWD have not been effective.

The Department of Natural Resources (DNR), which accounted for 82.9 percent of all expenditures, has attempted to eradicate CWD by reducing the number of free-ranging deer in areas where it has been identified. The Department of Agriculture, Trade and Consumer Protection (DATCP), which regulates deer farms, has established herd-monitoring programs and issues quarantines. The Wisconsin Veterinary Diagnostic Laboratory, which is operated by the University of Wisconsin-Madison, tests deer tissue for infection and disposes of infected carcasses. The Department of Health and Family Services (DHFS) monitors potential human health effects .

DATCP has taken steps to limit the spread of CWD in farm-raised deer.

Hunters must wait longer to receive CWD testing results for their deer.

DHFS reviews potential effects of CWD on human health.

Legislators and hunters have raised concerns about the cost and effectiveness of efforts to eradicate CWD. At the request of the Joint Legislative Audit Committee, we therefore analyzed:

Wisconsin's approach to CWD should be reevaluated.

- trends in program expenditures and staffing levels;
- the effectiveness of DNR's current approach to CWD;
- DATCP's management of the disease in farm-raised deer;
- the role of the Diagnostic Laboratory in conducting CWD tests and disposing of deer carcasses; and
- activities undertaken by DHFS to address potential human health concerns.

Key Facts and Findings

CWD is a fatal neurological disease in deer that has been identified in 14 states, including Wisconsin.

Through FY 2005-06, Wisconsin spent \$32.3 million to address CWD.

DNR relies primarily on hunters to kill deer in areas known to be infected with CWD.

Deer hunting license sales have not returned to pre-CWD levels.

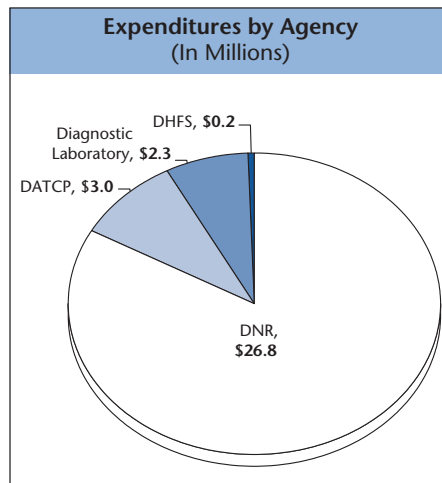
Hunters waited 51.8 days for CWD test results from the 2005 hunting season.

Wisconsin's aggressive approach to CWD has been more costly than less-aggressive approaches in other states.

To date, CWD has not been linked to human illness.

CWD Expenditures

DNR is the lead agency for coordinating Wisconsin's efforts to address CWD and for managing the disease in the free-ranging deer herd. From fiscal year (FY) 2001-02 through FY 2005-06, DNR spent \$26.8 million on CWD.



Nearly two-thirds of the \$32.3 million that all state agencies spent to address CWD, or \$20.1 million, has been provided from the Fish and Wildlife Account of the Conservation Fund. That account is funded primarily through fees paid by hunters and anglers.

In FY 2005-06, DNR, DATCP, the Diagnostic Laboratory, and DHFS employed 58.8 full-time equivalent (FTE) staff to address CWD. Most were wildlife biologists and technicians employed by DNR.

Disease Management in Free-Ranging Deer

Through June 2006, 651 free-ranging deer have tested positive for CWD in Wisconsin. All were from the southern part of the state, and 590 were from Dane and Iowa counties.

DNR has adopted two main strategies to limit the spread of CWD in free-ranging deer: surveillance to determine the disease's prevalence, and reducing the deer population in areas it has defined as CWD zones.

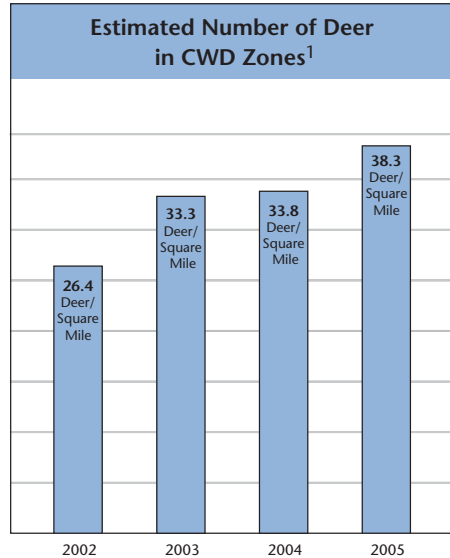
To reduce the number of deer and limit the spread of CWD, DNR has:

- increased the length of deer hunting seasons;
- required hunters to shoot a doe before shooting a buck;
- established and enforced a ban on baiting and feeding deer in 26 counties; and
- created incentives for hunters that include monetary rewards, low-cost permits, and a program to donate venison to food pantries.

DNR also relies on sharpshooters who are DNR employees. Sharpshooting efforts by DNR staff accounted for 5.2 percent of deer killed in the 2004 and 2005 hunting seasons.

Available data indicate that to date, DNR's efforts to eradicate CWD have not been effective:

- in CWD zones, the number of deer killed has declined from 23.1 per square mile during the 2003 hunting season to 17.4 per square mile during the 2005 hunting season;
- the CWD infection rate in the 210-square-mile "core area" DNR uses to monitor infection rates has not declined; and
- the estimated number of deer in CWD zones has increased from a post-hunt population of 26.4 deer per square mile in 2002 to 38.3 deer per square mile in 2005.



¹Post-hunt population. In the period shown, the size of CWD zones increased from 2,510 to 3,682 square miles. Because of changes in methodology, DNR staff believe population estimates for 2002 cannot be compared with later years and that changes in post-hunt populations are statistically insignificant.

Disease Management in Farm-Raised Deer

DATCP regulates farm-raised deer, which include both native deer and exotic species such as sika and reindeer. Anyone who wishes to sell live deer within Wisconsin must enroll in DATCP's herd monitoring program.

The monitoring program supplements mandatory CWD testing for all farm-raised deer that are 16 months of age or older at the time of death. It requires annual reporting on the health of deer from enrolled herds. Farm owners may not import deer from outside of Wisconsin unless they are from herds that have been monitored in their state or country of origin.

DATCP quarantines the herd of any farm on which a deer tests positive for CWD. It is also authorized to quarantine farms from which a CWD-positive deer originated and those whose herds may have been exposed to CWD.

Through June 2006, DATCP issued CWD-related quarantines for 43 deer farms. A total of 95 animals tested positive for CWD on 7 of these farms.

CWD Testing and Disposal

We found increases in both the number of CWD tests performed by the Diagnostic Laboratory during the nine-day regular gun

hunting season and the time required to report test results. On average, test results were not available until 51.8 days from the time a deer was killed in November 2005. In 2003, results were available in 26.6 days.

Hunters who submit deer for CWD testing typically want test results before they eat their deer. To assist during the peak workload period from late November through mid-January, DNR plans to provide 2.0 FTE staff to assist the Diagnostic Laboratory with CWD testing.

The Diagnostic Laboratory also operates a chemical tissue digester to dispose of CWD-positive carcasses and other deer testing remains. The tissue digester destroys prions, which are believed to be the cause of CWD.

In FY 2005-06, the tissue digester disposed of 370,768 pounds of deer tissue, of which 93.9 percent was from DNR's surveillance program. The remainder was from testing farm-raised deer.

Potential Human Health Risks

DHFS assesses potential human health risks of CWD by monitoring cases of related human diseases, establishing a registry of people known to have consumed venison from CWD-infected deer, and informing the public of potential risks associated with CWD.

To date, there is no evidence to suggest that eating CWD-infected venison can lead to human disease. However, because a similar disease in cows has been linked to human illness, DHFS, the World Health Organization, and the federal Centers for Disease Control and Prevention advise people not to consume any venison from CWD-infected deer as a precautionary measure.

Future Considerations

Compared to other states in which CWD has been identified, Wisconsin has taken an aggressive approach to addressing the disease. That approach has also been more costly, but it has not been effective to date. We therefore highlight three alternative approaches for consideration by DNR and the Legislature: making no changes; increasing efforts, which would likely increase program costs; or reducing or eliminating some CWD-related activities.

Recommendations

Our report includes a recommendation for the Diagnostic Laboratory and DNR to:

- ☑ report to the Joint Legislative Audit Committee by April 15, 2007, on the time required to notify hunters of CWD test results for the 2006 hunting season (p. 73).

The Legislative Audit Bureau is a nonpartisan legislative service agency that assists the Wisconsin Legislature in maintaining effective oversight of state operations. We audit the accounts and records of state agencies to ensure that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law, and we review and evaluate the performance of state and local agencies and programs. The results of our audits, evaluations, and reviews are submitted to the Joint Legislative Audit Committee.

We also recommend that DNR, in consultation with DATCP, DHFS, and the Diagnostic Laboratory:

- ☑ report to the Joint Legislative Audit Committee by April 15, 2007, on:
 - how recent changes in hunting rules in the CWD zones affected the number of deer taken from these zones during the 2006 hunting season;
 - the number of CWD-positive deer killed as a result of DNR sharpshooting and trapping efforts during the 2006 hunting season;
 - whether testing performed on deer from the 2006 hunting season indicates any changes in the spread of CWD;
 - plans to improve communication with hunters; and
 - strategies that will be employed to reduce CWD-related costs (p. 90).

Additional Information

For a copy of report 06-13, which includes a response from the Department of Natural Resources, call (608) 266-2818 or visit our Web site:



www.legis.state.wi.us/lab

Address questions regarding this report to:

Paul Stuibler
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(608) 266-2818

Janice Mueller
State Auditor

An Evaluation:

Fish and Wildlife Funding*Department of Natural Resources*

June 2006

Report Highlights ■

In FY 2004-05, DNR spent \$120.2 million for fish and wildlife activities, including \$68.2 million in user fees.

Hunters and anglers received some benefit from 97.6 percent of DNR's user fee expenditures in FY 2004-05.

Administrative costs were below the statutory limit of 16.0 percent but exceeded the Legislature's intent for these expenditures.

Fish and Wildlife Account expenditures have exceeded revenues in each of the past five fiscal years.

To support hunting and fishing opportunities for Wisconsin residents and nonresidents, the Department of Natural Resources (DNR) develops, maintains, and enhances fish and game habitat, propagates and stocks some species, studies and monitors fish and game populations, promotes the safe use of natural resources through enforcement and education efforts, and purchases land to provide additional hunting and fishing opportunities. In fiscal year (FY) 2004-05, DNR spent a total of \$120.2 million for these and other fish and wildlife activities, including \$68.2 million generated from the sale of hunting and fishing licenses and stamps and from other user fees paid primarily by hunters and anglers.

For a number of years, some hunters and anglers have raised concerns about the extent to which the license and other fees they pay are spent on activities related to hunting and fishing. Legislators and others have also questioned how DNR funds its administrative costs and whether there are alternative sources of funding for fish and wildlife activities. To address these concerns, and at the direction of the Joint Legislative Audit Committee, we:

- analyzed revenues, expenditures, and staffing levels for DNR's fish and wildlife activities in FY 2004-05;
- classified expenditures by purpose and analyzed time-reporting records to determine the extent to which user fees fund activities that primarily benefit hunters and anglers;
- examined five-year revenue and expenditure trends in the Fish and Wildlife Account of the Conservation Fund; and
- surveyed officials in 49 other states to determine how they fund fish and wildlife activities.

Key Facts and Findings

In FY 2004-05, \$39.1 million in fish and wildlife expenditures funded by user fees, or 57.3 percent, primarily benefited hunters and anglers.

In FY 2004-05, \$19.9 million in user fee expenditures, or 29.2 percent, benefited hunters, anglers, and other users.

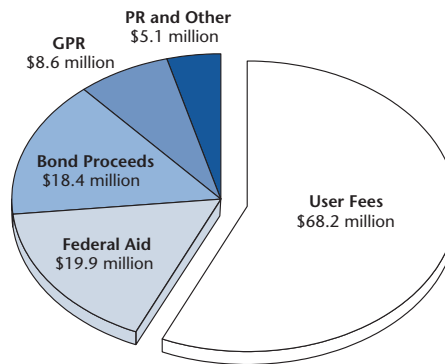
Hunters and anglers did not directly benefit from \$1.6 million, or 2.4 percent, of user fee expenditures.

Wisconsin's reliance on user fees exceeds the national average but has declined since FY 1996-97.

Funding Sources

Although \$68.2 million in user fees funded the largest share of DNR's \$120.2 million in spending for fish and wildlife activities, funding was also provided from other sources, including federal aid and general purpose revenue (GPR).

Expenditures by Funding Source
FY 2004-05



Proceeds from general obligation bonds totaled \$18.4 million and were used to purchase land for additional hunting and fishing opportunities. Program revenues (PR) came primarily from renting facilities or equipment.

Of total funds spent for fish and wildlife activities in FY 2004-05, \$63.3 million, or 52.7 percent, supported resource management and education. Habitat development and land acquisition activities represented another 30.4 percent of total expenditures, or \$36.5 million.

User Fee Expenditures

DNR's accounting system does not link revenues from user fees, including the different types of hunting and fishing licenses, to particular expenditures. Therefore we undertook significant audit steps to categorize expenditures according to their purpose and primary beneficiaries.

We found that 97.6 percent of user fee-funded expenditures in FY 2004-05 provided some level of benefit to hunters and anglers, including 57.3 percent spent primarily for their benefit. We also found that 2.4 percent of the \$68.2 million in user fees expended in that year, or \$1.6 million, did not directly benefit hunters and anglers.

User Fee Expenditures FY 2004-05	
	Percentage of Total
Primarily Benefited Hunters and Anglers	57.3%
Benefited Hunters, Anglers, and Other Users	29.2
Administrative Costs	11.1
Did Not Directly Benefit Hunters and Anglers	2.4
Total	100.0%

It is important to note that expenditures funded by user fees do not represent all DNR spending for activities that primarily benefit hunters and anglers. In FY 2004-05, DNR also spent \$21.0 million from other sources for these activities.

User fees funded \$7.5 million of DNR’s administrative costs at the department and division levels in FY 2004-05 and represented 11.1 percent of all user fee-funded expenditures.

DNR’s administrative costs were below a 16.0 percent limit established by statute. However, under an alternative definition of administrative costs twice proposed by the Legislature, which includes bureau-level administration and administrative costs related to issuing licenses, administrative costs would have represented 23.5 percent of all user fee expenditures in FY 2004-05.

Accounting for Staff Time

In FY 2004-05, DNR was authorized 874.4 FTE positions for fish and wildlife activities. Every two weeks, DNR staff account for their work hours using specific activity codes. These records show that in FY 2004-05, fish and wildlife staff worked 30,600 hours on activities that did not directly benefit hunters and anglers, such as endangered resources activities and work on state parks, trails, and forests.

During the same period, however, non-fish and wildlife staff worked 43,700 hours on activities that benefited hunters and anglers, such as habitat protection. Therefore hunters and anglers benefited from work performed by the equivalent

of 7.2 full-time staff whose positions were not funded by user fees or other sources of fish and wildlife funding.

Managing Funding Resources

To assess the financial condition of the Fish and Wildlife Account, we examined its year-end balance from FY 2000-01 through FY 2004-05. We found that expenditures exceeded revenues each year, and the account’s ending balance declined significantly.

Fish and Wildlife Account (in millions)	
Fiscal Year	Ending Balance
2000-01	\$28.3
2001-02	20.6
2002-03	6.7
2003-04	1.4
2004-05	1.0

DNR officials indicate these changes are related primarily to cyclical fluctuations in the timing of fee increases and large program expenditures. However, we believe close monitoring of the account’s balance is warranted, because without \$4.3 million in transfers that were authorized under the 2005-07 Biennial Budget Act, the Fish and Wildlife Account would likely have a negative balance by June 30, 2006.

Furthermore, two trends are likely to continue to put financial pressure on the account’s resources: a declining interest in both hunting and fishing among children and young adults, which reduces license sales, and a decline in the sale of deer hunting licenses related to concerns about chronic wasting disease (CWD), coupled with increasing program costs to combat it.

In FY 2004-05, DNR spent \$5.3 million—including \$3.5 million in user fees—on CWD management efforts that included registering deer in the disease eradication zones and collecting tissue samples for testing. These funds were therefore not available for other program purposes.

We also reviewed gifts and donations DNR received from private groups for fish and wildlife projects. It is the agency’s policy that donations of more than \$1,000 be reviewed by DNR staff, who send donors acknowledgment letters specifying how their gifts will be spent. Donations of more than \$5,000 must be reviewed by the Natural Resources Board, and the purpose of the donation must be documented in board minutes. We found that DNR has adequate procedures to monitor the use of gifts, and we found no instances in which donations were spent inappropriately.

DNR does not regularly review either how fish and wildlife project outcomes fit within its broader strategic plan or how initial project budgets compare to actual expenditures. We

noted that when performance measures are considered, they often reflect inputs such as the number of hours spent on an activity, rather than the measurable result of an activity. As a result, the ability of DNR officials, the Legislature, and other interested parties to determine the success of individual fish and wildlife activities or programs is limited.

Comparisons with Other States

To compare fish and wildlife funding levels and gather information on alternative funding sources, we surveyed all 49 other states. We found that, like Wisconsin, other states fund their fish and wildlife activities at least in part through user fees. However, other states rely to a greater extent on federal aid, general fund appropriations, and other funding sources not associated with hunting and fishing license fees.

In FY 2004-05, Wisconsin ranked fifth nationally and first among seven midwestern states in funding for fish and wildlife activities, with total revenues nearly double the national average of \$49.9 million. While Wisconsin's spending is higher than most other states', residents also participate in hunting and fishing activities at a higher rate.

Although Wisconsin relies more heavily than most states on a combination of user fees and federal aid to fund fish and wildlife activities, the proportion of total revenues DNR generated from these sources declined from 98.3 percent in FY 1996-97 to 86.2 percent in FY 2004-05. Wisconsin ranked seventh among all states in reliance on user fees in FY 2004-05. In FY 1996-97, it ranked third.

In addition to user fees and federal aid, most states rely on general fund appropriations and one or more other revenue sources to support their fish and wildlife activities, such as the sale of timber, gravel, minerals, natural resources magazines, art, and advertising.

Recommendations

Our report includes recommendations for DNR to:

- ☑ renew its efforts to limit the use of generalized time accounting codes (p. 25); and
- ☑ enhance its project-planning efforts (p. 37).

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Additional Information

For a copy of report 06-6, which includes a response from the Department of Natural Resources, call **(608) 266-2818** or visit our Web site:



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State Auditor

Human Services and Health Care

Highlights

- **Milwaukee County Child Welfare—Program Issues** (Report 06-1)
- **Milwaukee County Child Welfare—Finances and Staffing** (Report 06-2)
Program improvements have reduced both the number of children in out-of-home care and the lengths of their stays. However, our report identifies concerns with timeliness in the investigations that follow allegations of child abuse and neglect, and it recommends improvements to address the provision of court-ordered services, service coordination, and financial oversight. We identified \$677,694 in unallowable and questioned costs charged by the six contractors that provided most program services in 2004.
- **Wisconsin Works (W-2) Program** (Report 05-6)
W-2 was created in 1997 to help low-income families with dependent children achieve economic self-sufficiency through employment. Program expenditures through June 2004 were \$1.5 billion. W-2's success in helping participants to achieve self-sufficiency has been mixed, and our report identifies concerns with oversight of the local agencies that administer the program.
- **Health Insurance Risk-Sharing Plan (HIRSP)** (Reports 06-10 and 05-9)
Please see State Insurance Programs.

Other Reports

- **Wisconsin Mental Health Institutes** (Reports 06-11 and 05-13)
We issued two audit reports and provided unqualified auditor's opinions on the financial statements for FY 2004-05 and FY 2003-04, which we audited at the request of the Department of Health and Family Services. In FY 2004-05, Mendota Mental Health Institute reported a net loss of \$2.6 million, and Winnebago Mental Health Institute reported a net loss of \$1.7 million. Each reported a small financial gain during FY 2003-04.

- **Letter on Medical College of Wisconsin Education Contract**
(August 2005)
- **Letter on Marquette School of Dentistry Service Contract**
(August 2005)
- **Letter on Marquette School of Dentistry Education Contract**
(August 2005)
In these limited-scope reviews, we found that from FY 2001-02 through FY 2003-04, the schools were in compliance with statutory requirements related to state tuition aid, as well as with requirements related to state funds provided for dental clinics and a family practice residency program.
- **Letter on Financial Management of Selected W-2 Agencies** *(July 2005)*
Ensuring strong financial management of W-2 agencies has been a concern since the W-2 program's inception. We found that program officials tended to be paid more at private agencies in Milwaukee County than at private or public agencies elsewhere. We reported that in 2004, eight officials in Milwaukee County agencies were paid more than \$100,000. As a result of our work, the State recovered \$35,400 from a Milwaukee County agency that had inappropriately charged the W-2 program.
- **Letter on the Physician Office Visit Data Program** *(April 2005)*
From FY 1999-2000 through FY 2003-04, the Department of Health and Family Services spent \$2.9 million to collect, analyze, and disseminate information related to health care services delivered in physicians' offices, including cost information. We reported that program data had been of limited value to researchers and health care professionals and were not available in a format the general public could use.
- **Letter on SeniorCare Eligibility** *(January 2005)*
At the time of our review, the program provided subsidized prescription drug benefits to more than 90,000 individuals 65 years old or older. Its FY 2004-05 budget was \$117.4 million. We found that an appropriate level of benefits was provided in 82.5 percent of cases for which applications were approved in 2003. However, applicants underestimated or under-reported their incomes in 11.9 percent of cases, at an estimated cost of \$6.9 million in GPR and federal funds.

Audit Committee Action

- *Hearing on Milwaukee County Child Welfare Program Issues, March 14, 2006*
- *Hearing on Milwaukee County Child Welfare Finances and Staffing, March 14, 2006*
- *Hearings on W-2 Program, March 14, 2006, and April 27, 2005*
- *Hearing on Opportunities Industrialization Center of Greater Milwaukee, Inc., March 2, 2005*

An Evaluation:

Milwaukee County Child Welfare

Department of Health and
Family Services

February 2006

Report Highlights ■

Investigations of abuse and neglect have exceeded the 60-day statutory time limit.

Program improvements have reduced both the number of placements and the median stay in out-of-home care.

Improvements are needed to ensure the safety of children who remain with their families.

Sufficient action was taken to protect most, but not all, children from abuse and neglect.

Financial oversight should be improved.

Staff turnover remains a significant concern.

Counties have historically administered child welfare programs in Wisconsin. However, the Department of Health and Family Services (DHFS) began administering Milwaukee County's child welfare program in January 1998, following a 1993 class-action lawsuit filed in federal court. In June 2005, its Bureau of Milwaukee Child Welfare had 153 full-time equivalent employees (FTE), including 90 social workers who investigate allegations of abuse and neglect. Contractors employed approximately 500 staff to provide most other program services, such as case management for children who have been removed from their homes because of maltreatment. From January 2001 through June 2005, program expenditures totaled \$493.7 million.

At the direction of the Joint Legislative Audit Committee, we conducted a comprehensive program evaluation. Report 06-1 addresses program management and performance, including:

- the timeliness of the Bureau's efforts to investigate allegations of abuse and neglect;
- the effectiveness of both out-of-home care and safety services that are provided when at-risk children remain at home, as well as the coordination of program services; and
- the Bureau's success in achieving 14 mandatory and 10 monitoring standards required by a settlement agreement arising from the lawsuit.

Report 06-2 addresses:

- program funding and expenditures, including the appropriateness of expenditures by program contractors; and
- staff turnover, qualifications, training, workloads, and salaries.

Key Facts and Findings

From January 2001 through June 2005, program expenditures totaled \$493.7 million.

