

Eighty-Eighth Regular Session

WEDNESDAY, October 26, 1988

The chief clerk makes the following entries under the above date.

PETITIONS AND COMMUNICATIONS

State of Wisconsin
Office of the Secretary of State

October 18, 1988

To the Honorable the Senate

I have the honor to transmit to you the following information pursuant to s. 13.685(7):

Sincerely,

DOUGLAS LAFOLLETTE

Secretary of State

NEWLY REGISTERED LOBBYISTS AND THEIR PRINCIPALS:

BROWN, SENN, 122 W. Washington Ave., Madison, WI 53703 (608) 257-2622

1) WI Assn of School Boards, Inc., Elise Barnhart, Madison office: (608) 257-2622 132 W. Main St., Winneconne, WI 54986 (414) 582-4443 (education, employee relations, insurance, taxation, retirement, banking)

BROYDRICK, BILL, 600 E. Mason St., Milwaukee, WI 53202 (414)224-9393

1)WI Academy of Ophthalmology, Rober Herzog, 850 Elm Grove Rd., Elm Grove, WI 53122 (414)797-7878 (affect legislation related to the field of optometry)

BROYDRICK, CYNTHIA K., 600 E. Mason St., Milwaukee, WI 53202 (414)224-9393

1)State Medical Society of Wisconsin, Theresa Hottenroth, 330 E. Lakeside St., Madison, WI 53715 (608)257-6781 (health care)

BUCHEN, ELIZABETH, 100 State St., Madison, WI 53703 (608)255-0566

1)WI Academy of Ophthalmology, Robert Herzog, 850 Elm Grove Rd., Elm Grove, WI 53122 (414)797-7878 (affect legislation related to the field of optometry)

DACEY, SCOTT, 600 E. Mason, Milwaukee, WI 53202 (414)224-9393

1)WI Academy of Ophthalmology, Robert Herzog, 850 Elm Grove Rd., Elm Grove, WI 53122 (414)797-7878 (affect legislation related to the field of optometry)

HEPHNER, GERVASE A., 14 S. Carroll St., Madison, WI 53703 (608)257-3000

1)Hi-Tech Film, Robert Grogran, Pres., 1151 S. Park St., Chilton, WI 53014 (414)849-7705 (relocation and development, job expansion, state funding, and other business concerns)

HILBERT, LISA, 16 N. Carroll St., Ste. 200, Madison, WI 53703 (608)255-5522

1)WI Physical Therapy Assn., Inc., Otto A. Cordero, 6414 Cops Ave., Ste. 124, Madison, WI 53716 (608)221-0874 (health and human services, health and safety)

HEPHNER, GERVASE A., 14 S. Carroll St., Madison, WI 53703 (608)257-3000

1)Tavern Hosts of Wisconsin, Dick Weishaupt, Rt. 5, P.O. Box 5103, Hayward, WI 54843 (715)634-4277 (any legislative or administrative action pertaining to retail alcohol beverages licenses or licensees)

LETZING, SYBIL H., 2 E. Mifflin St., Ste. 600, Madison, WI 53703 (608)255-8891

1)WI Meat Processors Assn., James W. Hewitt, 8300 County V, Marshfield, WI 54449 (715)676-3315 (any function or activity of any branch, department or phase of federal, state or local government; agriculture, outdoors or environment; taxation; regulation of business, finance or insurance; or other topics pertaining to the general public health or welfare)

TERMINATION OF LOBBYIST LICENSES:

Mary K. Haffenbredl terminated as of October 12, 1988 for WI Physical Therapy Assn, Inc.

Gail Humphreys terminated as of September 20, 1988 for WI District Attorneys Assn., Inc.

Richard Rouse terminated as of October 17, 1988 for WI Council of the National Alliance of Franchisees

Burton A. Wagner terminated as of October 12, 1988 for WI Physical Therapy Assn, Inc.

MISC. CHANGES:

Contact person for WI Chiefs of Police Assn. is now Donald L. Thaves

State of Wisconsin
Legislative Audit Bureau

October 24, 1988

To the Honorable the Legislature

We have completed an audit of the Office of the Commissioner of Credit Unions to satisfy our responsibilities under s.13.94, Wis. Stats. The major focus of our audit was to assess the effectiveness of the Office in monitoring state-chartered credit union activity and determine its compliance with other statutory requirements.

The most important way for the Office to ensure safe and solvent credit union operations is through the examination process. Examination procedures generally appear adequate to monitor the financial condition of credit unions. However, we found the Office needs to examine problem credit unions more frequently and ensure its policies and standards over examination documentation and reports are consistently followed. In addition, the Office needs to develop policies and procedures which identify and monitor allowed and restricted uses of state-chartered credit unions by office staff. We also reviewed the fiscal operations of the Office and recommended improved controls over expenditure processing and monitoring of the year-end cash balance, which has more than doubled over the last three years.

In addition to its regular monitoring activities, the Office also has assisted credit unions become eligible for federal deposit insurance by January, 1990, as required by state statutes. Over 97 percent of the State's credit unions are currently federally insured, with the remaining institutions expected to be insured or merged with other, stronger credit unions by January, 1990.

We appreciate the courtesy and cooperation extended to us by the Office of the Commissioner of Credit Unions. The Offices's response to the report is the Appendix.