Early in 2005, only 27.4 percent of court-ordered services for families were provided in a timely manner.

In 25 of 48 cases we reviewed, we identified problems in achieving permanent placements for children.

One-fifth of children reunified with their parents reentered out-of-home care within 24 months.

Coordination of service delivery between child welfare, Medical Assistance, and other support programs is limited.

We found \$677,694 in unallowable and questioned costs charged to the program by six contractors.

Investigations

From January 2004 through June 2005, the Bureau completed 14,224 investigations that involved 28,474 allegations of child abuse or neglect. A single investigation can include multiple allegations when, for example, more than one child is involved.

Statutes require investigations to be completed in 60 days. The Bureau exceeded the statutory time limit in 4,397 investigations, or 30.9 percent of those completed. It substantiated 15.2 percent of the allegations it investigated during the 18-month period we reviewed.

If the Bureau's investigation indicates that a child has been abused or neglected or that such treatment is imminent, the child is temporarily removed from the home. The Children's Court either determines that the child can safely be returned to the home or orders an out-of-home placement.

Out-of-Home Care

In June 2005, 3,188 Milwaukee County children were in foster care or other out-of-home placements. Nearly 40 percent of placements were in foster homes with non-relatives, although 771 children, or 24.2 percent, were placed with relatives participating in Kinship Care.

Significantly more children receive out-of-home care in Milwaukee County than elsewhere in Wisconsin, but the program's out-of-home

placement rate declined 47.7 percent from January 2001 through June 2005. The Bureau's efforts to improve program operations contributed to this decline.

The median stay in out-of-home care also declined, from 39 months in June 2003 to 21 months in June 2005. However, in 25 of the 48 cases we reviewed, we identified problems such as insufficient coordination among child welfare staff. Children leave out-of-home care when their families are reunified, guardianship is transferred to a relative, they are adopted, or they reach adulthood.

Safety Services

Safety services—including parenting education, counseling, and drug and alcohol treatment—are made available to families by program contractors when children are not able to remain in the home without services. Participation is voluntary, although children may be removed from the home if family members do not agree to receive the safety services.

Safety services caseloads declined 63.4 percent from January 2001 through June 2005, from 727 to 266 families. The average period for which services were provided declined from 110 days in January 2003 to 81 days in January 2005. We found that some cases were closed prematurely.

For each family served, safety services contractors are paid \$4,776, regardless of which services are

provided or how long the case remains open. Through 2005, both case management and safety services contractors were contractually required to provide quarterly reports identifying the services provided to 10.0 percent of their cases. However, the Bureau has neither requested nor received any of these reports since early 2003.

Improving Performance

We analyzed 73 high-risk cases that were most likely to involve child abuse or neglect. In 69 of these cases, the Bureau and its contractors took reasonable and appropriate action. However, we found four cases in which efforts were insufficient to ensure children’s safety. These included one case in which children were allowed to live in a condemned house for more than four months and another in which an infant died as a result of abuse.

We also found that 20.1 percent of children who were reunified with their parents from January through June 2003 reentered out-of-home care within 24 months. Further, 11.4 percent of families who ceased receiving safety services during the first 6 months of 2004 had children removed from the home within the next 12 months. This rate exceeded the 4.0 percent contractual limit. However, because the Bureau does not monitor compliance, no funds have ever been withheld from safety services contractors.

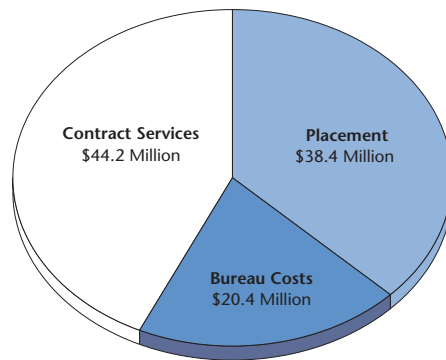
Through June 2005, the Bureau met 8 of 14 performance standards

required under the court-approved settlement agreement between the State and plaintiffs in the 1993 class-action lawsuit. Each standard will remain in effect until there is agreement by the parties to the lawsuit or an arbitrator determines that it has been met. We found errors in the way the Bureau calculates its performance related to one permanency standard, which have overstated program success.

Program Finances

Program expenditures fund the Bureau’s costs, placement costs, and services provided by contractors. In 2004, they totaled \$103.0 million.

Milwaukee County
Child Welfare Expenditures



We reviewed the appropriateness and reasonableness of costs that nine contractors charged the program in 2004. We found \$677,694 in unallowable and questioned costs charged by six contractors, including payment of a \$541,604 duplicate reimbursement request submitted by one contractor, Lutheran Social Services.

Another contractor, La Causa, has had difficulty controlling costs in the past. As of December 2005, La Causa’s debt was \$6.2 million. This debt will have to be monitored carefully because DHFS has awarded La Causa a \$10.6 million contract to provide program services in 2006.

We also have concerns that 2006 case management contracts pay a fixed case rate regardless of the amount of service provided to families.

Staff Turnover

Turnover of child welfare staff is a significant concern in Milwaukee County and nationwide. Among the case managers employed by program contractors, turnover was 30.1 percent in 2003 and increased to 38.6 percent in 2004. In contrast, annual turnover among the Bureau’s social workers has been approximately 10.0 percent.

Recommendations

Our report includes recommendations for DHFS to report to the Joint Legislative Audit Committee on its actions to:

- ☑ improve the timeliness of its investigations and the delivery of court-ordered services; reduce the time children spend in out-of-home care; ensure the adequacy of safety services; and improve service coordination with Medical Assistance, W-2, and other social services providers (p. 82, report 06-1);

- ☑ monitor families who return for additional safety services within 12 months, as well as those who have children placed in out-of-home care in the 12 months following receipt of safety services, and enforce contractual provisions if returning cases exceed prescribed rates (p. 52, report 06-1);
 - ☑ ensure that all children in out-of-home care receive annual medical and dental examinations (p. 66, report 06-1);
 - ☑ continue to work to improve the retention of child welfare staff (p. 36, report 06-2);
 - ☑ appropriately calculate the Bureau of Milwaukee Child Welfare's compliance with performance standards specified in the settlement agreement (pp. 57, 59, and 66, report 06-1);
 - ☑ collect and analyze information on services that contractors provide to families (p. 18, report 06-2); and
 - ☑ monitor and assess La Causa's financial condition (p. 23, report 06-2).
- In addition, we recommend that DHFS:
- ☑ require contractors to repay \$582,981 in unallowable costs and to either repay \$94,713 in questioned costs or provide additional documentation (p. 27, report 06-2); and
 - ☑ ensure that new staff complete pre-service training before managing cases (p. 33, report 06-2).
- Finally, we include a recommendation for the departments of Justice, Public Instruction, and Workforce Development to require Lutheran Social Services to reimburse them for public funds spent on unallowable costs (p. 25, report 06-2).

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Additional Information

For copies of reports 06-1 and 06-2, which include responses from the Department of Health and Family Services, call **(608) 266-2818** or visit our Web site:



www.legis.state.wi.us/lab

Address questions regarding this report to:

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Janice Mueller
State Auditor

Wisconsin Works (W-2) Program

Department of Workforce Development

April 2005

Report Highlights ■

W-2's success in helping participants achieve economic self-sufficiency has been mixed.

An increasing number of participants are nearing their lifetime limit of program eligibility.

We identified concerns with DWD's oversight of W-2 agencies.

Service delivery among W-2 agencies statewide is inconsistent.

The Wisconsin Works program, commonly known as W-2, was created by 1995 Wisconsin Act 289 to help participants achieve economic self-sufficiency through employment. It took effect statewide in September 1997. W-2 is administered at the state level by the Department of Workforce Development (DWD), and locally through 52 contracts with public and private agencies. It is funded primarily by the federal Temporary Assistance for Needy Families (TANF) program. From September 1997 through June 2004, W-2 expenditures totaled \$1.5 billion. Program services and cash benefits for participants, as well as W-2 agencies' administrative costs, accounted for 76.8 percent of that total.

Concerns were raised about the program's rising caseloads, how W-2 agencies serve participants, and the extent to which DWD has addressed issues we identified in prior reports. Therefore, at the direction of the Joint Legislative Audit Committee, we evaluated:

- trends in expenditures, program caseloads, and services provided to participants;
- the extent to which W-2 has helped participants achieve economic self-sufficiency;
- DWD's management of the program;
- the use of monetary sanctions on participants; and
- funding and policy issues that the Legislature and DWD will need to consider.

Key Facts and Findings

From September 1997 through June 2004, W-2 expenditures totaled \$1.5 billion.

In June 2004, 79.8 percent of the program's 15,539 participants were in Milwaukee County.

Approximately 20.0 percent of former participants earned more than the poverty level in the year after they left W-2.

Returning participants made up 52.3 percent of all subsidized placements in June 2004.

Participants in community service jobs were assigned to work fewer hours in 2004 than in 1998.

W-2 agencies made \$1.3 million in excess payments to 2,500 custodial parents of infants.

Caseload Changes

Participants, who are primarily women with dependent children, are assigned to subsidized or unsubsidized placements based on their level of preparedness for employment. In June 2004, 79.8 percent of the program's 15,539 participants were in Milwaukee County, and 12,539 participants were in subsidized placements.

Participants in subsidized placements who meet work and other program requirements receive cash grants of \$628 or \$673 per month. Services such as job-search assistance, education, and training are also available to them. Participants in unsubsidized placements do not receive cash grants, but they may receive program services.

W-2 increasingly serves participants who are custodial parents of infants. These participants, who are not required to work outside the home, are eligible for monthly cash grants of \$673 until their infants are older than 12 weeks.

The number of new participants who were custodial parents of infants more than doubled from June 1998 to June 2004, increasing from 18.0 to 37.3 percent. W-2 agencies attributed this increase to women in jobs that do not provide fringe benefits using W-2 as a form of paid maternity leave. We found that custodial parents of infants who were never in any other W-2 placement increased from 8.5 percent of all such placements in

1998 to 49.8 percent in the first six months of 2004.

Eligibility Limits

Both state and federal law limit individuals to 60 months of lifetime participation in subsidized placements. However, W-2 agencies may approve extensions to the eligibility limits under certain circumstances.

There were more requests for extensions during the first six months of 2004 than during all of 2003. In June 2004, 6.4 percent of participants had used more than 48 months of their lifetime eligibility, including 346 participants who continued to receive services through extensions after reaching their lifetime limits.

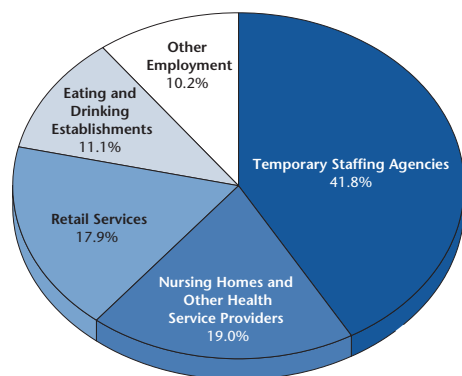
Program Effectiveness

Because W-2 is intended to help participants achieve economic self-sufficiency through employment, we analyzed the extent to which all 9,958 participants who left the program during the last three months of each year from 1999 through 2002 earned more than the federal poverty level. We found:

- approximately 20.0 percent of former participants earned more than the poverty level in the year after they left W-2, while the majority likely did not;
- the percentage of former participants with incomes above the poverty level increased slightly each year from 2000 to 2003; and

- 42.1 percent of those who left W-2 in 1999 earned more than the poverty level in 2003, after the inclusion of several tax credits.

We identified the types of employment obtained by former participants who left the program during the last three months of 2002. The figure shows the types of employers that hired ten or more former participants.



The extent to which former participants subsequently return to subsidized placements provides another indication of how well W-2 has helped participants achieve economic self-sufficiency. Returning participants increased from 38.6 percent of all subsidized placements in June 2000 to 52.3 percent in June 2004.

Improving Program Management

Community service jobs provide work experience and training to those who are able to perform some job duties. Although statutes allow

participants in community service jobs to be assigned to work for up to 30 hours per week, we found the average number of work hours assigned to these participants declined from 26.5 per week in June 1998 to 17.7 per week in June 2004. Moreover, in June 2004 approximately one-fifth of participants in community service jobs were assigned to no work.

We identified other areas needing improved management. For example:

- From September 1997 through June 2004, we estimate that W-2 agencies paid 2,500 custodial parents of infants longer than the statutory maximum 12 weeks, resulting in \$1.3 million in excess payments.
- From January 2000 through February 2004, W-2 agencies erroneously issued approximately \$1.9 million in excess payments to participants who were in both subsidized and unsubsidized placements during the same month.
- From May 2003 through June 2004, only 43.5 percent of participants were screened to identify potential barriers to employment. Agencies are required to offer this screening to all participants, although participants are not required to complete it. Significant variations in agencies' screening rates raise concerns about whether all agency staff explain the benefits of screening and encourage participants to complete it.

Inconsistent Service Delivery

W-2 agencies have provided considerably different types and amounts of services to participants. For example, average monthly expenditures for program services during the 2002-2003 contract period ranged from \$310 per participant by United Migrant Opportunity Services, Inc., a private provider in Milwaukee County, to \$731 per participant by Racine County.

W-2 agencies can impose sanctions, or fines, on participants receiving cash benefits. Participants may be sanctioned \$5.15 for each hour they miss work or fail to participate in training or other required activities without good cause.

From October 1999 through June 2004, agencies imposed \$30.2 million in sanctions. However, sanctions are not applied consistently statewide. During the first six months of 2004, 7 agencies sanctioned more than 20 percent of their participants, while 25 sanctioned less than 10 percent.

Future Considerations

W-2 has successfully helped some participants obtain unsubsidized employment, but it has also faced challenges, including shifts in focus that have caused confusion among W-2 agencies and others, a potential funding shortfall during the 2004-2005 contract period, and contract management issues. As DWD prepares for the next contract, which will begin in January 2006, it will be especially important to address these issues.

Recommendations

We include recommendations for DWD to:

- ☑ report to the Joint Audit Committee by October 1, 2005, on:
 - progress in increasing consistency among W-2 agencies in approving and denying extension decisions (p. 47);
 - actions it has taken to ensure W-2 agencies assign participants to appropriate types and hours of activities (p. 68);
 - how it plans to ensure custodial parent of infant placements end at the appropriate time (p. 70);
 - its suggestions for modifying administrative rule provisions for job access loans (p. 73);
 - the results of its review of the barrier screening tool and its plans to ensure participants' barriers are appropriately assessed (p. 78); and
 - actions it plans to take in response to its study that found different racial groups are sanctioned at different rates (p. 96).

In addition, we recommend that DWD:

- ☑ ensure W-2 agencies pay the correct cash benefit amounts to participants (p. 71);
- ☑ provide guidance to W-2 agencies on recording accurate and complete information about participants' W-2 activities in the electronic case files (pp. 74 and 81);
- ☑ either instruct W-2 agencies to comply with statutory provisions relating to drug sanctions, Learnfare program sanctions, and W-2 strikes or recommend statutory changes to eliminate or modify these provisions (p. 90); and
- ☑ require W-2 agencies to uniformly report information on fact-finding hearings and comply with hearing decisions within ten days (pp. 93 and 94).

The Legislative Audit Bureau is a nonpartisan legislative service agency that assists the Wisconsin Legislature in maintaining effective oversight of state operations. We audit the accounts and records of state agencies to ensure that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law, and we review and evaluate the performance of state and local agencies and programs. The results of our audits, evaluations, and reviews are submitted to the Joint Legislative Audit Committee.

Additional Information

For a copy of report 05-6, which includes a response from the Department of Workforce Development call **(608) 266-2818** or visit our Web site:



www.legis.state.wi.us/lab

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State Auditor

Local Government Issues and Activities

Highlights

- **County Emergency Management Activities**
(Best Practices Review, November 2006)

All county emergency management plans we reviewed met established standards, and some include or organize information in ways that could be helpful to other counties.
- **Volunteer Fire Fighter and Emergency Management Technician Service Award Program** (Report 05-22)

This retirement program is funded by municipalities and with GPR. In September 2005, its assets totaled \$10.3 million. Because investment options were not clearly understood at the time vendors were selected in 2001, three departments forfeited nearly all their contributions and the governing board's flexibility in selecting future contractors may be limited. At the time of our review, the board required immediate assistance to improve contracting and oversight.
- **Local Government Property Insurance Fund** (Report 05-15)

We provided unqualified opinions on the financial statements for FYs 2003-04, 2002-03, 2001-02, and 2000-01. Changes in reinsurance and increases in claims caused net losses for the three-year period that ended June 30, 2003, but increases in policyholder premiums allowed the Fund to end FY 2003-04 with net income of \$9.2 million. We reported a material weakness in internal controls related to the premature destruction of claim files.
- **Voter Registration** (Report 05-12)

At the time of our audit, voter registration was mandatory in 172 municipalities with populations of 5,000 or more, but requirements differed depending on how and when individuals registered to vote. Because municipalities did not consistently send address verification cards or remove ineligible voters from their voter registration lists, we found that efforts to maintain accurate lists were insufficient at the time of our audit. We identified 105 instances of potentially improper or fraudulent voting in the November 2004 elections.

Other Reports

- **Letter on Area Cooperation Compacts** (June 2005)

Cities, villages, and towns in designated high-population areas are required by s. 66.0317(2), Wis. Stats., to enter into collaborative agreements to reduce the costs of local government services. In 2004, 72.3 percent of 460 municipalities surveyed by the Department of Revenue reported having agreements. The most common types of services provided cooperatively were fire protection and emergency services.

Audit Committee Action

- *Hearing on Volunteer Fire Fighter and Emergency Medical Technician Service Award Program, February 7, 2006*
- *Hearing on Voter Registration, October 18, 2005*

Report Highlights ■

A total of \$39.9 million in federal and state funds was available for emergency management in FY 2005-06.

In 2006, counties reported budgeting most emergency management funds for personnel.

Some county emergency management plans include or organize information in ways that could be helpful to others.

Weather-related emergencies are the emergencies most frequently reported in Wisconsin.

Emergency management includes efforts taken by the State and local governments to prepare for and minimize the effects on citizens of hostile action and natural or man-made disasters, and to restore vital public services and facilities that are destroyed or damaged by such action or disaster. In Wisconsin, counties have primary responsibility for coordinating emergency management activities within their borders. The Department of Military Affairs (DMA) is the lead state agency in planning for and responding to emergencies and its Division of Emergency Management is responsible for coordinating federal, state, local, and private emergency management activities statewide.

Under s. 13.94(8), Wis. Stats., the Legislative Audit Bureau is required to conduct periodic best practices reviews of local government operations. This report, which focuses on assisting local governments in preparing for and responding to future emergencies:

- summarizes the state and local emergency management requirements established in ch. 166, Wis. Stats.;
- includes the results of our survey of the emergency management directors of all 72 Wisconsin counties; and
- provides information on federal emergency management grant funding awarded both by DMA and the Office of Justice Assistance (OJA).

Key Facts and Findings

Only 27 of the 40 emergency management directors reported spending 100 percent of their time on emergency management duties.

County emergency management plans contain a basic plan and 12 appendices.

Funding for personnel was the most significant unmet need cited by survey respondents.

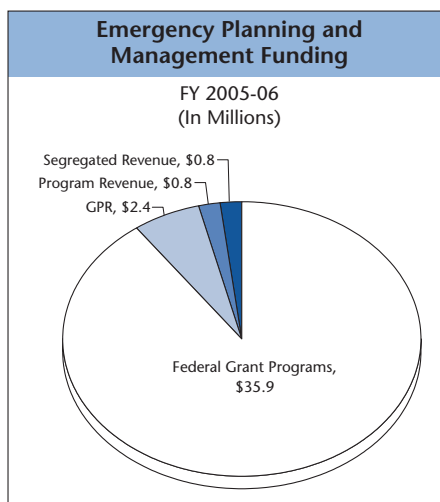
It is critical that emergency management personnel be able to communicate with one another before, during, and after an emergency.

The Legislature has taken action to increase the use of mutual aid agreements.

We identified eight best practices for local governments to consider in planning for and responding to emergencies.

Funding Emergency Management

Grants awarded by the federal Department of Homeland Security are the primary source of emergency management funding available to counties through DMA and OJA, but some state funds are also provided by these agencies. Federal funds accounted for 90.0 percent of the \$39.9 million available through DMA and OJA in FY 2005-06.



Counties received \$19.4 million of the \$39.9 million available to fund emergency management in FY 2005-06. Municipalities and school districts received \$14.8 million, and \$3.9 million was provided to state agencies for a variety of

programmatic and administrative purposes. The remaining \$1.8 million was provided to technical colleges, the University of Wisconsin (UW) System, and Native American tribes.

Use of Funding

The 36 county emergency management directors who responded to a survey question on budgets reported budgeting 60.5 percent of available emergency management funds for personnel, 16.2 percent for the purchase of equipment, and 23.3 percent for other expenses such as training.

Counties with larger populations tended to report dedicating a somewhat smaller percentage of their emergency management funds for personnel. However, 21 of 36 respondents indicated that their largest unmet financial need was for more personnel.

Preparing for Emergencies

Emergency management literature concludes that effective plans include information to aid in preparation, prevention, coordination of emergency activities, and recovery, with the primary goal of safeguarding lives. All ten county plans we reviewed followed the

format required by DMA. Some went significantly beyond the minimum requirements for the type and amount of information included and how the content was organized to make information more easily accessible during an emergency.

For example, some county plans include checklists that delineate specific tasks, assignments, and responsibilities associated with responding to various types of emergencies. Some plans list agencies that can provide assistance such as law enforcement, human services, and communications. Other plans consolidate emergency contact information so that it is easy to find and can be updated on a regular basis.

Types of Emergencies

More than three-quarters of the 38 respondents to our survey question reported that recent emergencies faced by their counties were weather-related events such as flooding, tornadoes, hail, and high winds.

Nineteen respondents indicated that they encountered unanticipated problems in responding to recent emergencies, including that municipalities were not sufficiently prepared for an emergency, systems

were not in place to manage volunteers, and local responding agencies had difficulty communicating because of incompatible radio systems.

Responding to Emergencies

In response to our survey, county emergency management directors noted that the most common methods used initially to alert the public in case of emergency are television and radio messages and sirens.

Of 38 survey respondents, 19 indicated their counties can easily communicate with emergency responders, while the other 19 indicated they could not. The State Interoperability Executive Council, representing state agencies and local government emergency services personnel, has drafted a

plan to support statewide communications systems for use in emergencies. In addition, several counties have formed alliances to coordinate emergency communication efforts.

Because a single local government may find it difficult to respond to large emergencies, statutes allow local governments to contract with one another for the provision of services. In addition, the Legislature has taken action to increase the use of mutual aid agreements.

2005 Wisconsin Act 257 addresses the deployment of fire, rescue, and emergency medical services personnel and equipment to a local government that requests assistance when it cannot adequately respond to an emergency on its own. To date, at least 10 counties have entered into mutual aid agreements for these services. At least 20 others are in the process of doing so.

Initial Methods Used to Alert the Public	
Method	Number of Counties
Television/Radio Messages	36
Sirens	32
Emergency Vehicle Loudspeaker	27
Mass Telephone Calls	8
E-mail Messages	6
Other	11

Best Practices

It is a best practice for county governments to:

- ☑ provide sufficient detail in their emergency management plans for government officials, first responders, and other emergency management staff; include checklists of established procedures; and consolidate emergency contact information so that it can be readily and regularly updated (p. 30);
- ☑ contact all municipalities in their county at least annually to discuss the municipalities' emergency management responsibilities and their resources for responding to emergencies, explain the county resources available to help municipalities respond to emergencies, and ensure municipalities' emergency management plans are coordinated with their county's (p. 36);
- ☑ conduct a formal assessment after an emergency occurs (p. 43);
- ☑ identify multiple means of alerting the public to emergencies (p. 44);
- ☑ establish interoperable communications systems for use in emergencies (p. 45);
- ☑ execute mutual aid agreements with adjacent and nearby local governments to obtain essential emergency management services (p. 47);
- ☑ include in local emergency management plans decision points that can assist officials in determining whether the full provisions of a plan should be activated (p. 48); and
- ☑ conduct emergency training that has clear objectives, is related to the types of emergencies most likely to occur within their jurisdictions, and represents everyone with responsibilities in an emergency, including emergency responders, public officials, and the private sector (p. 49).

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Additional Information

For a copy of this best practices report, call **(608) 266-2818** or visit our Web site:



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Janice Mueller
State Auditor

Volunteer Fire Fighter and Emergency Medical Technician Service Award Program

Department of Administration

December 2005

Report Highlights ■

The program is funded by municipalities and with GPR.

The Volunteer Fire Fighter and Emergency Medical Technician Service Award Program—commonly referred to as the length-of-service award program—was created under 1999 Wisconsin Act 105 to assist the fire and ambulance departments of smaller municipalities in recruiting and retaining volunteer staff. The program offers tax-deferred retirement benefits to volunteer firefighters and emergency medical technicians who meet the eligibility requirements established by their departments. Funding is provided by municipalities and the State.

Investment options were not clearly understood when vendors were selected in 2001.

Current investment options could limit the board's flexibility to change vendors in 2006.

As of September 1, 2005, 5,388 eligible volunteers were enrolled in the program by 182 public or private fire departments or ambulance services. The program had assets of \$10.3 million, including \$4.0 million funded with general purpose revenue (GPR).

The board requires immediate assistance with its 2006 vendor-selection process.

An eight-member board appointed by the Governor and attached to the Department of Administration (DOA) for administrative purposes provides general program oversight but contracts with private vendors for account administration. 1999 Wisconsin Act 105 included a statutory provision requiring the Legislative Audit Bureau to complete an evaluation of the program no later than February 2006. To review operations and evaluate the program's performance, we:

- reviewed documents related to the board's initial request-for-proposals process;
- analyzed investment plan documents and fee structures, as well as program expenditures and changes in program assets; and
- interviewed board members and DOA staff, local officials and volunteers, interest groups, and program vendors.

Key Facts and Findings

As of September 1, 2005, 5,388 volunteers were enrolled in the program through 182 participating departments.

Municipalities have contributed \$6.3 million on behalf of departments.

In 2004, three departments lost a total of \$119,000 because one vendor's contract was not extended.

Since 2002, participating departments have received \$4.0 million in GPR matching funds.

Vendors were paid \$601,600 for program administration from 2001 through 2004.

Through December 2004, program benefit payments on behalf of 68 participants totaled \$255,200.

Participation and Funding

Among the 860 fire departments operating in Wisconsin in 2005, 703 operate exclusively with volunteers, while another 102 use a combination of volunteers and paid staff. Volunteer staffing information is not available for Wisconsin's 734 ambulance services.

During the length-of-service award program's first five years, participation increased from 85 emergency services departments in 2001 to 182 as of September 1, 2005. During the same period, individual enrollments increased from 2,420 to 5,388, or 122.6 percent. In the future, individual enrollments are expected to increase more modestly because fewer departments are expected to enter the program.

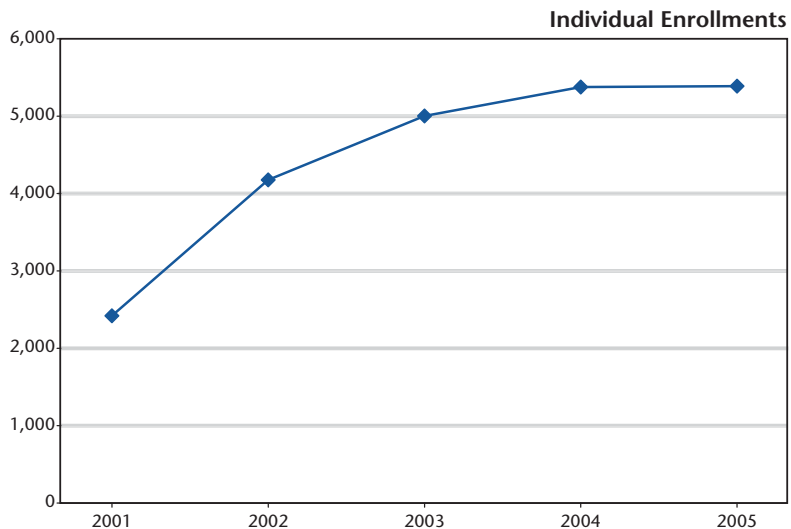
Participating emergency services departments establish eligibility rules, and municipalities determine the amount they will contribute to

each eligible volunteer's account on behalf of participating departments. Most municipalities contribute the maximum amount the State will match, which is specified in s. 16.25(3)(d), Wis. Stats., and was \$274 per eligible volunteer in July 2005.

However, local government contributions can vary widely. For example, in 2004 they averaged \$100 per volunteer in the Town of Mercer and the City of Montello, but \$1,114 per volunteer in the Town of St. Germain. Statutes limit state matching funds for the program to \$2.0 million annually.

Vendor Selection

Municipalities are responsible for making final investment decisions under the program, but under ch. VFF-EMT 1, Wis. Adm. Code, the board is required to select vendors and review investment



plan options and fee disclosures. In August and September 2001, the board signed three-year contracts for account management with vendors that were selected in a competitive bidding process. From 2001 through 2004, these vendors were paid a total of \$601,600 for program administration.

In 2004 and 2005, the board extended its contracts with two vendors, but not with a third. Its primary justification was concern about the types of investment options provided by the third vendor and the vendor's failure to meet reporting requirements. However, the investments available through the vendor had not changed significantly since its selection in 2001.

Because the board did not extend one of its initial contracts, departments enrolled with that vendor were required to select a different vendor or discontinue participation in the program.

As a result, departments serving three municipalities that had purchased life insurance policies—the Village of Suamico, the Town of Townsend, and the Village of Athens—forfeited a combined total of \$119,000 paid for nontransferable policies, which was nearly all of their program contributions. The Village of Kimberly forfeited \$22,200 when it discontinued its investment plan with the third vendor before the board made its decision to not extend the vendor's contract.

In the future, 117 of the 182 departments participating in the program

could face financial losses if they choose or are required to transfer annuity investments purchased through one of the two remaining vendors. Fees related to such transfers may limit the board's flexibility in negotiating new vendor contracts in 2006, when current contracts expire. The board plans to issue a request for proposals in February and to enter into new multi-year contracts with vendors at the end of June 2006.

Future Considerations

Available investment options are complex, and participating municipalities and emergency services departments generally do not have either the time or the expertise to monitor investment performance. Therefore, the program's board plays an important role in ensuring program success by selecting vendors and by:

- determining whether vendors' materials clearly describe available investment options and their costs before the materials are distributed to participating departments;
- ensuring that departments understand the full costs of available investment options by annually reviewing vendors' disclosures of all direct and indirect fees and other costs of investment; and
- reviewing the performance of all investment options to ensure that earnings expectations are met.

While the initial contracting process met all legal requirements, the process was not effective because it did little to simplify vendor selection for participating emergency services departments. Furthermore, it did not ensure that all investment options were best suited for the length-of-service award program before making them available to participating departments.

It should be noted that while the board's primary responsibilities are related to complex financial decision-making, seven of its eight members are not required to have expertise in this area. Instead, they are required to be volunteer firefighters, volunteer emergency medical technicians, and representatives of municipalities that use volunteer firefighters.

The eighth board member is required to be an individual with financial planning experience. However, the subcommittee that evaluated vendor proposals in 2001 was not required to and did not include this board member.

Currently, limited administrative support is available to the program through DOA, which has 0.1 full-time equivalent position to provide staff support to the board. Because DOA's responsibilities as a state agency relate to budgeting, centralized purchasing, and managing capital projects, its staff generally are not expected to analyze benefit or investment programs.

The Department of Employee Trust Funds (ETF), which administers the Wisconsin Retirement System, does

employ staff with expertise in those areas. When 1999 Assembly Bill 187 was introduced to create the length-of-service award program, the program was to be attached to ETF for administrative purposes. However, ETF officials expressed concern about the adequacy of available funding to support program administration, and the board was instead attached to DOA.

We believe that the board requires immediate assistance with its 2006 vendor-selection process in order to ensure needed program changes are effectively addressed. Given the range and complexity of improvements needed, our report includes recommendations for the board to obtain ETF assistance and adequate independent financial expertise before it begins its new request-for-proposals process.

Recommendations

Our report includes recommendations that the board:

- ☑ determine whether it will need to extend current vendor contracts to ensure it has obtained adequate financial expertise before moving forward with its next request-for-proposals process (p. 29); and
- ☑ improve its annual reporting to the Legislature (p. 31).

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We also recommend that DOA:

- ☑ work with ETF to develop an interagency agreement that will make ETF staff available to assist the board during its next request-for-proposals process (p. 29); and
- ☑ report to the Joint Legislative Audit Committee by March 31, 2006, with a plan for conducting a request-for-proposals process that addresses concerns raised in this audit (p. 29).

Finally, we recommend that the Legislature:

- ☑ revise board membership requirements to enhance financial expertise, and change the due date for the board's annual report (p. 30).

Additional Information

For a copy of report 05-22, which includes a response from the Department of Administration, call **(608) 266-2818** or visit our Web site:



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Janice Mueller
State Auditor

Local Government Property Insurance Fund

Office of the Commissioner
of Insurance

October 2005

Report Highlights ■

Our auditor's report is unqualified.

The Property Fund's surplus declined to \$15.3 million at the end of FY 2002-03, but it has since rebounded.

Since the end of FY 2003-04, participation in the Property Fund has declined from 1,203 to 1,160 local units of government.

Most claim files for FYs 2000-01 and 2001-02 were destroyed by a subcontractor.

The Local Government Property Insurance Fund was created by the State to make reasonably priced property insurance available to counties, cities, towns, villages, school districts, and other local units of government. It insures buildings, motor vehicles, libraries, and other property. The Property Fund must accept any local government that wishes to participate, and it cannot place restrictions on the type of property covered. As of June 30, 2004, it insured approximately \$35.9 billion in property owned by 1,203 policyholders.

The Office of the Commissioner of Insurance (OCI) has statutory responsibility for administering the Property Fund. However, policies are issued, premiums are collected, and claims are paid primarily through private contractors. Both claims and administrative expenses are financed through policyholder premiums and investment earnings.

Section 13.94(1)(de), Wis. Stats., requires the Legislative Audit Bureau to audit the Property Fund. As part of this financial audit, we:

- reviewed financial records, supporting documentation, and control procedures;
- assessed the fair presentation of financial statements for fiscal years (FYs) 2003-04, 2002-03, 2001-02, and 2000-01;
- reviewed compliance with statutory provisions; and
- discussed various issues with OCI staff and the fund administrator.

We have provided an unqualified auditor's report on the Property Fund's financial statements but reported a material weakness in internal controls related to the premature destruction of claim files.

Key Facts and Findings

The Property Fund provides insurance to counties, cities, towns, villages, and school districts.

The value of property insured was \$35.9 billion at the end of FY 2003-04.

Premium rates for property insurance were increased three times during our audit period.

The Property Fund surplus balance was \$24.5 million at the end of FY 2003-04 and reached \$34.5 million as of June 30, 2005.

OCI should ensure that its contracts clearly define retention periods for Property Fund documentation.

From FY 2000-01 through FY 2003-04, total premiums collected from policyholders increased 134.7 percent, from \$11.4 million to \$26.7 million.

Financial Status

Increases in claims and changes in reinsurance terms and costs caused the Property Fund to incur net losses in three of the four years we audited. These losses totaled \$8.1 million. However, increases in policyholder premium rates allowed the Property Fund to earn net income of \$9.2 million for FY 2003-04. Premium rates have been reduced since our audit period ended.

Net Income (Loss)	
Fiscal Year	Net Income (Loss)
2000-01	\$(2,078,946)
2001-02	(3,553,756)
2002-03	(2,483,591)
2003-04	9,236,418

The Property Fund experienced a significant increase in policyholder claims. Total claims averaged \$14.4 million per year from FY 1997-98 through FY 2003-04, compared to \$6.5 million per year from FY 1989-90 through FY 1996-97. Increases in both the number of policyholders and the value of property insured have contributed to the increase in claims.

To mitigate the risk of large claims, the Property Fund purchases reinsurance. From FY 1997-98 through FY 1999-2000, reinsurance significantly limited the effects of large losses by paying \$19.2 million

in claims. During that same three-year period, the Property Fund paid \$4.0 million in premiums to reinsurers. However, the lead reinsurer cancelled its contract with the Property Fund effective January 5, 2001. A new reinsurer was selected, but reinsurance terms were less favorable.

The terrorist attacks of September 11, 2001, caused additional changes in the reinsurance market, and the terms of the Property Fund's contract were again changed. Premiums paid to reinsurers increased from \$1.1 million in FY 1999-2000 to \$5.7 million in FY 2003-04.

In addition, reinsurance did not begin to cover claims until the Property Fund had incurred significantly higher claims. For example, between 2001 and 2003, the aggregate annual threshold after which reinsurance would pay claims rose from \$6.0 million to \$18.0 million annually.

Because of the changes in reinsurance contract terms, the Property Fund began to pay a larger percentage of claims directly. From FY 1997-98 through FY 1999-2000, reinsurers paid 45.1 percent of total claims. From FY 2000-01 through FY 2003-04, they paid only 11.0 percent of total claims.

Although the Property Fund now pays a larger portion of claims, reinsurance continues to serve the same purpose it had in the past: providing coverage when

unusually high or unexpected losses occur. OCI continues to monitor reinsurance use and the terms of its reinsurance contracts.

To ensure that policyholder premiums were adequate to cover the Property Fund’s increased reinsurance costs and loss exposure, OCI increased them three times between July 1, 2001 and July 1, 2003. As a result, revenues from premiums paid by policyholders increased from \$11.4 million in FY 2000-01 to \$26.7 million in FY 2003-04.

Surplus Balance

The premium rate increases implemented by OCI allowed the Property Fund to improve its financial position

in FY 2003-04. Net income was \$9.2 million, and the year ended with a surplus balance of \$24.5 million.

Unaudited financial statements for FY 2004-05 show a surplus balance of \$34.5 million. An adequate surplus balance is important for the Property Fund’s financial stability. OCI has established a target surplus of at least \$20 million, with a premium-to-surplus ratio of 1 to 1. That is, for every \$1 of premiums written, the Property Fund should have \$1 of surplus. As of June 30, 2005, the Property Fund’s premium-to-surplus ratio was 1 to 1.37.

The Property Fund is different than private insurance companies in that it cannot diversify its insurance program across different types of

insurance or outside of Wisconsin. This creates different risks, which may justify maintaining the surplus at a higher level.

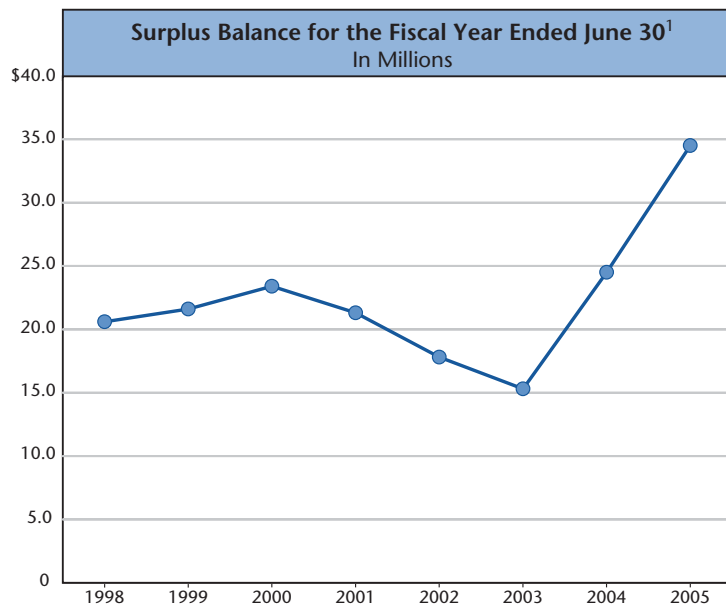
OCI believes the surplus balance is appropriate given the recent changes in premium rates and reinsurance, and the unique characteristics of the Property Fund. However, it should continue to monitor the surplus balance to ensure it is not too large, especially given the fiscal constraints currently faced by participating local governments.

Property Fund Participation

Participation in the Property Fund increased over the four-year period of our audit, from 1,113 policyholders at the beginning of FY 2000-01 to 1,203 at the end of FY 2003-04. However, participation has since declined. As of June 30, 2005, 1,160 local governments purchased insurance through the Property Fund.

Some of the decline in participation may be attributable to increases in policyholder premium rates. However, increased competition in the insurance market could also be affecting the Property Fund.

Under 2003 Wisconsin Act 78, which took effect in December 2003, municipal mutual insurance carriers may sell property insurance. Previously, they could sell only worker’s compensation insurance, liability insurance, and risk management services. OCI should continue to monitor trends in Property Fund participation.



¹For 2005, the balance reported is based on unaudited financial statements.

Destruction of Claim Files

During the course of our fieldwork, we found that a subcontractor hired by the Property Fund's previous administrator had destroyed nearly all documentation to support claims paid in FYs 2000-01 and 2001-02.

Claim files are important because they provide the documentation necessary to support paid claims. Without this information, the Audit Bureau could not provide an opinion on the Property Fund's financial statements. Working with the current fund administrator and local governments, OCI re-created the missing claim files. However, the process delayed our audit significantly, and extra costs were incurred by both OCI and this office. According to OCI, these extra costs will be paid by the previous fund administrator.

We note that the claim files were destroyed in violation of the State's record-retention rules. The destruction of the files occurred two years after the transition to the new fund administrator. OCI could have been expected to take additional steps to ensure that claim files were properly safeguarded.

In a separate management letter, we make recommendations for OCI to include specific language in its contract with the current fund administrator to define the State's requirements for retaining Property Fund documents. We also recommend that steps be taken to ensure any additional claim files held by the previous fund administrator or its subcontractor be properly maintained.

The Legislative Audit Bureau is a nonpartisan legislative service agency that assists the Wisconsin Legislature in maintaining effective oversight of state operations. We audit the accounts and records of state agencies to ensure that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law, and we review and evaluate the performance of state and local agencies and programs. The results of our audits, evaluations, and reviews are submitted to the Joint Legislative Audit Committee.

Additional Information

For a copy of report 05-15, which includes a response from the Office of the Commissioner of Insurance, call **(608) 266-2818** or visit our Web site:



www.legis.state.wi.us/lab

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State Auditor

Voter Registration

Report Highlights ■

Voter registration requirements differ depending on how and when individuals register.

Address verification cards are not consistently used as required to verify residency or investigate improper registrations.

Current efforts to maintain accurate voter registration lists are insufficient.

Wisconsin's voter registration process will change significantly beginning January 1, 2006.

Voter registration helps to ensure that qualified electors are allowed to vote and to prevent ineligible persons from voting. In Wisconsin, it is required by statute in 172 municipalities with populations of more than 5,000, and locally in 167 smaller municipalities. Currently, 28.9 percent of the voting-age population is not required to register before voting. However, beginning in January 2006, the federal Help America Vote Act (HAVA) of 2002 and 2003 Wisconsin Act 265 will require voter registration statewide.

Individuals whose names appear on the voter registration list are presumed to meet all eligibility requirements and, in general, are neither required to provide identification or proof of residence nor to otherwise demonstrate eligibility at the polls. Following the November 2004 elections, concerns were raised about voter registration in the City of Milwaukee and elsewhere, including the use of address verification cards to confirm residency; the use of special registration deputies, who are appointed by municipal clerks to assist in registering voters; and the adequacy of processes in place for verifying voter eligibility. To address these concerns, and at the direction of the Joint Legislative Audit Committee, we evaluated:

- voter registration requirements and the methods by which voters register, including requirements in other states;
- the address verification process, including the use of address verification cards to confirm the residency of those who register by mail or at the polls;
- procedures and practices for updating voter registration lists; and
- the role of the Elections Board.

Key Facts and Findings

Voter registration was required for 71.1 percent of Wisconsin's voting age population in the November 2004 elections.

The Elections Board spent \$4.7 million on election administration and campaign finance in FY 2004-05.

Wisconsin received \$50.4 million to implement the federal Help America Vote Act of 2002, including a computerized statewide voter registration system.

For the November 2004 elections, one-fifth of Wisconsin voters registered on Election Day.

Address verification cards were not sent by 46.0 percent of municipalities responding to our survey.

We found 105 potentially improper or fraudulent votes in six municipalities.

Registration Methods

To encourage voter participation, Wisconsin allows qualified electors to register in person, by mail, or with a special registration deputy before Election Day, and at the polls on Election Day. In municipalities where registration is required by statute, 20.3 percent of Wisconsin voters registered at the polls on Election Day in November 2004.

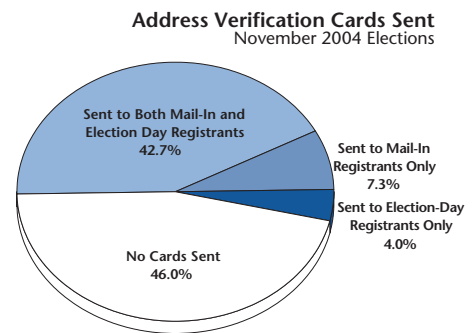
Municipal clerks rely on registrants to affirm their eligibility, including citizenship and age. However, requirements for providing identification or proof of residence vary depending on when an individual registers and by which method.

Municipal clerks may appoint special registration deputies to assist with voter registration, but they are not required to track which individuals register through special registration deputies. Some special registration deputies are municipal officials, but many work for interest groups or political parties. Problems have been identified with registrations completed by some special registration deputies, including inaccurate, illegible, and falsified registration forms.

Of the 150 municipalities responding to our survey, 95 indicated they had appointed special registration deputies before the November 2004 elections. Those appointing the most were Milwaukee (2,597), Green Bay (1,500), and Madison (824).

Address Verification Cards

Address verification cards are the primary tool available to municipal clerks for verifying the residency of registered voters and detecting improper registrations by mail or at the polls. Statutes require that clerks send cards to everyone who registers by mail or on Election Day. However, only 42.7 percent of the 150 municipalities we surveyed sent cards to both groups, and 46.0 percent did not send any address verification cards.



Statutes also require clerks to provide the local district attorney with the names of any Election Day registrants whose cards are undeliverable at the address provided. However, only 24.3 percent of the clerks who sent cards also forwarded names from undeliverable cards to district attorneys. District attorneys we surveyed indicated that they require more information than is typically provided to conduct effective investigations.

Sufficient information was available to analyze undeliverable address verification cards in four municipalities: the cities of Madison,

Waukesha, and Eau Claire and the Village of Ashwaubenon. These municipalities sent 45,864 address verification cards to Election Day registrants; 1,887 were returned. Most were undeliverable because voters had moved after the November 2004 elections.

Voter Registration Lists

To ensure that voter registration lists contain only the names of qualified electors, municipal clerks are required by statute to remove or inactivate the names of individuals who have not voted in four years, to update registration information for individuals who move or change their names, and to remove or inactivate the names of deceased individuals. They are also required to notify registered voters before removing their names from registration lists.

We found that statutory requirements are not consistently followed. Among our survey respondents:

- only 85.3 percent of municipalities removed the names of inactive voters from their voter registration lists;
- only 71.4 percent sometimes or always notified registered voters before removing their names; and
- only 54.0 percent reported removing the names of ineligible felons.

Because of such inconsistencies, registration lists contain duplicate records and the names of ineligible individuals. For example, when we reviewed more than 348,000 electronic voter registration records from eight municipalities, we identified 3,116 records that appear to show individuals who are registered more than once in the same municipality.

In six municipalities where sufficient information was available, we identified 105 instances of potentially improper or fraudulent voting in the November 2004 elections. These included:

- 98 ineligible felons who may have voted;
- 2 individuals who may have voted twice;
- 1 voter who may have been underage; and
- 4 absentee ballots that should not have been counted because the voters who cast them died before Election Day.

We have forwarded names to the appropriate district attorneys for investigation.

For Future Consideration

Wisconsin's voter registration process will change significantly beginning January 1, 2006, when all new registrants will be required by federal law and Wisconsin Statutes to provide their Wisconsin

driver license number, a Wisconsin Department of Transportation identification card number, or the last four digits of their Social Security number, and a computerized voter registration system will be implemented statewide.

Elections Board officials believe the new computer system will improve the accuracy of voter registration lists by standardizing registration procedures, preventing duplicate registrations across municipalities, and enhancing the ability of local election officials to detect improper registrations and ineligible voters.

However, the system alone will not be sufficient if municipal clerks and other local officials do not detect and prevent common data entry errors, appropriately revise and update voter registration information, and follow uniform procedures for identifying improper registrations and ineligible voters. We include a number of recommendations to address these concerns.

In addition, the Legislature may wish to consider:

- adjusting the early registration deadline to provide clerks more time to prepare registration lists;
- establishing more stringent requirements for special registration deputies, including prohibiting compensation based on the number of individuals registered;
- establishing uniform requirements for demonstrating proof of residence for all registrants;

- providing municipal clerks with more flexibility in the use of address verification cards;
 - authorizing civil penalties for local election officials and municipalities that fail to comply with elections laws; and
 - implementing mandatory elections training requirements for municipal clerks.
- ☑ revise the voter registration form to require disclosure of felony conviction status (p. 48);
 - ☑ promulgate rules to minimize data entry errors, and automate processes for identifying ineligible voters (p. 53);
 - ☑ promulgate rules to clarify the responsibilities of election officials and, if authorized by statute, specify civil penalties for noncompliance (p. 53); and
 - ☑ provide voter registration training designed specifically for municipal clerks (p. 57).

Recommendations

Our recommendations address the need for the Elections Board to use its existing authority to:

- ☑ promulgate rules for the appointment and training of special registration deputies (p. 28);
- ☑ promulgate rules for the use of address verification cards (p. 38);

In addition, we include a recommendation for the City of Milwaukee Election Commission to:

- ☑ report to the Joint Legislative Audit Committee on its implementation of recommendations from the mayor's task force for improving the election process in Milwaukee (p. 58).

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Additional Information

For a copy of report 05-12, which includes a response from the Elections Board, call **(608) 266-2818** or visit our Web site:



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State Auditor

State Government Operations and Enterprises

Highlights

- **State Fair Park** (Reports 06-7 and 05-10)

We issued two audit reports and provided unqualified auditor's opinions on State Fair Park's financial statements for FY 2004-05 and FY 2003-04. However, we reported that its financial condition has continued to deteriorate. In our 2005 report on the financial statements for FY 2003-04, we noted that the business plan to solidify operations in 2004 had been overly optimistic, and actual revenues fell short of projections. The 2005 report includes a recommendation for State Fair Park to inform the Joint Legislative Audit Committee of its plans for improving the fairgrounds' financial condition. In our 2006 report on the financial statements for FY 2004-05, we noted that expenditures exceeded revenues by \$3.6 million and that agency officials had entered into an agreement to license the Milwaukee Mile racetrack to a private promoter in an effort to limit future demands on State Fair Park's financial resources. At the time of that audit, they were pursuing options to sell the Pettit Center.
- **State of Wisconsin Single Audit, 2004-05** (Report 06-4)

A single audit report is produced annually to address the audit needs of all federal agencies that provide financial assistance through the State of Wisconsin. We identified opportunities for state agencies to increase federal funding by \$3.2 million and questioned whether a minimum of \$354,531 in costs that were charged to federal grants met grant requirements. Our report describes audit findings related to internal controls and compliance with federal grant requirements and includes state agencies' plans for corrective action, as well as the State's Schedule of Expenditures of Federal Awards. The costs we questioned represent a small portion of the \$9.2 billion in federal financial assistance administered by state agencies in FY 2004-05.
- **Wisconsin Lottery** (Report 05-8)

We provided an unqualified opinion on the Wisconsin Lottery's financial statements for FYs 2002-03 and 2003-04. Property tax relief generated by Wisconsin Lottery operations increased in both years, and expenses have remained within legal limits. Game development and management practices should be formalized, and the Wisconsin Lottery should ensure that its contracts include adequate safeguards.
- **State Fleet Management** (Report 05-7)

As of December 31, 2004, the State of Wisconsin owned 6,669 cars, trucks, vans, and buses—a reduction of 13.8 percent since 2001. We reported that the Department of Administration could improve its management of the vehicle fleet by improving the vehicle purchasing process; enforcing its minimum driving standards; and better monitoring fleet costs, vehicle leases, rentals, and mileage reimbursements.

- **State of Wisconsin Single Audit, 2003-04** (Report 05-5)

This report addresses the audit needs of all federal agencies that provide financial assistance through the State of Wisconsin. We questioned whether a minimum of \$237,797 in costs that were charged to federal grants in FY 2003-04 met grant requirements. These questioned costs represent a small portion of the \$9.3 billion in total federal financial assistance the State administered in that year. We identified \$1.3 million in additional federal funds that state agencies either claimed or may be eligible to claim.

- **Voter Registration** (Report 05-12)

Please see Local Government Issues and Activities.

Other Reports

- **Petroleum Inspection Fee Revenue Obligations Program**

(Reports 06-14 and 05-16)

We issued two audit reports and provided unqualified auditor's opinions on financial statements for FYs 2005-06 and 2004-05 and FYs 2004-05 and 2003-04. The program issues bonds and other debt to fund claims under the Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program. It is funded through a fee assessed on wholesalers of petroleum products sold in Wisconsin, which on May 1, 2006, was reduced from \$0.03 per gallon to \$0.02 per gallon. Sufficient fees were collected to meet debt service requirements, but our 2006 report noted that the amounts to be credited to the Petroleum Inspection Fund had been incorrectly calculated.

- **Wisconsin Lottery** (Report 06-8)

We provided an unqualified opinion on the financial statements for FY 2003-04 and FY 2004-05. We found the Wisconsin Lottery was in compliance with statutory limitations on expenses related to prizes, informational advertising, retailer commissions and incentives, and other administrative functions.

- **Division of Gaming** (report 05-11)

Wisconsin's Indian Gaming, Racing, and Charitable Gaming programs are administered by the Department of Administration's Division of Gaming. We provided an unqualified opinion on the Division's financial schedules for FY 2001-02 through FY 2003-04. In 2004, total tribal revenue increased to almost \$1.2 billion; it was \$889.5 million 2000. Aggregate gaming profits increased from \$418.7 million in 2000 to \$516.3 million in 2004. Our report identifies a number of concerns with the compact provisions regarding the timeliness and accuracy of future payments to the State.

- **Wisconsin Retirement System Actuarial Audit** (June 2006)

We are required by statutes to contract for the performance of an actuarial audit of the Wisconsin Retirement System at least once every five years. The actuarial firm Milliman, Inc., performed the most recent audit, which found that proper actuarial methods and assumptions are being used for the Wisconsin Retirement System.

- **Letter on Sales and Use Tax Distributions** (December 2005)

The Department of Revenue faced many challenges in implementing the Integrated Tax System, and some distributions have not been accurate or timely. We identified a new sales and use tax processing concern that resulted in additional overpayments to local units of government. We advised caution in proceeding on overpayment collections until confidence in the system can be assured.
- **Comments on Annual Fiscal Report** (October 2005)

The State's Annual Fiscal Report for FY 2004-05 shows an unreserved, undesignated General Fund surplus balance of \$4.1 million. However, accounting changes by the Department of Administration led to the reported surplus balance and to a continuation of a deficit balance in the Medical Assistance Trust Fund at the end of FY 2004-05. The Annual Fiscal Report for FY 2004-05 was published by the Department of Administration on October 17, 2005.
- **Letter on Worker's Compensation Benefits Paid to State Employees** (August 2005)

Worker's compensation benefits paid to state employees from FY 1999-2000 through FY 2003-04 totaled \$59.2 million. Annual benefit payments increased from \$10.0 million to \$13.0 million during this period, primarily because of rising health care costs. Three agencies—UW System, the Department of Health and Family Services, and the Department of Corrections—accounted for 72.4 percent of FY 2003-04 payments.
- **Unemployment Reserve Fund** (Report 05-3)

We provide an unqualified opinion on the financial statements for FYs 2003-04 and 2002-03. The adjusted cash balance related to taxable employers declined to \$812.3 million as of June 30, 2004. Because it was between \$300 million and \$900 million, the second-highest tax rate schedule applied to taxable employers during calendar year 2005.
- **Letter on Budgetary Issues** (May 2005)

As part of our annual single audit and subsequent follow-up, we identified \$4.5 million available to the General Fund from other funds and accounts, which the Legislature considered during 2005-07 budget deliberations. We also identified an error in the State Historical Society of Wisconsin's internal accounting records that understated the balance of its endowment fund by \$1.1 million.
- **Letter on Multifamily Dwelling Code** (May 2005)

Please see Commerce and Economic Development.
- **Letter on Fiscal Review of the Office of the State Public Defender** (April 2005)

We completed a fiscal review and identified areas in which controls and fiscal processes could be improved. We noted that increases in expenditures for private attorneys present continuing budget challenges for the State and that the budgetary practice of delaying private attorney payments warrants careful review.

- **Letter on the Department of Financial Institutions** *(April 2005)*
We completed a fiscal review and identified several areas in which controls and fiscal processes could be improved. The Department of Financial Institutions lapsed or transferred more than \$128.3 million to the State's General Fund since FY 1999-2000.

- **Letter on Cellular Phones** *(February 2005)*
At the time of our review, the State of Wisconsin had approximately 10,000 cellular phones for use by employees, and FY 2003-04 expenditures totaled almost \$2.9 million. In September 2004, two-thirds of cellular phone charges were for less than \$20; however, 386 cellular phone bills were \$100 or more.

Audit Committee Action

- *Hearing on Sales and Use Tax Distributions, February 7, 2006*

- *Hearing on State Fair Park, November 29, 2005*

- *Hearing on State Fleet Management, May 17, 2005*

- *Hearing on State of Wisconsin Investment Board, March 2, 2005*

Report Highlights ■

State Fair Park's financial condition continues to deteriorate.

State Fair Park, the 190-acre fairgrounds located in West Allis and Milwaukee, has been home to the Wisconsin State Fair since 1892. That annual event remains its primary source of funding, but its financial condition is also affected by:

Under a new agreement with a private promoter, State Fair Park no longer manages racing activities at the Milwaukee Mile.

- racing activities at the Milwaukee Mile racetrack and grandstand, which were managed by a private promoter until May 2003 and by State Fair Park from that date through December 2005;

State Fair Park has proposed selling the Pettit Center to limit future demands on the fairgrounds' financial resources.

- the Pettit National Ice Center, a United States Olympic training facility that is owned by State Fair Park but operated by a private not-for-profit corporation; and

Eliminating State Fair Park's current cash deficit may require at least 20 years.

- the Wisconsin Exposition Center, which is owned by a not-for-profit organization, used exclusively for the Wisconsin State Fair each August, and available for other events throughout the year.

The State Fair Park Board, which is attached to the Department of Tourism for administrative purposes, is responsible for State Fair Park's management. We are required by statutes to perform an annual financial audit of State Fair Park.

We have issued an unqualified audit opinion on State Fair Park's fiscal year (FY) 2004-05 financial statements, which are included in our report. We also followed up on concerns raised in previous audit reports regarding State Fair Park's financial condition.

Key Facts and Findings

We have issued an unqualified audit opinion on State Fair Park's financial statements for FY 2004-05.

State Fair Park's expenditures exceeded revenues by \$3.6 million in FY 2004-05.

State Fair Park accumulated a cash deficit of \$9.7 million as of June 30, 2005.

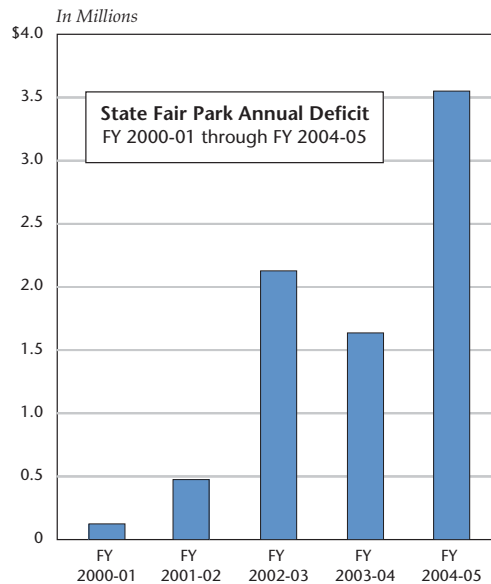
The Milwaukee Mile reported losses totaling \$7.3 million for its three years under State Fair Park's management.

License fees from the Milwaukee Mile promoter will not cover nearly \$1.8 million in racing-related costs in 2006.

The Pettit Center is projected to owe State Fair Park more than \$1.3 million in past-due rent by June 30, 2006.

Fiscal Decline

Since FY 1999-2000, State Fair Park's annual expenditures, including operating, capital, and debt service costs, have exceeded total revenues. The \$3.6 million loss reported in FY 2004-05 was the largest in recent years.



Final financial data are not yet available for FY 2005-06, but State Fair Park officials project a loss of \$2.0 million. State Fair Park's program revenue appropriation accumulated a cash deficit of \$9.7 million as of June 30, 2005.

State Fair Park is projected to save \$493,000 in FY 2005-06 because of cost-saving measures that include eliminating some staff positions and consulting contracts. Furthermore, agency officials have made a priority of changing State Fair Park's

relationships with the Milwaukee Mile and the Pettit Center, which in recent years have placed significant demands on State Fair Park's financial resources.

The Milwaukee Mile

Under State Fair Park's management, Milwaukee Mile losses totaled nearly \$7.3 million over a three-year period.

State Fair Park staff attribute these losses to increases in debt service costs and a limited fan base for some races. Debt service payments related to construction of the grandstand and other projects increased from nearly \$706,900 in 2003 to more than \$1.9 million in 2005. One major racing event draws near sell-out crowds, but others do not generate the same fan support.

We also found examples of poor business planning. For example, the State Fair Park Board did not adopt a 2005 draft plan prepared by the Milwaukee Mile's general manager because it contained overly optimistic financial projections. The plan projected a 40.7 percent increase in revenues from admissions, concessions and parking, and sponsorships and naming rights, from \$6.7 million in the 2004 racing season to nearly \$9.5 million in 2005. Actual 2005 racing revenues totaled \$7.1 million. Milwaukee Mile staff were not directed to develop revised projections or to identify new operational or management strategies to achieve those projections.

In December 2005, State Fair Park entered into a license agreement with a private promoter, Milwaukee Mile Holdings, LLC, to manage the fairgrounds' racing activities. The agreement:

- guarantees that State Fair Park will be able to use the Milwaukee Mile premises for the Wisconsin State Fair;
- requires Milwaukee Mile Holdings to assume responsibility for all future capital improvements and maintenance to the premises;
- provides for a land exchange involving State Fair Park property and other property that is surrounded by the fairgrounds and currently owned by a third party; and
- requires the promoter to provide annual license fees to State Fair Park and to guarantee their payment through a letter of credit.

State Fair Park's debt service costs for past Milwaukee Mile capital improvements were the starting point for negotiating the license fee amounts. In consideration of losses expected to be incurred by Milwaukee Mile Holdings during the first year, State Fair Park will provide a one-time license fee reduction of \$1.5 million in 2006.

We estimate that State Fair Park will also incur almost \$300,000 in other costs related to the Milwaukee Mile.

State Fair Park's 2006 Milwaukee Mile Costs	
	Amount
One-time Fee Reduction	\$1,500,000
Debt Service Costs	179,000
Letter of Credit Fee	73,000
Municipal Fees	25,800
Other	14,900
Total Costs	\$1,792,700

The Pettit Center

The Pettit Center's expenses have exceeded revenues in each of the past five years. By June 30, 2006, the Pettit Center is also expected to owe State Fair Park \$1.3 million in past-due rent, which was intended to cover debt service costs that State Fair Park pays on the Pettit Center's behalf.

To limit future demands the Pettit Center may place on the fairgrounds' financial resources, the State Fair Park Board resolved in June 2005 to sell the facility to its managing not-for-profit corporation. Legislation to authorize that sale for not less than \$5.0 million was introduced but not enacted during the most recent legislative session.

Under the proposed legislation, State Fair Park would have received all past-due rent. The remaining proceeds from the sale would have been used to fund future debt service payments related to the Pettit Center. State Fair Park staff estimated that with interest earnings, that amount would increase to \$3.9 million.

However, future debt service costs are expected to be nearly \$6.5 million. Under the proposed legislation, \$2.6 million in general purpose revenue (GPR) would have funded those remaining debt service costs.

State Fair Park officials intend to continue their efforts to sell the Pettit Center. Doing so would eliminate debt service, municipal service, and other costs that State Fair Park incurs on its behalf, as well as future liability for major capital improvements to a facility that is now 14 years old.

Pettit Center officials believe that owning the facility will improve their fund-raising abilities and reduce expenses. However, we believe future sales proposals should consider the amount of public support that may be needed, the State's ability to repurchase the Pettit Center if it is unable to remain financially viable without State Fair Park support, and the price at which the facility could be reacquired.

Proposed Future Changes

As options are explored to improve State Fair Park's financial condition, we believe careful consideration will also need to be given to State Fair Park's cash deficit, the future financial viability of the Wisconsin Exposition Center, and any future construction projects that are proposed for the fairgrounds.

State Fair Park currently projects a profit of \$537,000 in FY 2006-07. This projection assumes that all

Pettit Center rent will be received, which may be difficult to achieve. However, even if this profit level is achieved and maintained, it will take State Fair Park more than 20 years to eliminate its cash deficit, which is projected to be \$11.7 million as of June 30, 2006.

In addition, the Exposition Center—which was funded with \$44.9 million in industrial revenue bonds issued by the City of West Allis—has experienced net losses in each year of its operation and has paid some expenses with reserves set aside from the original bond proceeds.

Exposition Center officials are working with a commercial lender to refinance the industrial revenue bonds. While this may alleviate cash flow concerns in the short term, exposition centers generally require financial support from state or local governments. Decisions regarding the need to provide some level of

state or local support may be needed in the long term.

Finally, with significant capital projects in recent years that have not met initial financial projections, State Fair Park's annual debt service payments have contributed to its annual losses. Debt service payments funded with program revenues have increased 60.0 percent from FY 2000-01, to \$3.2 million in FY 2004-05. Future projects to further increase program revenue-funded debt service costs will need to be closely scrutinized.

Recommendation

We include a recommendation for State Fair Park to:

- ☑ report to the Joint Legislative Audit Committee by January 1, 2007, on its short- and long-term plans for stabilizing its financial condition (p. 34).

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Additional Information

For a copy of report 06-7, which includes a response from State Fair Park's executive director, call **(608) 266-2818** or visit our Web site:



www.legis.state.wi.us/lab

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Janice Mueller
State Auditor

Report Highlights ■

State Fair Park's overall financial condition deteriorated through FY 2003-04.

Expenditures have exceeded revenues by \$7.3 million since FY 1999-2000.

Business plans for 2004 were proven to be overly optimistic when actual revenues fell short of projections.

We recommend State Fair Park report to the Joint Legislative Audit Committee by October 31, 2005, on its plans for improving financial operations.

State Fair Park, the 190-acre fairgrounds located in West Allis and Milwaukee, is home to the annual Wisconsin State Fair. The 11-day fair, which is one of the state's oldest and largest annual events, features midway rides and games, livestock shows, livestock auctions, craft exhibits, musical entertainment, and food and merchandise vendors. More than 879,000 people attended the August 2004 Wisconsin State Fair.

Statutes require us to perform an annual financial audit of State Fair Park. We have issued an unqualified audit opinion on State Fair Park's fiscal year (FY) 2003-04 financial statements, which are included in our report. In addition, we have followed up on concerns we expressed in 2004 regarding State Fair Park's financial condition, as well as business planning related to three fairgrounds activities or entities:

- the Milwaukee Mile racetrack and its grandstand, which State Fair Park began to manage internally in May 2003;
- the Pettit National Ice Center, a United States Olympic training facility that is owned by State Fair Park but operated by a private not-for-profit corporation; and
- the Wisconsin Exposition Center, which is owned by a not-for-profit corporation, used exclusively for the Wisconsin State Fair each August, and available for other events during the rest of the year.

Key Facts and Findings

We have issued an unqualified audit opinion on State Fair Park's financial statements for FY 2003-04.

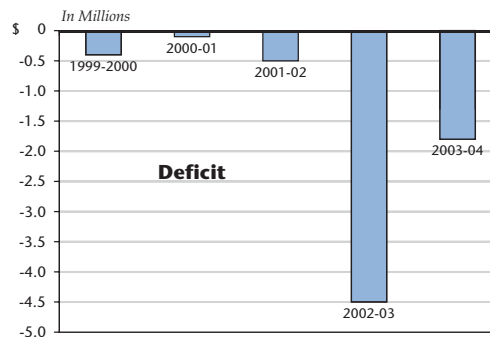
Program revenue-supported debt service payments will be more than \$3.4 million annually through FY 2012-13.

State Fair Park currently projects that total expenditures for FY 2004-05 will exceed revenues by \$3.9 million.

To limit future fiscal demands, State Fair Park is pursuing options for leasing the Milwaukee Mile and selling the Pettit National Ice Center.

Fiscal Decline through 2004

Since FY 1999-2000, State Fair Park has reported a total deficit of \$7.3 million. Expenditures have exceeded total revenues in each of the past five years. The largest deficits were reported in FY 2002-03 and FY 2003-04.



Some expenditures in those years—including required lapses to the State's General Fund totaling \$2.6 million—were beyond the control of agency staff or the State Fair Park Board. However, even without such external factors, annual expenditures would have exceeded revenues by \$1.8 million in FY 2002-03 and by \$1.3 million in FY 2003-04. State Fair Park officials project the overall FY 2004-05 deficit could be as much as \$3.9 million.

In recent years, State Fair Park has undertaken a building program to make the fairgrounds more of a year-round entertainment attraction. This program has included new and renovated facilities, such as:

- a new grandstand and expanded bleacher seating for the Milwaukee Mile racetrack, which were completed in time for the 2003 racing season at a cost of \$19.1 million; and
- the new Wisconsin Exposition Center, which replaced several existing exhibit buildings and was completed in time for the 2002 State Fair at a cost of \$37.8 million.

However, overly optimistic revenue projections that were used to support these and other construction projects have not been met. Instead, the projects have contributed to State Fair Park's declining financial condition.

To fund fairgrounds improvements, State Fair Park has relied on funding from bonds. Through FY 2012-13, debt repayment from State Fair Park revenues is expected to be more than \$3.4 million annually. If State Fair Park revenues are insufficient to cover these costs, the State could ultimately be called on to fund them. In addition, \$2.3 million in annual debt service costs from general purpose revenue (GPR)-supported debt has been issued for State Fair Park improvements.

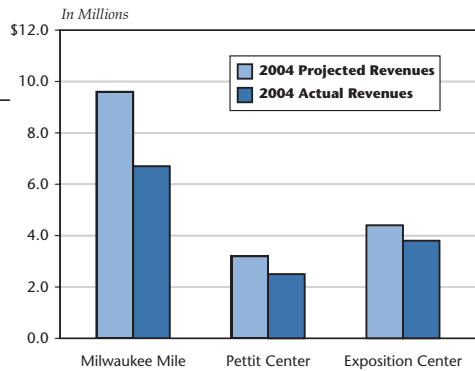
2004 Operating Results

In prior reports, we recommended that State Fair Park develop and then continue to refine and modify

business plans, considering internal operations—including the Milwaukee Mile’s racing activities—and external operations such as the Pettit National Ice Center and the Wisconsin Exposition Center.

However, the business plans and operating budgets developed by State Fair Park for its racing activities and by the Pettit Center and the Exposition Center have proven to be overly optimistic, resulting in revenues that fall short of projections. For example:

- State Fair Park estimated that Milwaukee Mile revenues would increase 77.7 percent, from \$5.4 million during the 2003 racing season to \$9.6 million in the 2004 racing season. However, actual revenues increased by only \$1.3 million, or 24.1 percent.
- The Pettit Center projected that revenues from program activities would increase 35.8 percent, from nearly \$2.1 million in 2003 to \$2.8 million in 2004. However, actual revenues from program activities increased by less than 1.0 percent in 2004.
- The Exposition Center projected that total revenue would increase 10.0 percent, from nearly \$4.0 million in 2003 to \$4.4 million in 2004. However, actual revenues declined to \$3.8 million.



2005 Business Planning

The 2005 business plans include initiatives that are similar to those in prior plans. Like the 2004 projections, they again include revenue increases:

- In December 2004, the State Fair Park Board projected that racing revenues would increase 40.7 percent, from \$6.7 million in 2004 to \$9.5 million in the 2005 season.
- The Pettit Center’s 2005 business plan projects an 11.1 percent increase in total revenue, from nearly \$2.5 million in 2004 to \$2.7 million in 2005.
- The Exposition Center projects its revenues will increase 12.2 percent, from nearly \$3.8 million in 2004 to \$4.2 million in 2005.

However, in April 2005, State Fair Park revised its projections to reflect an anticipated net loss of \$1.8 million from Milwaukee Mile

racing activities for the 2005 racing season. In addition, the Exposition Center has not yet increased the number of consumer and trade shows anticipated for 2005, which may make its projected increase in revenue difficult to meet.

Proposed Future Changes

The State Fair Park Board, the Pettit Center, and the Exposition Center Board are exploring options to improve their financial outlooks. For example, after incurring total losses of more than \$4.3 million since assuming operational control of the Milwaukee Mile in 2003, State Fair Park officials hope to again transfer operating responsibility to a private promoter in January 2006. However, the Milwaukee Mile will continue to be managed internally for the 2005 racing season.

The State Fair Park Board is also exploring options to sell the Pettit Center, which owed State Fair Park \$1.1 million in past-due rent as of May 2005. To ensure the Pettit Center continues as an Olympic training facility, State Fair Park and Pettit Center staff are negotiating the sale of the building and a portion of the surrounding land to the not-for-profit corporation that operates it.

Any future demands the Exposition Center may place on State Fair Park are unknown, but the Exposition Center is projecting a net loss of

\$1.3 million for calendar year 2005. Exposition Center staff have indicated that if sufficient resources are not available to meet financial obligations in 2007, reserve funds may be used to cover debt service costs. Doing so could jeopardize a letter of credit issued by a commercial lender to support Exposition Center construction bonds.

Recommendation

We include a recommendation for State Fair Park to:

- report to the Joint Legislative Audit Committee by October 31, 2005, on its financial condition and plans for improving the overall financial operations of the fairgrounds (p. 43)

At a minimum, we believe the plans should address the long-term organizational structure of racing activities at the fairgrounds, as well as State Fair Park's operating and management relationships with the Pettit Center and the Exposition Center.

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Additional Information

For a copy of report 05-10, which includes a response from State Fair Park's executive director, call **(608) 266-2818** or visit our Web site:



www.legis.state.wi.us/lab

Address questions regarding this report to:

Julie Gordon
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Legislative Audit Bureau

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Janice Mueller
State Auditor

An Audit:

State of Wisconsin 2004-05

March 2006

Report Highlights ■

Our auditor's report is unqualified.

In fiscal year (FY) 2004-05, the State of Wisconsin administered more than \$9.2 billion in federal financial assistance: \$8.2 billion in cash, \$1.0 billion in outstanding loan balances, and \$43.9 million in noncash assistance such as food commodities and vaccines. These funds were administered by state agencies, including the University of Wisconsin (UW) System, through more than 750 individual programs and 890 research and development grants.

Wisconsin administered more than \$9.2 billion in federal financial assistance in FY 2004-05.

In response to our previous recommendations, state agencies took steps to maximize federal reimbursements.

As a condition of receiving this federal assistance, the State is required to have an independent audit of its financial statements and its compliance with grant requirements. We focused our audit effort on 26 grant programs that accounted for 70.5 percent of the federal financial assistance administered during FY 2004-05. These programs were administered by eight agencies and selected for review based on their size and the risk of noncompliance with federal rules. We also followed up on findings in our FY 2003-04 single audit report (report 05-5).

Some agencies' efforts to determine eligibility for federal program benefits continue to need improvement.

The federal share of funds lapsed to the State's General Fund to help address budget shortfalls may need to be repaid.

Overall, we found that state agencies properly administered federal grant programs and complied with federal grant and financial reporting requirements. We report on compliance and internal controls and include an unqualified audit opinion on the Schedule of Expenditures of Federal Awards, which provides an inventory of all federal grants administered by state agencies during our audit period. We have identified opportunities for Wisconsin to claim an additional \$3.2 million in federal funds, and we question a total of \$354,531, plus an additional but undetermined amount that was inappropriately charged to federal financial assistance programs and may need to be returned. Our questioned costs represent a very small portion of the \$9.2 billion in federal financial assistance that state agencies administered in FY 2004-05.

Key Facts and Findings

Five state agencies administered 94 percent of Wisconsin's federal financial assistance in FY 2004-05.

The largest federal grant program was Medical Assistance, with \$2.8 billion in federal funding.

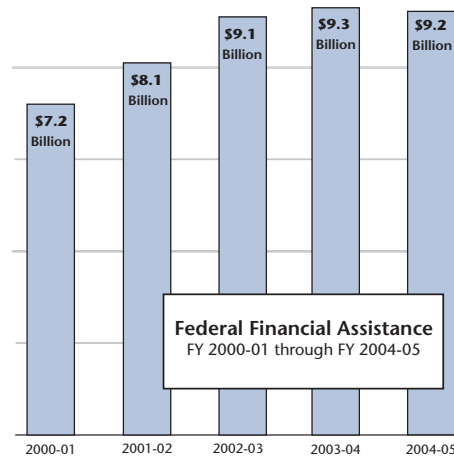
We question a minimum of \$354,531 in unallowable charges to grants.

We identified opportunities for state agencies to increase their federal funding by \$3.2 million.

Our report includes 15 recommendations related to the administration of federal grant programs.

Federal Assistance

Total federal financial assistance to Wisconsin has not changed significantly in the past three years, although funding under some programs continues to increase.



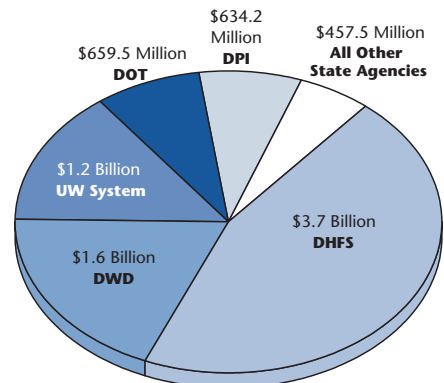
For example, student financial aid funding increased by \$41.2 million in FY 2004-05, and research and development grants to UW System increased by \$44.9 million. However as the economy improved, funding for some federal grant programs that provide assistance or other benefit payments to individuals either increased at a slower rate or declined.

Five state agencies—the Department of Health and Family Services (DHFS), the Department of Workforce Development (DWD), UW System, the Department of Transportation (DOT), and the Department of Public Instruction (DPI)—administered 94 percent of the federal cash and noncash assistance the State expended in FY 2004-05.

DHFS spent the largest share of federal cash and noncash assistance, \$3.7 billion. That amount includes \$2.8 billion in federal funds to support Medical Assistance, the largest federal program administered by the State of Wisconsin. An additional \$1.6 billion in state matching funds was also spent on Medical Assistance.

DWD spent \$1.6 billion in federal assistance for vocational rehabilitation, job training programs that fund certain benefits available under Wisconsin Works (W-2), the Unemployment Insurance program, and other programs.

UW System disbursed \$584.8 million related to student financial aid, \$518.4 million for research and development grants, and \$93.3 million for other programs. Most of DOT's federal funding supported highway planning and construction. DPI provides the majority of its funding to local schools and other entities for education and child nutrition programs.



Maximizing Federal Funding

We have identified a number of opportunities for state agencies to increase their federal funding. For example, in response to a prior recommendation and our current audit work, DHFS has claimed a total of \$1.7 million in additional federal funds for Foster Care—Title IV-E and Adoption Assistance. In the future, DHFS plans to seek an additional \$374,000 under Foster Care—Title IV-E and \$327,000 under Medical Assistance.

Federal funding for DWD also increased as a result of our past audit work. In FY 2004-05, DWD received \$773,000 in federal reimbursements for vocational rehabilitation services provided in earlier years to individuals who were also eligible for Social Security disability benefits.

Eligibility Determinations

If individuals who receive program benefits do not meet federal eligibility requirements, the State may be required to return funds to the federal government.

For example, we found that 11 percent of the 36 case files we reviewed were ineligible for federal reimbursement under Adoption Assistance. In three of these cases, eligibility determinations had been made before DHFS put improved procedures in place. In the fourth, we identified a data entry error.

Although DHFS has taken steps to improve eligibility determinations under Adoption Assistance, it must repay the federal government \$111,357 for the cases we identified. DHFS plans to review other past eligibility determinations and determine whether additional funds will need to be returned to the federal government.

Since our last audit, DWD has made progress in documenting eligibility for federal funding, but we continue to have documentation concerns related to Temporary Assistance for Needy Families (TANF) case files in Milwaukee County. At the time of our fieldwork, DWD could not locate 1 of the 21 Milwaukee County case files we selected for review, and 3 of the 20 case files provided did not contain adequate documentation. We have questioned \$11,313 related to the deficient case files, and an additional but undetermined amount because of the likelihood that untested case files had similar deficiencies.

We reported in past audits that UW-Whitewater had provided federal student financial aid to individuals who were ineligible because they were not making satisfactory academic progress. UW-Whitewater has repaid the federal government \$34,444 for questioned costs from FY 2001-02 through FY 2003-04 and has put revised policies in effect for FY 2005-06. However, because UW-Whitewater continued to award financial aid to ineligible students in FY 2004-05, we question \$139,873.

Continuing Findings

State agencies are generally prompt in following up on our audit findings. However, DHFS has made only limited progress in reconciling federal financial reports to the State's records for both the State Children's Insurance Program (CHIP) and Medical Assistance. We first reported concerns with these reconciliations, which can identify errors or omissions in federal reimbursement amounts, during our FY 1997-98 audit.

As part of its reconciliation efforts, DHFS has identified possible errors in reports prepared by the State's fiscal agent. These errors may have reduced Wisconsin's requests for CHIP reimbursement by \$617,000 over the past six years. While this amount represents a small portion of CHIP, under which \$91.4 million was expended in our current audit period, DHFS should seek the maximum allowable reimbursement for its federal grant expenditures. DHFS has suspended further reconciliation efforts, including those related to Medical Assistance, until the fiscal agent's possible reporting errors are resolved.

Our past concerns with certain federal claims under Foster Care—Title IV-E and Medical Assistance have not been resolved by DHFS. It is not known whether the State underclaimed or overclaimed federal reimbursements for payments to child care agencies. These reimbursements are originally based on estimates and then adjusted when

actual costs are known. However, DHFS has yet to review claims for periods after December 1998 and make the necessary retroactive claim adjustments.

Lapses to General Fund

To help address state budget shortfalls in the past several years, Wisconsin has lapsed more than \$28.0 million in excess balances from various internal service funds to the General Fund. The federal share of these lapses was not returned to the federal government until March 2005, when DOA returned \$12.9 million, and December 2005, when an additional \$2.8 million was returned.

In FY 2004-05, Wisconsin continued to lapse excess balances in the internal service funds to the General Fund. DOA may need to return \$203,345, which is the estimated federal share of the \$1.6 million lapsed in FY 2004-05.

Recommendations

Our report includes 15 recommendations related to state agencies' administration of federal grant programs. In addition, we discuss nine internal control concerns and two instances of noncompliance related to our audit of the State's financial statements.

Agency responses and corrective action plans are included in our report. The federal government will work with the state agencies to resolve the questioned costs and ensure that planned corrective actions are sufficient.

Additional Information

For a copy of report 06-4, call (608) 266-2818 or visit our Web site:



www.legis.state.wi.us/lab

Address general questions regarding this report to:

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Address questions regarding the audit of UW System to:

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Legislative Audit Bureau

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Janice Mueller
State Auditor

Wisconsin Lottery
Department of Revenue

May 2005

Report Highlights ■

From FY 1999-2000 through FY 2003-04, total sales increased 18.7 percent.

We issued an unqualified opinion on the Wisconsin Lottery's financial statements for FY 2002-03 and FY 2003-04.

We make several recommendations for game and contract management.

The Wisconsin Lottery generates most of its revenues from the sale of instant and on-line game tickets. More than 4,100 retailer locations currently sell lottery tickets in Wisconsin. Approximately \$2.2 billion in property tax relief has been provided through the Wisconsin Lottery and other gaming-related proceeds since 1988.

As directed by s. 13.94(1)(em), Wis. Stats., we completed a financial audit and program evaluation of the Wisconsin Lottery. For the financial audit, we evaluated internal controls, substantiated account balances, and verified compliance with state laws and regulations. We issued an unqualified opinion on the Wisconsin Lottery's financial statements for the years ended June 30, 2003 and 2004.

For the program evaluation we:

- examined trends in revenues and expenses;
- reviewed the Wisconsin Lottery's process to award the most recent instant ticket, on-line gaming, telecommunications, and internal control systems contracts;
- reviewed the development and management of instant games offered by the Wisconsin Lottery, focusing on the development of instant games affiliated with copyrighted or trademarked products; and
- assessed participation in a 2003 special prize drawing tied to the Powerball on-line game.

Key Facts and Findings

Approximately \$2.2 billion in property tax relief has been provided through the Wisconsin Lottery and other gaming-related proceeds since 1988.

Lottery ticket sales in FY 2003-04 totaled \$482.9 million.

Games affiliated with copyrighted or trademarked products have higher development costs and generate less revenue than unaffiliated games.

The Wisconsin Lottery lost approximately \$212,000 when it withdrew from a special Powerball prize drawing in 2003.

All contracts should include provisions to protect the Wisconsin Lottery when products are not delivered.

Lottery Revenues and Expenses

Wisconsin's 2002-03 per capita lottery sales were fifth among seven midwestern states. From fiscal year (FY) 1999-2000 to FY 2003-04, total ticket sales increased from \$406.7 million to \$482.9 million, or 18.7 percent. Instant game ticket sales, which have consistently represented over 50 percent of the Wisconsin Lottery's total sales, increased 12.1 percent, while on-line game ticket sales increased 28.4 percent. Revenues from all sources reached \$483.2 million in FY 2003-04.

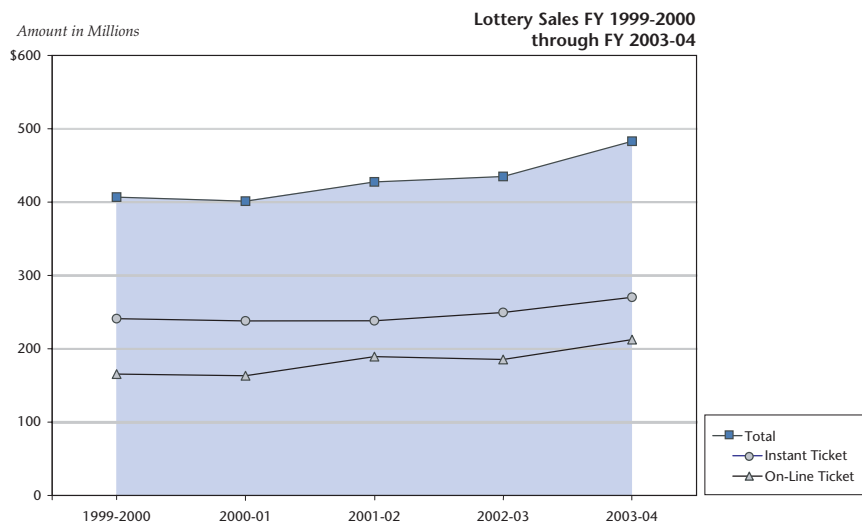
Operating expenses increased 17.0 percent, to \$342.4 million, from FY 1999-2000 to FY 2003-04. Administrative expenses have not exceeded 10 percent of gross revenues, as required by statutes, and the Legislature has limited expenses for

informational advertising to \$4.6 million annually since FY 1990-91.

Contract Award

In November 2003, the Wisconsin Lottery entered into a seven-year systems and services contract with GTECH Corporation. Two requests for proposals were issued for the contract; the first ended after appeals were filed contesting the Wisconsin Lottery's initial decision.

GTECH provides computer systems and services for instant ticket, on-line gaming, telecommunications, and internal control systems. We estimate that in FY 2004-05, payments to GTECH will total \$11.7 million. Under the terms of the previous contract, payments for similar services totaled \$15.9 million in FY 2003-04. All new systems required under



the terms of the current contract with GTECH were functioning in September 2004. However, the Wisconsin Lottery has not yet developed performance criteria for an annual review that is specified in the contract. Our report includes a recommendation for the development of formal review criteria.

Instant Game Development

The number of instant lottery games introduced each year increased from 37 in FY 1999-2000 to 59 in FY 2003-04.

In determining which instant games to develop and sell, the Wisconsin Lottery considers information from different sources, including studies that identify game player preferences, analyses of the effectiveness of informational advertising, in-house testing of potential games, and past sales from comparable games.

However, we found that more could be done to formalize policies and procedures that would improve the game development process, ensure consistent application of policy, and maximize sales of individual games.

Affiliated Instant Lottery Games

As part of its sales strategy, the Wisconsin Lottery sells affiliated instant games that are associated

with copyrighted or trademarked names or products. It must obtain permission from the party that holds the licensing rights to these properties and provide compensation through fees or by purchasing merchandise to be used as prizes.

We found that affiliated instant games are more costly to develop than other instant lottery games. From FY 1998-99 through FY 2002-03, development costs were 56.2 percent higher for affiliated than for unaffiliated games. They averaged \$107,900 for affiliated and \$69,100 for unaffiliated games.

Lottery officials indicate that affiliated games are intended to generate interest and sales by appealing to individuals who may not typically purchase lottery tickets. However, the Wisconsin Lottery does not have formal procedures to analyze costs and revenues associated with affiliated games.

Special Prize Drawing

To generate awareness of the Powerball on-line game, the Wisconsin Lottery decided in 2003 to participate in a special prize drawing to provide ticket and travel packages to the Super Bowl game held in February 2004. It joined 17 other members of the Multi-State Lottery Association (MUSL), a nonprofit organization that operates multi-state on-line lottery games, in the special prize drawing.

However, in response to a cease and desist letter issued by the National Football League to another MUSL member, the Wisconsin Lottery subsequently decided to withdraw from this special prize drawing. It was able to recover some costs it had already incurred, but others could not be recovered and an estimated \$212,000 was lost.

Before deciding to participate in this special prize drawing, the Wisconsin Lottery could have minimized its loss either by ensuring that the third party offering the prize package was contractually required to deliver the tickets, or by purchasing a performance bond to protect itself and its customers. Our report includes a recommendation for all vendor contracts to include guarantees that will protect the Wisconsin Lottery if products are not delivered.

Recommendations

Our recommendations address the need for the Wisconsin Lottery to:

- ☑ develop formal review criteria to evaluate, on an annual basis, GTECH's performance in complying with the current systems and services contract (*p. 20*);
- ☑ develop a written methodology to analyze costs and revenues for all instant games, including affiliated games (*p. 26*); and
- ☑ require all vendor contracts to provide guarantees that will protect it in the case of non-delivery of products (*p. 28*).

Additional Information

For a copy of report 05-8, which includes a response from the Department of Revenue, call (608) 266-2818 or visit our Web site:



www.legis.state.wi.us/lab

Address questions regarding this report to:

Julie Gordon,
Financial Audit Director

Kate Wade,
Program Evaluation Director

(608) 266-2818

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Legislative Audit Bureau

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Janice Mueller
State Auditor

An Evaluation:
State Fleet Management

May 2005

Report Highlights ■

The number of vehicles owned by the State declined 13.8 percent between 2001 and 2004.

In 2004, fleet operating costs totaled an estimated \$30.5 million.

Enforcement of minimum driver eligibility standards needs to improve.

DOA has not assessed the cost-effectiveness of key decisions affecting the State's vehicle fleet.

The Department of Administration (DOA) has primary responsibility for managing the State's vehicle fleet, which in December 2004 consisted of 6,669 sedans, vans, pick-up trucks, and other vehicles licensed for road use. Fleet vehicles are available to state employees and other authorized individuals conducting state business. When a fleet vehicle is not available or is not used, employees may be reimbursed for using their own or other privately owned vehicles.

Questions about fleet management—including vehicle acquisition, use, maintenance, and disposition—have been raised since 2002, when a large number of vehicles were purchased while the State was experiencing budget constraints. Plans to reduce the fleet by at least 1,000 vehicles were announced by the Governor in 2004. However, the size and scope of the proposed reduction have raised additional management concerns. To address these questions and concerns, and at the request of the Joint Legislative Audit Committee, we:

- analyzed the number and types of vehicles owned or leased by the State, and reviewed procedures related to the purchase and sale of fleet vehicles;
- reviewed policies on the assignment of fleet vehicles to individual employees;
- examined current vehicle maintenance processes;
- analyzed whether individuals had appropriately reimbursed the State for personal use;
- examined how the State reimburses individuals who use privately owned vehicles on state business; and
- reviewed fleet practices in other midwestern states.

Key Facts and Findings

Wisconsin owned 6,669 vehicles as of December 31, 2004.

As of December 2004, DOA reported 1,128 fleet vehicles were personally assigned to individuals.

In the past five years, the State purchased 4,362 vehicles at a cost of \$83.3 million.

DOA's average monthly maintenance costs were \$55.83 per vehicle in 2004, a 46.2 percent increase from 2003.

The Department of Corrections does not apply DOA's minimum driving standards to most of its employees and some inmates who use fleet vehicles on public roads.

Vehicle Inventory

The State's vehicle fleet decreased from a high of 7,734 cars, trucks, vans, and buses at the end of 2001 to a low of 6,669 as of December 31, 2004. This 13.8 percent reduction resulted in part from the vehicle reduction initiative announced by the Governor in June 2004. However, after deducting sales costs and outstanding debt for the 958 vehicles sold under the initiative through March 2005, it is unclear how much of the \$3.5 million in gross revenue will be available for deficit reduction.

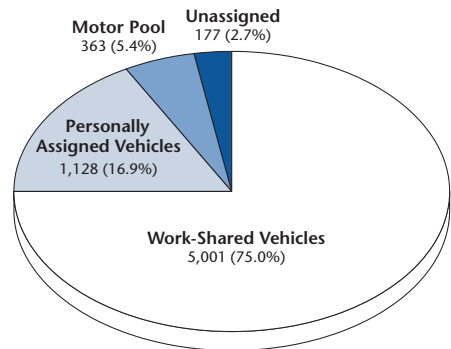
As of December 31, 2004, 48 state agencies either owned vehicles or leased them from DOA, but nearly three-quarters of the fleet was assigned to five agencies: DOA, the Department of Natural Resources (DNR), the Department of Transportation (DOT), the University of Wisconsin (UW)-Madison, and the Department of Corrections. The types of vehicles owned ranged from sports cars used for undercover police work to buses for transporting prison inmates. Sedans and station wagons—including 571 law enforcement vehicles—made up 34.3 percent of the fleet. They were primarily models such as the Ford Taurus and Escort and the Dodge Neon, along with the Ford Crown Victoria for law enforcement.

Fleet vehicles can be assigned to one of several categories:

- work-shared vehicles, which are designated for use by a relatively small group of employees within a single agency;

- personally assigned vehicles, which are assigned to individual employees for whom regular travel is an essential job requirement;
- central motor pool vehicles, which are available to many employees within an agency and are typically available to employees of other agencies; and
- vehicles awaiting assignment or sale.

As of December 31, 2004, 1,128 vehicles were personally assigned to state employees, a reduction of 19.0 percent from March 2004 levels. While some vehicles were reassigned to the work-shared category, others—such as those assigned to UW System chancellors—were eliminated. Chancellors now receive a vehicle allowance of \$700 per month and can also be reimbursed for their business mileage.



Vehicle Acquisition

Since 2000, the State has purchased 4,362 vehicles at a cost of \$83.3 million.

DOA manages vehicle procurement for all state agencies. DOA's bidding process is generally appropriate, but sharp decreases in vehicle purchases may have long-term effects, including increases in vehicle leasing and rental activity.

In addition, good management practices suggest DOA should broaden its consideration of life-cycle costs—which include both the purchase price and operating costs of vehicles—when making vehicle procurement decisions.

As an alternative to purchasing vehicles, state agencies may lease them from private vendors for up to one year or rent them for 29 days or less. Only 23 vehicles were leased in 2004, but DOA's monitoring of agency leases should be improved to ensure that agencies take advantage of pre-negotiated lease agreements. Because payments for short-term vehicle rentals may increase as a result of the fleet reduction, we also include a recommendation for improved oversight of vehicle rentals.

Vehicle Use

To be eligible to drive a fleet vehicle, an individual must be a state employee, a student in the UW System, or an authorized agent of the State. DOA has established minimum driving standards, but monitoring and enforcement have been inadequate. For example, 39 of the 100 driving records we reviewed had not been checked in the past year, as required.

In addition, the Department of Corrections does not uniformly verify employee driving records or apply DOA's minimum driving standards to most of its employees and to some minimum-security inmates who use fleet vehicles to transport other inmates inside correctional facilities and on public roads.

During the course of our fieldwork, DOA improved the policies and procedures governing appropriate use of fleet vehicles, but careful scrutiny of employee driving records will continue to be important to ensure that only qualified drivers are using fleet vehicles.

Mileage Reimbursement

With limited exceptions, individuals are required to reimburse the State for personal use of fleet vehicles, including commuting from their homes. In response to concerns about mileage reimbursement—including a review by the Internal Revenue Service—DOA clarified its policies in 2004. The State is expected to pay the IRS a \$35,000 underpayment forfeiture to settle claims related to mileage reimbursements by state employees.

Depending on the availability of fleet vehicles and the number of miles driven, employees who used privately owned vehicles on state business in 2004 were typically paid at a standard rate of \$0.325 per mile, or a lower "turndown rate" of \$0.220 per mile. Wisconsin's standard rate is within the range paid

by other midwestern states, but its turndown rate is among the lowest.

Fleet Management

It was difficult to obtain basic information about the State's vehicle inventory, including consistent or complete data for which agencies own or operate fleet vehicles; how vehicles are assigned; and what costs the State incurs to operate, lease, or rent vehicles or to reimburse individuals who drive privately owned vehicles. DOA has been slow to implement fleet management software, but in December 2004 it was able to use the program to accurately report the State's vehicle inventory and how the vehicles were assigned.

We also noted a pattern in which DOA made key management decisions without adequate consideration of their potential costs, including:

- increasing mileage thresholds—currently 85,000 miles—for the replacement of fleet vehicles without assessing the costs of increased maintenance for an aging fleet;
- not assessing whether leasing DOA vehicles to other agencies is cost-effective; and
- not determining whether the State's use of maintenance management vendors—who received \$3.7 million in 2004—reduces overall vehicle maintenance costs.

Our recommendations address the need for DOA to:

- ☑ create utilization standards for its motor pool (p. 23);
- ☑ improve and expand its use of life-cycle costs when purchasing vehicles (p. 27);
- ☑ improve monitoring of leases from private vendors (p. 32);
- ☑ better monitor vehicle rental activity (p. 34);
- ☑ determine whether using a statewide maintenance management vendor is cost-effective (p. 38);
- ☑ improve tracking of maintenance costs (p. 39);
- ☑ report the amount of fleet reduction revenue available for deficit reduction (p. 44);
- ☑ clarify its policies for checking the driving records of individuals who use fleet vehicles (p. 48);
- ☑ improve the accuracy of its driver database (p. 49);
- ☑ standardize accounting practices related to payments to the State for personal use of fleet vehicles (p. 54);
- ☑ ensure it complies with federal tax law and state requirements for mileage reimbursements (p. 55);
- ☑ document the amount it reimburses individuals to use privately owned vehicles for state business (p. 65);
- ☑ report its progress in implementing fleet management software (p. 69); and
- ☑ better assess the potential costs and benefits of future fleet management decisions (p. 71).

In addition, we include recommendations for:

- ☑ UW-Madison and DOT to create utilization standards for their motor pools (p. 23);
- ☑ the Department of Corrections to promulgate uniform policies regarding inmate drivers (pp. 50-51); and
- ☑ the Legislature to consider establishing a mechanism for individuals to report fraud and abuse in state government, including vehicle misuse (p. 58).

The Legislative Audit Bureau is a nonpartisan legislative service agency that assists the Wisconsin Legislature in maintaining effective oversight of state operations. We audit the accounts and records of state agencies to ensure that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law, and we review and evaluate the performance of state and local agencies and programs. The results of our audits, evaluations, and reviews are submitted to the Joint Legislative Audit Committee.

Additional Information

For a copy of report 05-7, which includes a response from the Department of Administration, call **(608) 266-2818** or visit our Web site:



www.legis.state.wi.us/lab

Address questions regarding this report to:

Janice Mueller
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Legislative Audit Bureau

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(608) 266-2818

Janice Mueller
State Auditor

Report Highlights ■

Our auditor's report is unqualified.

Federal financial assistance increased to \$9.3 billion in FY 2003-04.

As a result of our prior audit, DHFS was able to retroactively claim an additional \$5.9 million in Adoption Assistance funding.

Additional opportunities are available for increased federal funding.

Eligibility documentation continues to need improvement for some federal programs.

In fiscal year (FY) 2003-04, the State of Wisconsin administered more than \$9.3 billion in federal financial assistance through more than 750 individual grant programs and an additional 846 research and development grants administered by the University of Wisconsin (UW) System. As a condition of receiving this assistance, the State is required to have an independent audit of its financial statements and of its compliance with federal grant program requirements. We performed this audit at the request of the state agencies that received federal financial assistance, and to meet our audit responsibilities under s. 13.94, Wis. Stats.

Our report includes our unqualified opinion on compliance with federal grant requirements, internal control over compliance, and the schedule of expenditures of federal awards, which provides an inventory of all of the grants administered by the State. Overall, we found state agencies properly administered federal grant programs and complied with federal requirements. However, we identified several compliance and internal control concerns, and we questioned \$237,797, plus an additional but undetermined amount, charged to federal grant programs. These questioned costs represent a very small percentage of the total federal financial assistance the State administers. However, if state agencies are required to repay the federal government, the questioned costs will adversely affect their operating budgets.

We focused our audit effort on 27 grants that were administered by 11 different state agencies, including the UW System. These grants accounted for 81 percent of the federal financial assistance administered by the State during FY 2003-04 and were selected for review based on their size and the risk of noncompliance with federal rules. We also followed up on findings in our FY 2002-03 single audit report.

Key Facts and Findings

Wisconsin's \$9.3 billion in federal financial assistance included \$8.4 billion in cash.

Five agencies administered 93 percent of the State's federal assistance.

The largest program the State administers, Medical Assistance, accounted for \$2.8 billion in federal funds.

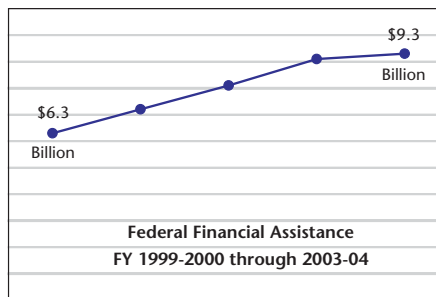
State agencies have claimed or may be able to claim an additional \$1.3 million in federal funds.

We question a minimum of \$237,797 in unallowable charges to grants.

Our report includes 23 recommendations related to administration of federal grant programs.

Federal Assistance

Federal financial assistance to Wisconsin has increased each of the past five years and reached \$9.3 billion in FY 2003-04. That amount includes \$8.4 billion in cash; \$902.7 million in outstanding loan balances; and \$35.3 million in noncash assistance such as food commodities and vaccines.



Although federal funding continued to increase during FY 2003-04, it increased at a slower rate than in recent years. Student financial aid funding increased by \$59.4 million, research and development grants to the UW System increased by \$44.0 million, and expenditures under the Food Stamp program increased by \$44.6 million. However, these increases were offset by declines in Medical Assistance funding under the intergovernmental transfer program, federally funded temporary extended unemployment benefits, and expenditures under the Temporary Assistance for Needy Families program.

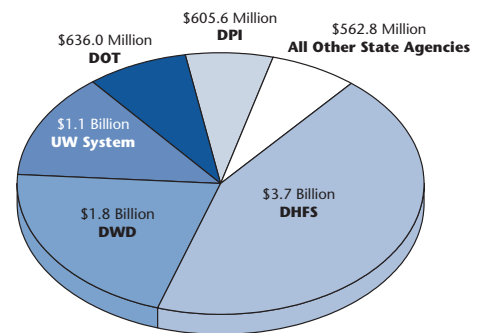
Five state agencies—the Department of Health and Family Services (DHFS), the Department of Workforce Development (DWD), the UW System, the Department of Transportation (DOT), and the Department of

Public Instruction (DPI)—administered 93 percent of the federal cash and noncash assistance the State received in FY 2003-04.

DHFS spent the largest share of federal cash and noncash assistance, \$3.7 billion. That amount includes \$2.8 billion in federal funds to support Medical Assistance, the largest federal program administered by Wisconsin. An additional \$1.5 billion in state funds also supported Medical Assistance.

DWD spent \$1.8 billion in federal cash assistance for vocational rehabilitation, job training programs that fund certain benefits available under Wisconsin Works (W-2), the unemployment insurance program, and other programs.

The UW System disbursed \$543.6 million related to student financial aid programs and spent \$473.4 million for various research and development grants and \$90.2 million for other programs. Most of DOT's federal funding supported highway planning and construction. DPI provides the majority of its funding to local schools and other entities for education and child nutrition programs.



Maximizing Federal Funding

It is the State's long-standing policy to seek maximum federal reimbursement of grant expenditures. This is especially important as it continues to address budgetary shortfalls. As part of our annual audit of federal grants, we consider whether there are additional opportunities for state agencies to seek federal funding.

During our prior audit, we reported that DHFS had not identified all eligible cases under the Adoption Assistance program and had not claimed all of the federal funds the State was entitled to receive. The program helps the State find adoptive homes for children and provides monthly subsidy payments for approximately 7,200 children with special needs. DHFS implemented our prior audit recommendations and devoted the necessary resources to identify additional eligible cases under the Adoption Assistance program and, as of September 2004, claimed an additional \$5.9 million in federal reimbursement.

During our current audit, we identified additional opportunities for state agencies to increase federal funding. For example, DHFS did not properly consider all eligible adoption assistance administrative expenditures and, consequently, did not claim reimbursement for the federal government's share. In response to our finding, DHFS requested and received an additional \$730,000 in federal funding and will determine whether additional costs are eligible for federal reimbursement.

In addition, DWD did not take the necessary steps during FY 2003-04 to ensure it was claiming federal reimbursement for all vocational rehabilitation services provided to clients who are also eligible for disability benefits from the federal Social Security Administration. After our audit period, DWD requested an additional \$335,000 in federal reimbursements, and we estimate that approximately \$247,000 in additional costs could be eligible for federal reimbursement.

Eligibility Documentation

The State maintains computerized systems that help to determine whether individuals receiving certain federal benefits are, in fact, eligible to receive them and whether the benefit levels are appropriate. However, for some federal programs administered by DHFS and DWD, caseworkers in local government and nonprofit organizations enter supporting information into the computer systems and maintain the case files that support eligibility determinations.

In our prior audit, we identified the need to ensure that documentation supporting eligibility determinations is maintained by local governments and nonprofit organizations. During our current audit, we again reviewed case files for supporting documentation and again found concerns, most notably for DWD grants administered by Milwaukee County.

For example, Milwaukee County, which was responsible for 15 of the 30 Temporary Assistance for Needy

Families case files reviewed, was unable to provide 2 case files for review. Further, of the 13 case files provided for our review, 9 were deficient in meeting eligibility requirements. In addition, 13 of the 30 Child Care files reviewed were the responsibility of Milwaukee County. Milwaukee County was unable to provide 1 case file for review, and 7 of the remaining files were deficient.

Failure to provide some case files, and the number of instances where documentation was missing from other cases indicate potentially serious internal control deficiencies, particularly for Milwaukee County cases. Because supporting documentation was not available, we question a total of \$52,542 charged to federal programs, plus an additional but undetermined amount.

Lapses to the General Fund

As part of efforts to balance recent budgets, funds have been lapsed to the State's General Fund from various programs that are supported, in part, by federal grants. As noted in prior single audit reports, the State lapsed \$22.9 million to the General Fund from several internal service funds. During FY 2003-04, an additional \$3.6 million was lapsed to the General Fund. However, the need to remit the federal share of lapsed amounts to the federal government had not been fully considered.

The Department of Administration has been working with the federal government and, in January 2005, federal officials determined that

the State owed the federal government \$14.9 million, including \$12.9 million in disallowances and \$2.0 million in interest charges related to the lapses. The State has appealed this determination but, to avoid additional interest charges, has paid the \$12.9 million in disallowed costs and continues to work with the federal government to resolve this issue. However, our report questions additional costs for certain lapses made during FY 2003-04 and not previously considered by the federal government.

Other Findings of Interest

We found a variety of other instances of noncompliance with federal requirements and the need for improved internal controls. For example, DHFS made errors in calculating the amount of reimbursement for administrative costs under the Foster Care—Title IV-E and Adoption Assistance grant programs. As a result, DHFS overclaimed \$914,000 in federal funding under the foster care program and underclaimed \$143,000 in federal funding for the adoption assistance program. In March 2005, DHFS submitted adjustments for these errors and effectively returned a net amount of \$771,000 to the federal government.

In previous years, we reported that UW-Whitewater provided funding to students who were not making satisfactory academic progress. UW-Whitewater revised its policies

and has repaid questioned costs related to our FY 2001-02 audit. However, ineligible awards of \$159,806 were made to students in subsequent years and may require additional repayments to the federal government. We questioned \$50,357, the amount disbursed in FY 2003-04.

In previous years, we identified serious concerns with the Department of Corrections' (DOC) documentation of eligibility determinations under the Foster Care—Title IV-E grant program. In response to our findings, DOC began working with a private contractor to review case files and make eligibility determinations. DOC determined it had overclaimed \$91,234 in federal funds during FY 2003-04. These funds have not yet been returned to the federal government.

Recommendations

Our report includes a total of 23 recommendations related to state agencies' administration of federal grant programs. In addition, we discuss nine internal control concerns and one instance of material noncompliance related to our audit of the State's financial statements.

Agency responses and corrective action plans are included in our report. The federal government will work with the state agencies to resolve the questioned costs and ensure that planned corrective actions are sufficient.

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Additional Information

For a copy of report 05-5, call (608) 266-2818 or visit our Web site:



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Janice Mueller
State Auditor

State Insurance Programs

Highlights

- **Health Insurance Risk-Sharing Plan (HIRSP)** (Reports 06-10 and 05-9)
We issued two audit reports and provided unqualified auditor's opinions on the financial statements for FY 2004-05 and FY 2003-04. In our 2006 report on the financial statements for FY 2004-05, we noted that enrollment was moderating, but increasing claims costs continued to present management and funding challenges. In our 2005 report on the financial statements for FY 2003-04, we identified two types of claims processing errors, including pharmacy claims totaling \$210,689 that were inappropriately paid on behalf of cancelled policyholders. A newly created authority assumed oversight responsibility for HIRSP on July 1, 2006.
- **Local Government Property Insurance Fund** (Report 05-15)
Please see Local Government Issues and Activities.

Other Reports

- **State Life Insurance Fund** (Report 05-17)
The State Life Insurance Fund provides low-cost life insurance to Wisconsin residents and is self-funded through insurance premiums and investment earnings. Its financial statements for the years ended December 31, 2004, 2003, and 2002, were fairly presented in accordance with accounting provisions allowed by the Commissioner of Insurance. A separate management letter reports concerns because the surplus-to-assets ratio had declined to 2.7 percent as of December 31, 2004, and was lower than the 7.0 to 10.0 percent required by statute.

An Audit:

Health Insurance Risk-Sharing Plan

Department of Health
and Family Services

August 2006

Report Highlights ■

HIRSP has maintained a sound financial position since FY 2002-03.

Although policyholder enrollment has begun to moderate, net claims costs increased 25.5 percent in FY 2004-05.

A change in the discount rate applied to medical bills mistakenly was not implemented until the end of FY 2005-06.

2005 Wisconsin Act 74 made several significant changes to HIRSP.

The Health Insurance Risk-Sharing Plan (HIRSP) provides medical and prescription drug insurance for individuals who cannot obtain coverage in the private market because of the severity of their health conditions. In the late 1990s, it was also designated as Wisconsin's plan to meet federal Health Insurance Portability and Accountability Act (HIPAA) regulations and to provide health insurance to people who lose employer-sponsored group health insurance and meet other specified criteria.

Program costs are shared by policyholders, health insurance companies that do business in Wisconsin, and health care providers. During fiscal year (FY) 2004-05, HIRSP also received \$2.2 million in federal funds designated for high-risk health insurance pools.

HIRSP offers eligible applicants three plans:

- The primary plan, plan 1A, is similar to coverage provided by many private major medical health insurance plans.
- The alternative plan, plan 1B, offers the same coverage as plan 1A but at lower premium rates, because policyholders pay a higher deductible before HIRSP begins paying claims.
- An additional plan, plan 2, is available to Wisconsin residents under the age of 65 who participate in the federal Medicare program because of a disability.

At the request of the Department of Health and Family Services (DHFS), we completed a financial audit of HIRSP. Our audit report contains our unqualified opinion on HIRSP's financial statements and related notes for the fiscal years ending June 30, 2005 and 2004.

Key Facts and Findings

Almost 19,000 policyholders are enrolled in HIRSP.

HIRSP is funded through policyholder premiums, insurer assessments, and reduced reimbursements to health care providers.

We have issued an unqualified opinion on HIRSP's FY 2004-05 financial statements.

HIRSP's unrestricted net assets decreased by \$7.1 million during FY 2004-05.

2005 Wisconsin Act 74 created the HIRSP Authority, which assumed responsibility for HIRSP on July 1, 2006.

Financial Status

Beginning with FY 2001-02, DHFS and HIRSP's Board of Governors implemented an accrual-based funding approach to address an accounting deficit.

As a result, HIRSP's accounting balance, as represented by its unrestricted net assets, improved to \$6.8 million as of June 30, 2004. However, the balance decreased \$7.1 million during FY 2004-05, resulting in a small deficit of \$300,000 as of June 30, 2005.

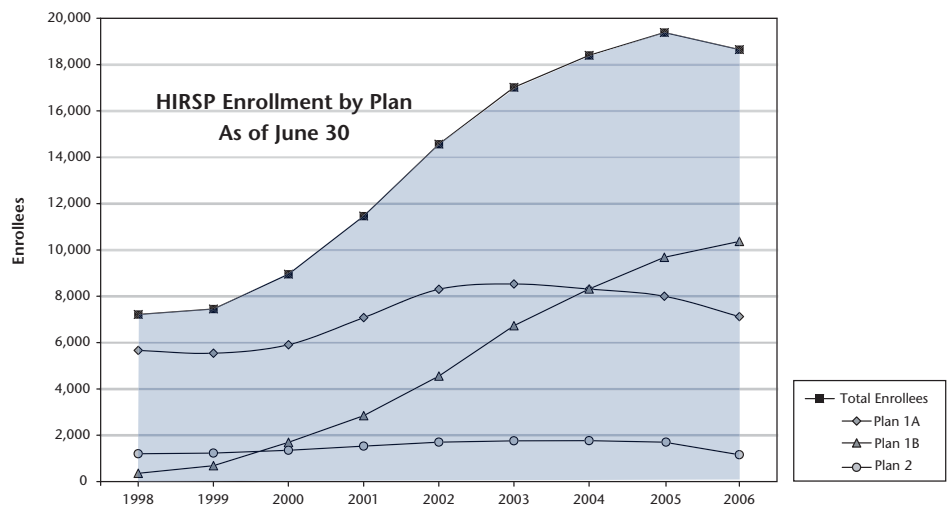
Unrestricted Net Assets (In Millions)	
Date	Amount
June 30, 2001	\$(8.2)
June 30, 2002	(6.0)
June 30, 2003	(0.9)
June 30, 2004	6.8
June 30, 2005	(0.3)

At least a portion of the decrease in the balance was expected in response to the Board's decision to apply \$3.9 million in accumulated insurers' and providers' balances toward FY 2004-05 expenses. However, an unexpectedly large increase in claims costs contributed to a larger decrease than expected and to the small deficit. The deficit appears to have been addressed in FY 2005-06.

Enrollment and Claims Costs

Although HIRSP experienced double-digit enrollment growth for several years, total enrollment increased 5.4 percent during FY 2004-05.

There were 19,385 policyholders as of June 30, 2005. During FY 2005-06, enrollment decreased slightly to reach 18,650 on June 30, 2006.



In contrast to moderating enrollment, claims costs continue to increase significantly. Net of health care providers' contributions, claims costs increased \$76.3 million over the past five years.

Net Claims Costs ¹ (In Millions)		
Fiscal Year	Amount	Percentage Change
2000-01	\$ 54.1	-
2001-02	67.2	24.2%
2002-03	85.8	27.7
2003-04	103.9	21.1
2004-05	130.4	25.5

¹ Net of health care providers' contributions

Claims costs have been affected by increases in prescription drug and medical costs that are similar to those experienced by other payers. HIRSP's contracted actuary cites increased utilization of services by policyholders as another contributing factor.

Changes in Costs and Contributions

Health care providers help to fund HIRSP through reduced reimbursements for billed services. Their share of program funding is calculated by subtracting "allowable charges," which are generally a percentage of Medicaid reimbursement rates, from "usual and customary" charges.

Usual and customary charges are intended to reflect the range of fees that most health care providers in a given area charge for a given

procedure. They are common to the health insurance industry and are established annually by most insurers as discounts to billed charges. HIRSP, however, maintained the same discount—approximately 20 percent, in aggregate, of billed charges—from 1998 through 2004. Because providers' billing rates increased during that period, maintaining the "usual and customary" discount caused HIRSP's claims costs and provider contributions to increase more than was expected.

In response, DHFS and HIRSP's Board of Governors increased the discounts applied to claims from January 1, 2004 through June 30, 2005 to approximately 30 percent of billed charges, which DHFS and the Board believed was more representative of industry averages. As a result, shared program costs for the 18-month period decreased by \$25.5 million.

After additional research and analysis, the discount rates were adjusted to 28.5 percent effective July 1, 2005. However, this change was mistakenly not implemented. As a result, program costs and provider contributions were calculated at an estimated \$3.6 million less than they should have been for the first nine months of FY 2005-06.

If uncorrected, the miscalculation would have materially misstated the financial statements. After we informed DHFS of the oversight, DHFS requested that the plan administrator implement the 28.5 percent discount rate and make the necessary adjustments

to ensure program costs and provider contributions were properly calculated in FY 2005-06.

DHFS also requested that HIRSP's contracted actuary assess the effect of the miscalculation on the FY 2006-07 budget projections. HIRSP's Board of Governors subsequently voted to amend the original budget and to increase provider payment rates for FY 2006-07 by 4.5 percent.

Program Changes

2005 Wisconsin Act 74 created the HIRSP Authority, which assumed responsibility for HIRSP on July 1, 2006. The HIRSP Authority is not a state agency and is not subject to the State's budgeting process, but some level of public accountability is retained through open records and open meetings requirements. The Audit Bureau also is required to continue auditing HIRSP on an annual basis.

Act 74 also made several other significant changes to HIRSP, including:

- simplifying the complex funding formula;
- providing the HIRSP Authority further flexibility in establishing plan design;
- tightening eligibility requirements; and
- establishing tax credits for the insurers that help to fund HIRSP.

Additional Information

For a copy of report 06-10, call (608) 266-2818 or visit our Web site:



www.legis.state.wi.us/lab

Address questions regarding this report to:

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(608) 266-2818

The Legislative Audit Bureau is a nonpartisan legislative service agency that assists the Wisconsin Legislature in maintaining effective oversight of state operations. We audit the accounts and records of state agencies to ensure that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law, and we review and evaluate the performance of state and local agencies and programs. The results of our audits, evaluations, and reviews are submitted to the Joint Legislative Audit Committee.

Legislative Audit Bureau

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Janice Mueller
State Auditor

An Audit:

Health Insurance Risk-Sharing Plan

Department of Health
and Family Services

May 2005

Report Highlights ■

HIRSP's financial position continued to improve in FY 2003-04.

The Health Insurance Risk-Sharing Plan (HIRSP) was established in 1980 to provide medical insurance for individuals who cannot obtain coverage in the private market because of the severity of their health conditions. In the late 1990s, it was also designated as Wisconsin's plan to meet federal Health Insurance Portability and Accountability Act (HIPAA) regulations and to provide health insurance to people who lose employer-sponsored group health insurance and meet other specified criteria.

Policyholder enrollment and claims costs continued to increase in FY 2003-04.

The usual and customary discounts applied to medical bills were increased beginning in 2004.

HIRSP is primarily funded through policyholder premiums, financial assessments on health insurance companies that do business in Wisconsin, and reduced reimbursements to health care providers. As of March 31, 2005, 18,725 policyholders were enrolled in HIRSP.

Pharmacy claims were inappropriately paid for cancelled policyholders.

HIRSP offers eligible applicants three plans:

Policyholder deductibles were not properly carried forward between years.

A technical issue in HIRSP's statutory funding formula needs legislative attention.

- The primary plan, plan 1A, is similar to coverage provided by many private major medical plans.
- The alternative plan, plan 1B, offers the same coverage as plan 1A but at lower premium rates because policyholders pay a higher deductible before HIRSP begins paying claims.
- An additional plan, plan 2, is available to Wisconsin residents under the age of 65 who participate in the federal Medicare program because of a disability.

At the request of the Department of Health and Family Services (DHFS), we completed our seventh financial audit of HIRSP. Our audit report contains our unqualified opinion on HIRSP's financial statements and related notes for the fiscal years ending June 30, 2004 and 2003.

Key Facts and Findings

Almost 19,000 policyholders are enrolled in HIRSP.

HIRSP is funded through policyholder premiums, insurer assessments, and reduced reimbursements to health care providers.

We have issued an unqualified opinion on HIRSP's FY 2003-04 financial statements.

HIRSP's net assets increased by \$7.4 million during FY 2003-04.

A new plan administrator began administering HIRSP in April 2005.

Financial Status of the Plan

Because of its cash-based funding approach, HIRSP had an accounting deficit of \$8.2 million as of June 30, 2001. Beginning with fiscal year (FY) 2001-02, DHFS and HIRSP's Board of Governors implemented an accrual-based approach to funding HIRSP, which has contributed to a significant improvement in its financial position.

HIRSP's unrestricted net asset balance was \$6.8 million at June 30, 2004. The improvement in HIRSP's unrestricted net asset balance over the last four years is shown in the following table.

Unrestricted Net Assets (In Millions)	
Date	Amount
June 30, 2001	\$(8.2)
June 30, 2002	(6.0)
June 30, 2003	(0.9)
June 30, 2004	6.8

Statutes require policyholders to fund 60 percent of HIRSP's costs and establish a floor for policyholder premiums of at least 140 percent of standard risk rates. Statutes also require a separate accounting of premiums received in excess of the amount needed to cover policyholders' 60 percent share of HIRSP's costs.

Because the statutory floor for premium rates has typically been greater than the premiums needed

to fund 60 percent of HIRSP's costs, and because actual claims costs were less than costs assumed in HIRSP's FY 2002-03 budget, the excess policyholder premium account balance increased significantly during FY 2002-03, from \$3.0 million to \$10.4 million as of June 30, 2003. The excess policyholder balance decreased slightly in FY 2003-04, to \$10.1 million at June 30, 2004.

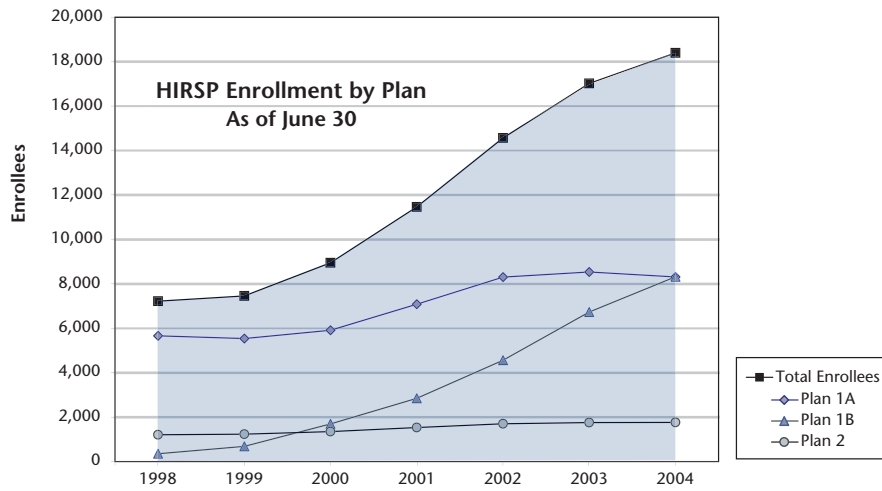
The use of these funds is statutorily restricted to reduce policyholder premiums to the statutory minimum; for distribution to eligible persons; or for other needs of eligible persons, with the approval of the Board of Governors.

Enrollment and Claims Costs

Increasing enrollment and claims costs present continuing challenges to HIRSP's management and funding. HIRSP experienced double-digit enrollment growth for several years. Policyholder enrollment continued to increase during our audit period.

In FY 2003-04, enrollment increased by 8.1 percent for a total of 18,395 policyholders as of June 30, 2004. However, growth has slowed in the first nine months of FY 2004-05, and enrollment was 18,725 at March 31, 2005.

Enrollment in plans 1A and 2 began to level in recent years, although enrollment in plan 1B continued to increase steadily. Like enrollment, claims costs have been increasing each year. Net of health



care providers' discounts, claims costs increased \$67.5 million over the past five years.

Net Claims Costs ¹ (In Millions)		
Fiscal Year	Amount	Percentage Change
1999-2000	\$ 36.4	-
2000-01	54.1	48.6%
2001-02	67.2	24.2
2002-03	85.8	27.7
2003-04	103.9	21.1

¹ Net of health care providers' discounts.

Determination of Program Costs

Program costs shared by policyholders, insurers, and health care providers are billed medical charges that have been reduced by usual and customary discounts. These discounts have been based on reimbursement levels for the program since before 1998.

In aggregate, the discounts have been approximately 20 percent of billed charges. However, unexpected increases in program costs in 2004 caused DHFS and the Board of Governors to increase the discounts applied to billed medical claims from January 1, 2004 through June 30, 2005. On an aggregate basis, the discounts were increased to approximately 30 percent, which DHFS and the Board believed was more representative of industry averages.

The amount of program costs shared by the funding groups decreased as a result of this change. DHFS and the Board are currently re-evaluating the discounts that will be applied for future periods.

Claims Management Issues

We identified two types of errors in the management of claims. First, since November 2001, pharmacy claims totaling \$210,689 were paid on behalf of cancelled policyholders

because the former plan administrator had not reviewed a report developed to identify and communicate policy cancellations to the pharmacy benefit management company. That company operated under a subcontract with the former plan administrator. DHFS has withheld payments to the former plan administrator for the inappropriate payments and intends to refund the former administrator for any amounts collected from these individuals.

Second, the former plan administrator did not consistently ensure that deductibles were carried forward between calendar years, as required by statutes. Statutes require that expenses used to satisfy a policyholder's deductible during the last 90 days of a calendar year should also be applied to satisfy the deductible for the following year. Fourth-quarter deductibles were not properly applied for 1,582 policyholders whose overpayments for deductibles total \$327,699 since 1998.

Technical Statutory Issue

DHFS and HIRSP's contracted actuary have identified a technical statutory issue that will require legislative action. Under current statutes, the method by which HIRSP's funding formula applies deductible and drug coinsurance subsidies for low-income policyholders results in policyholders being over-credited for subsidies they did not fund. DHFS and the Board of Governors decided in 2001 that \$1.5 million

of the resulting unallocated costs associated with the deductible subsidy credit would be paid by policyholders, insurers, and health care providers based on the statutory funding split used for HIRSP costs. These costs had accumulated during 1998, 1999, and 2000.

In April 2004, DHFS and the Board decided to reduce the excess policyholder premium account by \$2.2 million for the balance of over-credited deductible subsidies that had subsequently accumulated through March 31, 2004. Proposed statutory changes to address this technical issue are included in the 2005-07 biennial budget bill, 2005 Assembly Bill 100.

Recommendations

We include a recommendation for the Department of Health and Family Services to:

- take steps to provide refunds to policyholders who have over-paid their deductibles; and
- ensure the new plan administrator establishes procedures to properly apply fourth-quarter deductibles to the following year's deductibles (p. 20).

Additional Information

For a copy of report 05-9, which includes a response the Department of Health and Family Services, call **(608) 266-2818** or visit our Web site:



www.legis.state.wi.us/lab

Address questions regarding this report to:

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Janice Mueller
State Auditor

Telecommunications, Radio, and Television

Highlights

- **Universal Service Fund** (Reports 05-14 and 06-5 [no Highlights document])
We issued two audit reports and provided unqualified auditor's opinions on the financial statements for FY 2004-05, FY 2003-04, and FY 2002-03. The Universal Service Fund supports telecommunications services and access, including Internet access in schools and libraries and programs to assist low-income and disabled individuals. It is administered by the Public Service Commission and funded through assessments on telecommunications providers, which totaled \$28.3 million in FY 2004-05 and \$25.5 million in FY 2003-04. Increasing program demand and expenditures are presenting budgetary challenges for some of the programs it supports.

Other Reports

- **Wisconsin Educational Communications Board Radio Network** (Reports 06-18 and 05-19)
We provided unqualified opinions on the FY 2005-06 and the FY 2004-05 financial statements. The radio network earned \$9.0 million in support and revenue during FY 2005-06, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants. In FY 2004-05, its support and revenue from these sources was \$8.6 million.
- **Wisconsin Educational Communications Board Television Network** (Reports 06-17 and 05-18)
We provided unqualified opinions on the FY 2005-06 and FY 2004-05 financial statements. The television network earned \$12.2 million in support and revenue in FY 2005-06, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants. In FY 2004-05, its support and revenue from these sources was \$11.6 million.
- **WHA Radio** (Reports 06-16, 05-21, and 05-2)
We provided unqualified opinions on the financial statements of WHA Radio for FY 2005-06, FY 2004-05, and FY 2003-04. WHA Radio earned \$10.0 million in support and revenue during FY 2005-06, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants. In FY 2004-05, its support and revenue from these sources was \$9.1 million, and in FY 2003-04 it was \$8.7 million.

- **WHA Television** (*Reports 06-15, 05-20, and 05-1*)
We provided unqualified opinions on the financial statements of WHA Television for FY 2005-06, FY 2004-05, and FY 2003-04. WHA Television earned \$14.9 million in support and revenue during FY 2005-06, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants. In FY 2004-05, its support and revenue from these sources was \$15.8 million, and in FY 2003-04 it was \$15.9 million.

- **Wisconsin Public Broadcasting Foundation, Inc.**
(December 2006 and December 2005)
These reports include unqualified opinions on the Foundation's financial statements FY 2005-06 and FY 2004-05.

Universal Service Fund*Public Service Commission*

September 2005

Report Highlights ■

The Fund reported a balance of \$6.4 million as of June 30, 2004.

Recent growth in program expenditures is resulting in budgetary challenges for the PSC-operated programs.

The Fund began providing a portion of aid to the State's public library systems in FY 2003-04.

A balance of almost \$165,000 has accumulated in the Newline Program.

A new statewide data and video network will provide higher-capacity data capabilities beginning in January 2006.

The Universal Service Fund was established under 1993 Wisconsin Act 496 to ensure that all state residents receive essential telecommunications services and have access to advanced telecommunications capabilities. It supports telecommunications services and access programs that are provided by several state agencies, including the Public Service Commission (PSC), the Department of Administration (DOA), the University of Wisconsin System, and the Department of Public Instruction (DPI).

The PSC is responsible for developing the overall policies and procedures related to the Universal Service Fund but is directed by statute to contract with a private firm to administer the Fund. At the request of the PSC, we completed a financial audit of the Universal Service Fund to fulfill audit requirements under s. 196.218(2)(d), Wis. Stats. Our audit report contains our unqualified opinion on the Fund's financial statements and related notes for the fiscal years ending June 30, 2003 and 2004.

As part of our financial audit, we also reviewed different aspects of the Universal Service Fund's programs, including growth in expenditures in PSC-operated programs, accumulation of a balance in the Newline program, and planned implementation of a statewide data and video network that will affect the Educational Telecommunications Access Program.

Key Facts and Findings

Telecommunications providers paid a total of \$25.5 million in assessments in FY 2003-04 to support Universal Service Fund programs.

We have issued an unqualified opinion on the Fund's FY 2003-04 financial statements.

Fund expenditures and transfers totaled \$23.4 million in FY 2003-04.

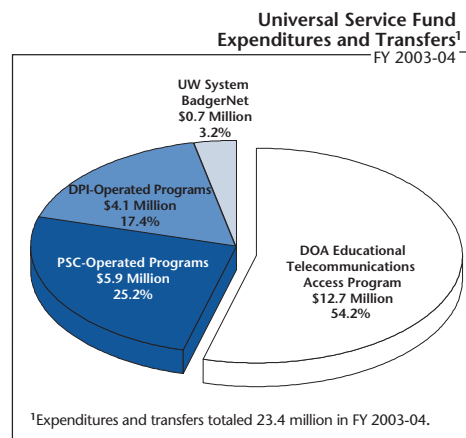
The Fund had a balance of \$6.4 million as of June 30, 2004.

Fund Finances

The Universal Service Fund is funded primarily through assessments paid by telecommunications providers, which totaled \$25.5 million in fiscal year (FY) 2003-04. It also received \$106,000 in interest income and other revenues.

Almost \$23.4 million was expended during FY 2003-04 on 13 programs supported by the Fund. The \$2.2 million by which revenues exceeded expenditures increased the Fund's balance at June 30, 2004, to \$6.4 million.

Eight of the 13 programs currently supported by the Universal Service Fund are operated by the PSC, with expenditures totaling \$5.9 million in FY 2003-04. However the largest program, the Educational Telecommunications Access Program, is operated by DOA. This program subsidizes data lines and video links to eligible educational institutions. Its expenditures of \$12.7 million represented 54.2 percent of the Fund's total expenditures and transfers in FY 2003-04.



During FY 2003-04, the Universal Service Fund also provided \$4.1 million for three programs administered by DPI, and it paid more than \$700,000 to the University of Wisconsin System to provide four campuses access to voice, data, and video services through BadgerNet, the State's current voice, data, and video telecommunications infrastructure.

PSC-Operated Programs

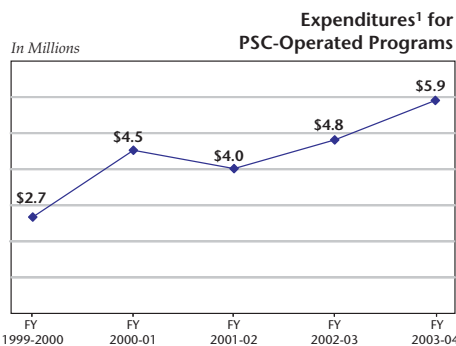
The eight programs operated by the PSC include programs that:

- provide low-income or disabled individuals affordable access to basic telephone and information services;
- lessen the financial effect of high rate increases on users in some parts of the state; and
- assist nonprofit medical clinics or public health agencies in the purchase of medical telecommunications equipment.

For several years after the first PSC-operated programs were established in 1996, expenditures were significantly less than budgeted. In 2001, the Legislature limited the amount that telecommunications providers could be assessed to support the PSC-operated programs to \$5.0 million in FY 2003-04 and \$6.0 million in FY 2004-05 and thereafter.

However, with the addition, expansion, and promotion of the

PSC-operated programs, expenditures for operations and administration have increased significantly since FY 1999-2000. Increasing expenditures have resulted in budgetary challenges. Because the PSC did not have sufficient spending authority, it deferred decisions to pay on more than \$544,000 in FY 2003-04 payment requests until FY 2004-05, and more than \$740,000 in FY 2004-05 payment requests until FY 2005-06.



¹Expenditures reported in the financial statements.

The deferred payment requests were related to two programs for which administrative code permits, but does not require, the PSC to reimburse telecommunications providers for waiving telephone connection charges or reducing monthly telephone rates to lower-income individuals. The PSC believes it has the authority to not pay or to defer consideration of payment requests for these two programs if constrained by budgetary limits.

Based on expenditure trends in FY 2003-04, the PSC anticipated early in FY 2004-05 that spending authority would be insufficient to cover expected requests for payments during that year. In response, the PSC reduced benefits in the

program that helps people with disabilities acquire special telecommunications equipment and did not provide any medical telecommunications grants during FY 2004-05.

2005 Wisconsin Act 25 establishes annual appropriations of \$6.0 million for the PSC-operated programs in the 2005-07 biennium. The PSC believes it can limit FY 2005-06 expenditures to the \$6.0 million level. However, its ability to quickly respond to future cost increases without significantly affecting its programs may be limited.

Consequently, regular monitoring of future expenditure trends for the PSC-operated programs will be important. Furthermore, if growth in program demand and expenditures continues, the Legislature may be asked to reconsider statutory limits on the PSC's annual assessment levels.

Library Aids

For several years, the Universal Service Fund supported two programs administered by DPI: BadgerLink, which provides statewide on-line access to reference databases of magazines and newspapers, and the Newsline program, which is an electronic information program that allows sight-impaired individuals to listen to newspapers read over the telephone. Beginning in FY 2003-04, the Fund also helps to support the State's public library systems.

Until FY 2003-04, general purpose revenue (GPR) funded state aid

to the public library systems. 2003 Wisconsin Act 33 shifted \$2.1 million in funding for public library aid payments from GPR to the Universal Service Fund for each year of the 2003-05 biennium.

2005 Wisconsin Act 25 further reduces GPR for library systems aid by \$2.2 million and increases funding from the Universal Service Fund by another \$4.2 million over the 2005-07 biennium. Under Act 25, the Fund will pay 28.3 percent of library systems' state aid in FY 2005-06.

Newsline Program

The PSC annually transfers funds from the Universal Service Fund to DPI for the Newsline program, which is operated by the National Federation of the Blind. Transfers in each of the last three years have been \$67,500. However, we found that in seven of eight years since the program's inception in FY 1997-98, the funds made available to DPI have exceeded Newsline program expenditures. As a result, a balance of almost \$165,000 has accumulated for the program.

DPI did not inform the PSC that these funds were not being fully spent, and the PSC did not monitor or require any reporting of program expenditure levels. In light of the accumulated balance we identified, the PSC has not budgeted any funding for the Newsline program in FY 2005-06, and it does not plan to provide any additional funds to DPI for the program until the balance has been substantially reduced.

Educational Telecommunications Access Program

The Educational Telecommunications Access Program, which is administered by DOA, pays for the equipment and installation costs of data lines and video links, and for ongoing service costs in excess of monthly charges paid by eligible institutions. Data line or video link services are provided by a consortium of telecommunications providers under contract with DOA. Almost \$91.0 million has been expended for the program through FY 2004-05.

After completion of an assessment of the State's future educational technology needs and a competitive procurement process, the State entered into a five-year contract with the same consortium for a new statewide network, which will be known as the BadgerNet Converged Network. The new network is designed to provide higher data capability and video access on the same network to the State of Wisconsin and other public-sector users. It is expected to be available beginning January 1, 2006.

Monthly charges to participants in the Educational Telecommunications Access Program will remain the same: \$100 or \$250 per month,

depending on the speed of their Internet data line or video link. Monthly costs to the Universal Service Fund will be \$2,769 per video link and will range from \$500 to \$1,190 per data line.

Recommendations

We include recommendations for the Public Service Commission to:

- ☑ change administrative code to require that telecommunications providers submit requests for payments for their services under the Lifeline, Link-Up America, and High Rate Assistance Credit programs by April 1 of the next fiscal year (*p. 13*);
- ☑ report to the Joint Legislative Audit Committee by March 31, 2006, on expenditure trends, cost projections, and its plans to address any projected payment requests that exceed spending authority in PSC-operated Universal Service Fund programs (*p. 13*); and
- ☑ work with DPI to establish formal procedures for transferring funds for the Newline program based on actual program expenditures (*p. 16*).

The Legislative Audit Bureau is a nonpartisan legislative service agency that assists the Wisconsin Legislature in maintaining effective oversight of state operations. We audit the accounts and records of state agencies to ensure that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law, and we review and evaluate the performance of state and local agencies and programs. The results of our audits, evaluations, and reviews are submitted to the Joint Legislative Audit Committee.

Additional Information

For a copy of report 05-14, call (608) 266-2818 or visit our Web site:



www.legis.state.wi.us/lab

Address questions regarding this report to:

Diann Allsen
(608) 266-2818

Legislative Audit Bureau

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Madison, WI 53703
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Janice Mueller
State Auditor

Audit Opinions and Certifications

- **Annual Audits of the State's Financial Statements**

Independent Auditor's Report on the FY 2005-06 Financial Statements of the State of Wisconsin

Dated December 15, 2006

Independent Auditor's Report on the FY 2004-05 Financial Statements of the State of Wisconsin

Dated December 14, 2005

This annual effort requires on-site audit work at the Department of Administration and every major state agency from September to December. Our audit opinion and the related financial statements are presented in the State's Comprehensive Annual Financial Report, which is published by the Department of Administration. These statements are intended to provide the most complete and revealing picture of the State's financial position and operating results. We provided an unqualified opinion in each year.

- **Independent Audits of the University of Wisconsin's Financial Statements**

Independent Auditor's Report on the FY 2005-06 Financial Statements of the University of Wisconsin System

Dated December 15, 2006

Independent Auditor's Report on the FY 2004-05 Financial Statements of the University of Wisconsin System

Dated December 14, 2005

Although we audit the University of Wisconsin System as a major element of our audit of the State's overall financial statements, at the request of university management we also provide a separate audit opinion on the stand-alone financial statements. These statements provide considerable additional detail on UW System's finances, which allow comparisons to other major university systems and a more thorough evaluation by the Board of Regents and other interested parties. We issued unqualified opinions on the statements audited during the biennium.

- **Independent Audits of the State of Wisconsin Investment Board**

Independent Auditor's Report on the FY 2005-06 and FY 2004-05 Financial Statements of the State of Wisconsin Investment Board's Retirement Investment Trust Funds

Dated November 21, 2006

Independent Auditor's Report on the FY 2005-06 and FY 2004-05 Financial Statements of the State of Wisconsin Investment Board's Various Funds

Dated November 21, 2006

Independent Auditor's Report on the FY 2005-06 and FY 2004-05 Financial Statements of the State of Wisconsin Investment Fund

Dated August 23, 2006

*Independent Auditor's Report on the FY 2004-05 and FY 2003-04
Financial Statements of the State of Wisconsin Investment Board's
Retirement Investment Trust Funds*

Dated November 23, 2005

*Independent Auditor's Report on the FY 2004-05 and FY 2003-04
Financial Statements of the State of Wisconsin Investment Board's
Various Funds*

Dated November 23, 2005

*Independent Auditor's Report on the FY 2004-05 and FY 2003-04
Financial Statements of the State of Wisconsin Investment Fund*

Dated August 26, 2005

Our annual audits of the investments managed by the State of Wisconsin Investment Board provide assurance to governments and individuals as to the overall value of investments and the income earned by the investments. We issued unqualified opinions on the statements audited during the biennium.

■ **Independent Audits of the Department of Employee Trust Funds**

*Independent Auditor's Report on the 2004 Financial Statements
of the Department of Employee Trust Funds*

Dated November 30, 2005

Our audits of the pension funds and other accounts managed by the Department of Employee Trust Funds help provide assurance to contributing governments, covered government employees, and annuitants concerning the financial status of the funds and their ability to fulfill future obligations. We issued unqualified opinions on the statements audited during the biennium.

■ **Statutorily Required Certifications**

Certification of the State's net indebtedness as of January 1, 2006

Certification of the State's net indebtedness as of January 1, 2005

Certification to incoming and outgoing Secretaries of cash and securities in the custody of the Department of Administration as of September 30, 2005

Biennial certification of cash and securities in the custody of the Department of Administration as of June 30, 2005

Certification of cash and securities related to cash management functions that were transferred from the Office of the State Treasurer to the Department of Administration as of June 30, 2004

These certifications were completed during the course of the annual audit of the State's financial statements. They are used to determine compliance with annual debt limits and to ensure the accuracy of the records of the State Treasurer and the Department of Administration.

Appendix 1

Recurring and One-Time Audit Responsibilities

Under s. 13.94, Wis. Stats., and other statutory provisions, the Legislative Audit Bureau is responsible for conducting annual financial audits of:

- the Department of Employee Trust Funds;
- the Capital Improvement Fund;
- the Bond Security and Redemption Fund;
- the State of Wisconsin Investment Board;
- the Division of Gaming within the Department of Administration;
- the Wisconsin Lottery;
- State Fair Park;
- student loans and notes in the possession of the Higher Educational Aids Board;
- grants for dental services at the Marquette University School of Dentistry; and
- the Green Bay/Brown County Professional Football Stadium District's efforts to meet contracting and hiring goals for minorities and women in the Lambeau Field reconstruction project.

Statutes require us to conduct biennial performance audits of the State Lottery, the State of Wisconsin Investment Board, and the Division of Gaming within the Department of Administration, and biennial or more frequent financial audits of:

- the cash and securities in the custody of the Department of Administration;
- the central accounting records of the Department of Administration;
- expenditures from the state appropriation to the Medical College of Wisconsin;
- expenditures under the Higher Educational Aids Board contract for dental education services; and
- the financial status of the local professional baseball park and football stadium district.

At least once every three years, we are required by statutes to audit the State Life Insurance Fund, the Local Government Property Insurance Fund, and the Injured Patients and Families Compensation Fund. In recent years we have performed these audits every three years and have performed interim work each year for purposes of our annual audit of the State of Wisconsin's financial statements.

Statutes require us to periodically audit divisions in the Department of Commerce that are responsible for inspections of multifamily housing, to conduct county and municipal best practices reviews, and to monitor the Department of Natural Resources' environmental cooperation pilot program. We are also required to review the quarterly statements of economic interest and reports of economic transactions that members and employees of the State Investment Board file with the Ethics Board, and we are responsible for conducting special examinations of the accounts and financial transactions of any department or office as the Governor, the Legislature, the Joint Legislative Audit Committee, or the Joint Committee on Legislative Organization directs.

In addition to these recurring statutory requirements, we have been required by recent legislation to complete:

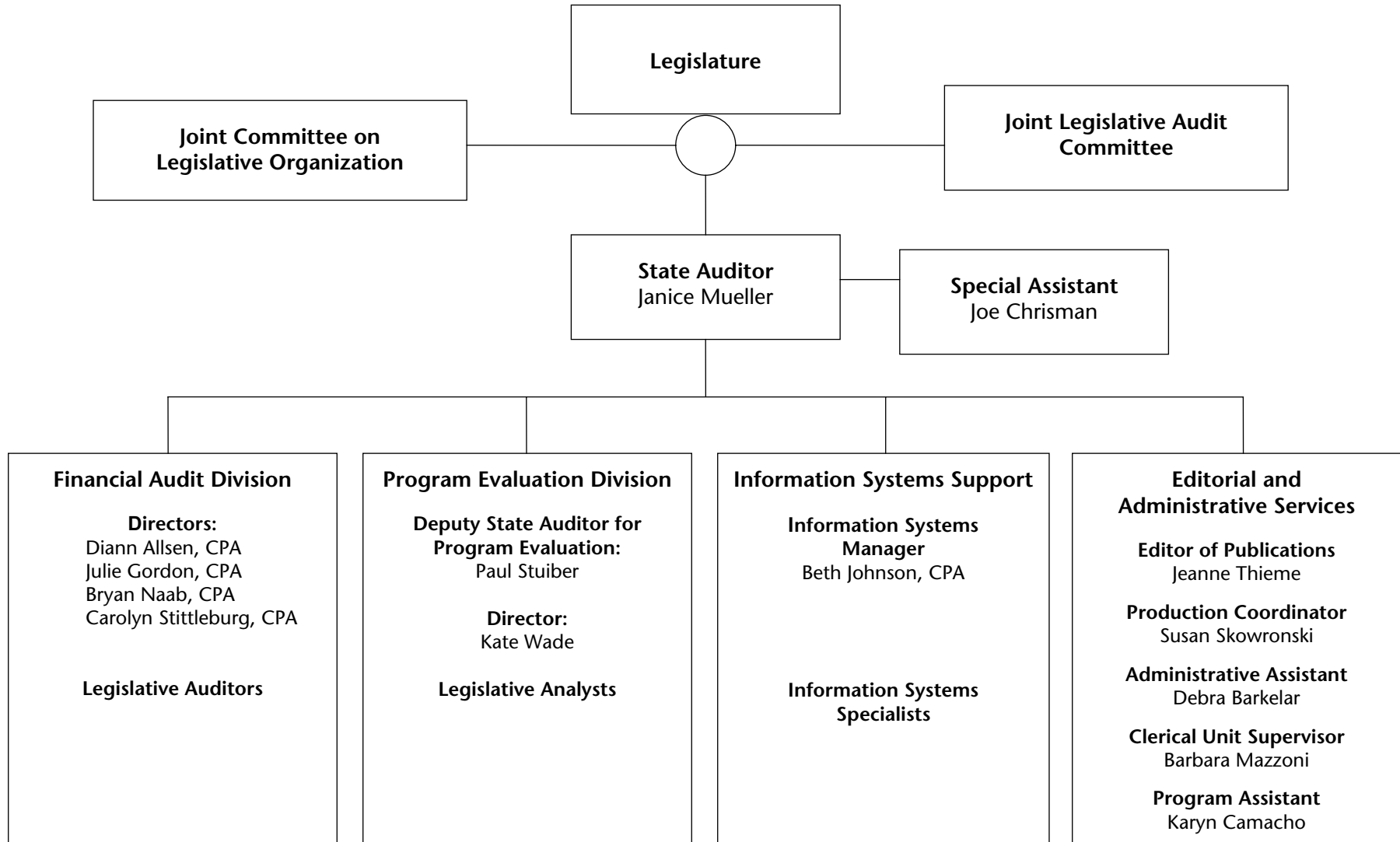
- by January 1, 2008, an evaluation of the private employer health care coverage program (required by 1999 Wisconsin Act 9);
- an evaluation of state and local government compliance with election laws and the appropriateness of procedures used to implement those laws (required by 2003 Wisconsin Act 265); and
- a review and analysis of standardized test score data provided by the School Choice Demonstration Project beginning in 2007 and ending in 2011 (required by 2005 Wisconsin Act 125).

We have also been requested to complete an evaluation of a Department of Transportation program to maintain and remove vegetation obstructing outdoor advertising signs along highways (requested in 2005 Wisconsin Act 465) and an evaluation of information technology development projects undertaken by the State Elections Board (requested in 2005 Wisconsin Act 25).

During the 2005-06 biennium, the scope of our authority under s. 13.94(4)(a)1, Wis. Stats., was expanded twice: 2005 Wisconsin Act 335 expanded our audit authority to include the Wisconsin Aerospace Authority, which was created by Act 335, and 2005 Wisconsin Act 441 expanded our audit authority to include any unincorporated cooperative association. A requirement in s. 66.0317(2)(e), Wis. Stats., for an annual review of the performance of area cooperation compacts was eliminated by 2005 Wisconsin Act 164.

Legislative Audit Bureau Organization Chart

January 2007



Appendix 3

Chronological Listing of Reports Issued in 2005

Numbered Reports

- 05-1 An Audit: WHA Television
- 05-2 An Audit: WHA Radio
- 05-3 An Audit: Unemployment Reserve Fund, *Department of Workforce Development*
- 05-4 An Evaluation: Children At Risk Program, *Department of Public Instruction*
- 05-5 An Audit: State of Wisconsin, 2003-04 (Single Audit)
- 05-6 An Evaluation: Wisconsin Works (W-2) Program, *Department of Workforce Development*
- 05-7 An Evaluation: State Fleet Management
- 05-8 An Audit: Wisconsin Lottery, *Department of Revenue*
- 05-9 An Audit: Health Insurance Risk-Sharing Plan, *Department of Health and Family Services*
- 05-10 An Audit: State Fair Park
- 05-11 An Audit: Division of Gaming, *Department of Administration*
- 05-12 An Evaluation: Voter Registration, *Elections Board*
- 05-13 An Audit: Wisconsin Mental Health Institutes, *Department of Health and Family Services*
- 05-14 An Audit: Universal Service Fund, *Public Service Commission*
- 05-15 An Audit: Local Government Property Insurance Fund, *Office of the Commissioner of Insurance*
- 05-16 An Audit: Petroleum Inspection Fee Revenue Obligations Program
- 05-17 An Audit: State Life Insurance Fund, *Office of the Commissioner of Insurance*
- 05-18 An Audit: Wisconsin Educational Communications Board Television Network
- 05-19 An Audit: Wisconsin Educational Communications Board Radio Network
- 05-20 An Audit: WHA Television
- 05-21 An Audit: WHA Radio
- 05-22 An Evaluation: Volunteer Fire Fighter and Emergency Medical Technician Service Award Program, *Department of Administration*

Unnumbered Reports

SeniorCare Eligibility (January 2005)

Cellular Phones (February 2005)

Department of Financial Institutions (April 2005)

Fiscal Review of Office of the State Public Defender (April 2005)

Physician Office Visit Data Program (April 2005)

Budgetary Issues (May 2005)

Multifamily Dwelling Code (May 2005)

Area Cooperation Compacts (June 2005)

Financial Management of Selected W-2 Agencies (July 2005)

Materials Distribution Services and Surplus With A Purpose (August 2005)

Use of Outside Legal Counsel (August 2005)

Letter on Medical College of Wisconsin Education Contract
(August 2005)

Letter on Marquette School of Dentistry Service Contract
(August 2005)

Letter on Marquette School of Dentistry Education Contract
(August 2005)

Worker's Compensation Benefits Paid to State Employees (August 2005)

Hunter Education Program (August 2005)

Comments on Annual Fiscal Report (October 2005)

Wisconsin Public Broadcasting Foundation, Inc. (December 2005)

Sales and Use Tax Distributions (December 2005)

Audit Opinions and Certifications

Certification of the State's net indebtedness as of January 1, 2005

Independent Auditor's Report on the FY 2004-05 Financial Statements of the State of Wisconsin

Independent Auditor's Report on the 2004 Financial Statements of the Department of Employee Trust Funds

Independent Auditor's Report on the FY 2004-05 and FY 2003-04 Financial Statements of the State of Wisconsin Investment Board's Retirement Investment Trust Funds

Independent Auditor's Report on the FY 2004-05 and FY 2003-04 Financial Statements of the State of Wisconsin Investment Fund

Independent Auditor's Report on the FY 2004-05 and FY 2003-04 Financial Statements of the State of Wisconsin Investment Board's Various Funds

Independent Auditor's Report on the FY 2004-05 Financial Statements of the University of Wisconsin System

Certification of cash and securities related to cash management functions that were transferred from the Office of the State Treasurer to the Department of Administration as of June 30, 2004

Appendix 4

Chronological Listing of Reports Issued in 2006

Numbered Reports

- 06-1 An Evaluation: Milwaukee County Child Welfare—Program Issues, *Department of Health and Family Services*
- 06-2 An Evaluation: Milwaukee County Child Welfare—Finances and Staffing, *Department of Health and Family Services*
- 06-3 An Evaluation: Wisconsin Educational Services Program for the Deaf and Hard of Hearing, *Department of Public Instruction*
- 06-4 An Audit: State of Wisconsin, 2004-05 (Single Audit)
- 06-5 An Audit: Universal Service Fund, *Public Service Commission*
- 06-6 An Evaluation: Fish and Wildlife Funding, *Department of Natural Resources*
- 06-7 An Audit: State Fair Park
- 06-8 An Audit: Wisconsin Lottery, *Department of Revenue*
- 06-9 A Review: State Economic Development Programs
- 06-10 An Audit: Health Insurance Risk-Sharing Plan, *Department of Health and Family Services*
- 06-11 An Audit: Wisconsin Mental Health Institutes, *Department of Health and Family Services*
- 06-12 An Evaluation: Personnel Policies and Practices, *University of Wisconsin System*
- 06-13 An Evaluation: Chronic Wasting Disease, *Department of Natural Resources*
- 06-14 An Audit: Petroleum Inspection Fee Revenue Obligations Program
- 06-15 An Audit: WHA Television
- 06-16 An Audit: WHA Radio
- 06-17 An Audit: Educational Communications Board Television Network
- 06-18 An Audit: Educational Communications Board Radio Network

Unnumbered Reports

Environmental Cooperation Pilot Program (February 2006)

Employment of Felons by UW System (February 2006)

Wisconsin Retirement System Actuarial Audit (June 2006)

Employment of Felons by the Wisconsin Technical College System (June 2006)

Applied Technology Centers, *Gateway Technical College* (June 2006)

Best Practices Review: County Emergency Management Activities (November 2006)

Wisconsin Public Broadcasting Foundation, Inc. (December 2006)

Audit Opinions and Certifications

Certification of the State's net indebtedness as of January 1, 2006

Independent Auditor's Report on the FY 2005-06 Financial Statements of the State of Wisconsin

Independent Auditor's Report on the FY 2005-06 and FY 2004-05 Financial Statements of the State of Wisconsin Investment Board's Retirement Investment Trust Funds

Independent Auditor's Report on the FY 2005-06 and FY 2004-05 Financial Statements of the State of Wisconsin Investment Fund

Independent Auditor's Report on the FY 2005-06 and FY 2004-05 Financial Statements of the State of Wisconsin Investment Board's Various Funds

Independent Auditor's Report on the FY 2005-06 Financial Statements of the University of Wisconsin System

Biennial certification of cash and securities in the custody of the Department of Administration as of June 30, 2005

Certification to incoming and outgoing Secretaries of cash and securities in the custody of the Department of Administration as of September 30, 2005

Index of Audits by Principal Audited Entity

Only agencies or entities that were the principal subjects of our audit and evaluation efforts in the 2005-06 biennium financial are included in the listing that follows, although others may have been included in our work. The entire state enterprise is considered in our annual comprehensive audit of the State's financial statements, and our annual audit of compliance with federal grant requirements encompasses all state agencies that receive federal funds.

Administration, Department of

Certification of the State's net indebtedness as of January 1, 2006

Volunteer Fire Fighter and Emergency Medical Technician Service Award Program
(report 05-22)

Certification to incoming and outgoing Secretaries of the cash and securities
in the custody of the Department of Administration as of September 30, 2005

Division of Gaming (report 05-11)

Letter on Worker's Compensation Benefits Paid to State Employees (August 2005)

Biennial certification of cash and securities in the custody of the Department of
Administration as of June 30, 2005

State Fleet Management (report 05-7)

Letter on Cellular Phones (February 2005)

Certification of the State's net indebtedness as of January 1, 2005

Commerce, Department of

Petroleum Inspection Fee Revenue Obligations, FY 2005-06 and FY 2004-05
(report 06-14)

State Economic Development Programs (report 06-9)

Petroleum Inspection Fee Revenue Obligations, FY 2004-05 and FY 2003-04
(report 05-16)

Letter on Multifamily Dwelling Code (May 2005)

Commissioner of Insurance, Office of the

Local Government Property Insurance Fund (report 05-15)

State Life Insurance Fund (report 05-17)

County Governments

Best Practices Review of County Emergency Management Activities
(November 2006)

Educational Communications Board

Wisconsin Educational Communications Board Radio Network, FY 2005-06
(report 06-18)

Wisconsin Educational Communications Board Television Network, FY 2005-06
(report 06-17)

Wisconsin Public Broadcasting Foundation, Inc., FY 2005-06 (December 2006)

Wisconsin Education Communications Board Radio Network, FY 2004-05
(report 05-19)

Wisconsin Educational Communications Board Television Network, FY 2004-05
(report 05-18)

Wisconsin Public Broadcasting Foundation, Inc., FY 2004-05 (December 2005)

Elections Board

Voter Registration (report 05-12)

Employee Trust Funds, Department of

Wisconsin Retirement System Actuarial Audit (June 2006)

Independent Auditor's Report on the 2004 Financial Statements of the
Department of Employee Trust Funds (November 2005)

Financial Institutions, Department of

Letter on the Department of Financial Institutions (April 2005)

Health and Family Services, Department of

Wisconsin Mental Health Institutes, FY 2004-05 (report 06-11)

Health Insurance Risk-Sharing Plan, FY 2004-05 (report 06-10)

Milwaukee County Child Welfare—Finances and Staffing (report 06-2)

Milwaukee County Child Welfare—Program Issues (report 06-1)

Wisconsin Mental Health Institutes, FY 2003-04 (report 05-13)

Health Insurance Risk-Sharing Plan, FY 2003-04 (report 05-9)

Letter on Physician Office Visit Data Program (April 2005)

Letter on SeniorCare Eligibility (January 2005)

Marquette University School of Dentistry

Letter on Dentistry Service Contract (August 2005)

Letter on Dentistry Education Contract (August 2005)

Medical College of Wisconsin

Letter on Education Contract (August 2005)

Military Affairs, Department of

Best Practices Review of County Emergency Management Activities
(November 2006)

Natural Resources, Department of

Chronic Wasting Disease (report 06-13)

Fish and Wildlife Funding (report 06-6)

Letter on Environmental Cooperation Pilot Program (February 2006)

Letter on Hunter Education Program (August 2005)

Public Defender, Office of the

Letter on Fiscal Review of the Office of the State Public Defender (April 2005)

Public Instruction, Department of

Wisconsin Educational Services Program for the Deaf and Hard of Hearing (report 06-3)

Children At Risk Program (report 05-4)

Public Service Commission

Universal Service Fund, FY 2004-05 and FY 2003-04 (report 06-5)

Universal Service Fund, FY 2003-04 and FY 2002-03 (report 05-14)

Revenue, Department of

Wisconsin Lottery, FY 2004-05 and FY 2003-04 (report 06-8)

Letter on Sales and Use Tax Distributions (December 2005)

Letter on Area Cooperation Compacts (June 2005)

Wisconsin Lottery, FY 2003-04 and FY 2002-03 (report 05-8)

State Fair Park

State Fair Park, FY 2004-05 (report 06-7)

State Fair Park, FY 2003-04 (report 05-10)

State Treasurer, Office of the

Certification of cash and securities related to cash management functions that were transferred from the Office of the State Treasurer to the Department of Administration as of June 30, 2004.

State of Wisconsin, Comprehensive

Independent Auditor's Report on FY 2005-06 Financial Statements of the State of Wisconsin (December 2006)

Single Audit, FY 2004-05 (report 06-4)

Comments on the Annual Fiscal Report (October 2005)

Letter on Budgetary Issues (May 2005)

Single Audit, FY 2003-04 (report 05-5)

Independent Auditor's Report on FY 2004-05 Financial Statements of the State of Wisconsin (December 2005)

State of Wisconsin Investment Board

Independent Auditor's Report on the FY 2005-06 and FY 2004-05 Financial Statements of the State of Wisconsin Investment Board's Retirement Investment Trust Funds (November 2006)

Independent Auditor's Report on the FY 2005-06 and FY 2004-05 Financial Statements of the State of Wisconsin Investment Board's Various Funds (November 2006)

Independent Auditor's Report on the FY 2005-06 and FY 2004-05 Financial Statements of the State of Wisconsin Investment Fund (August 2006)

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Independent Auditor's Report on the Financial Statements of the State of Wisconsin Investment Board's Various Funds (November 2005)

Independent Auditor's Report on the FY 2004-05 and FY 2003-04 Financial Statements of the State of Wisconsin Investment Fund (August 2005)

University of Wisconsin System

Independent Auditor's Report of FY 2005-06 Financial Statements of the University of Wisconsin System (December 2006)

WHA Radio, FY 2005-06 (report 06-16)

WHA Television, FY 2005-06 (report 06-15)

University of Wisconsin System Personnel Policies and Practices (report 06-12)

Letter on Employment of Felons by the University of Wisconsin System (February 2006)

Independent Auditor's Report of FY 2004-05 Financial Statements of the University of Wisconsin System (December 2005)

WHA Radio, FY 2004-05 (report 05-21)

WHA Television, FY 2004-05 (report 05-20)

Letter on Materials Distribution Service and Surplus With A Purpose (August 2005)

WHA Radio, FY 2003-04 (report 05-2)

WHA Television, FY 2003-04 (report 05-1)

Wisconsin Technical College System Board

Letter on Applied Technology Centers at Gateway Technical College
(June 2006)

Letter on Employment of Felons by the Wisconsin Technical College System
(June 2006)

Letter on Use of Outside Legal Counsel by the Wisconsin Technical College System
(August 2005)

Workforce Development, Department of

Wisconsin Works (W-2) Program (report 05-6)

Letter on Financial Management of Selected W-2 Agencies (July 2005)

Unemployment Reserve Fund (report 05-3)