Dale Cattanach
State Auditor

State of Wisconsin
Legislative Audit Bureau

October 19, 1988

To the Honorable the Legislature

We have completed our fiscal audit of the State of Wisconsin Board of Commissioners of Public Lands as required by s. 13.94, Wis. Stats. Our review was designed to ensure fiscal activities of the Board were properly conducted and in accordance with statutory requirements and Board policy. Overall, we found the fiscal affairs of the Board were carried out in a satisfactory manner for the fiscal year audited, 1986-87. We did find, however, three areas meriting attention: 1) inconsistent application of some Board policies, 2) errors detected in a small number of loan files, and 3) tardy personnel evaluations.

Inconsistent applications of Board loan policies

The Commissioners set loan interest rates, limit the amount a municipality can borrow in a year, and establish other policies for its loan program. The Board Secretary is delegated the authority to approve and disburse funds prior to Board approval. Our concern is that the Board Secretary may have processed loans which superseded recorded Board policies in two areas: the refinancing of loans and the deferral of principal payments.

On May 17, 1984, the Board suspended the practice of refinancing loans in order to ensure sufficient funds were available to commit to new projects. The policy was reaffirmed at Board meetings in April, 1985, and September, 1986. This policy then stayed in effect until September, 1987, when the Board passed a resolution allowing refinancing on a case-by-case basis. During the year prior to the 1987 meeting which again allowed refinancing, Board staff processed nine loans totalling \$2.1 million to refinance outstanding loan payments. The Board Secretary may have contacted the Board Chairman for approval of the projects, but there is no documentation in the Board minutes or in the loan files that Board Chairman approval was given or that this type of approval process is an acceptable alternative to obtaining full Board approval for these exceptions to established Board policy.

We do note, however, the Commissioners receive a detailed report of all loans approved by the Secretary. The Commissioners could have, if they wished, objected to the Secretary's action if it concerned them. The issue is not whether the restrictions on refinancing were appropriate, but rather that a documented policy on refinancing was overridden without apparent authority to do so.

The Commissioners passed a motion at the January 17, 1979, meeting that all repayment schedules with a deferred principal payment be separately discussed by the Commissioners. This policy was passed by the Commissioners to restrict the number of such financial arrangements. In a review of the current municipality loan repayment schedules and Board minutes, we identified seven cases in which the municipality had requested deferred principal repayment schedules; in five of these cases the discussion did not take place as required by Board policy. Before the Board meetings, the Commissioners receive a list of loans approved by the Board Secretary. The list the Commissioners receive does not give any information concerning the repayment schedule. The Commissioners approved the five loans without knowledge of the deferred principal payment schedules.

We understand that it may be difficult or impractical to hold full Board meetings to consider every instance in which the Secretary recommends an exception to Board policy. It may be useful for the Board to delegate the authority to approve special case loans to the Chairman of the Board. The Secretary would then be expected to bring special cases to the Chairman and document the loan decision that is made.

We recommend the Commissioners:

clarify the authority the Board Secretary has in approving loans and disbursing funds; and

consider delegating to the Board Chairman the authority to approve loans which may be inconsistent with current Board policy.

Errors in loan files

During our review of the loan processing system, we tested 25 loan files for: 1) the presence of a certificate of indebtedness signed by the municipality; 2) loan approval by the Attorney General; 3) municipal approval of the loan application; 4) total indebtedness within statutory limit; and 5) a repayment schedule completed with the correct interest rate. Our test revealed no errors for the first four criteria; however, we did find three errors for the last criterion. As a result of the three errors identified, the test was expanded to include an additional 50 loan files; one additional error was found.

One of the three errors in the initial sample related to funds disbursed in July, 1986. The municipality had signed a certificate of indebtedness with an interest rate of 7.5 percent, but the Board staff sent out a payment schedule with an interest rate of 6.5 percent. The Board staff had entered the incorrect interest rate onto the loan accounting database. Two annual principal and interest payments had been made by the municipality. Due to the interest rate error, interest earnings, which are appropriated for library aids, were undercollected by \$6,278 for the two-year period. The one percent error could result in a loss of \$40,307, in interest earnings over the life of the loan. We were unable to determine why the error was not discovered by the Board staff.

The remaining two errors in the initial sample were made on recently processed loans and did not affect the fund balance. Both errors were due to the incorrect transfer of information to the computerized loan accounting system. These errors could have been found when the account clerk performed the routine task of verifying the repayment schedule to the loan data entry form and the certificate of indebtedness. Again, we could not determine why the error was not discovered by the Board staff.

The error found in the additional test of 50 recently disbursed loans resulting from incorrect entry of the disbursement amount, \$626,000 instead of \$625,000, onto the loan accounting database. The disbursement was made in January, 1988, and would ordinarily be discovered in the monthly reconciliation of fund balances. However, the Board staff did not reconcile the January fund balance until May, 1988, after our fieldwork in this area was completed. The timely completion of monthly reconciliations is essential to ensure month-end reports are accurate so that decisions on loaning unallocated fund balances can be appropriately made.

We recommend the Board staff:

prepare new repayment schedules for the four identified incorrect files,

bill the responsible municipality for the identified \$6,278 in underassessed interest earnings,

develop procedures to ensure consistent verification of the repayment schedules to the loan data entry form and the certificate of indebtedness, and

ensure monthly reconciliations are performed on a timely basis.

The Board Secretary has assured that corrections have been made.

Tardy personnel evaluations

The Board of Commissioners of Public Lands employs eight permanent employees and one temporary worker. Five permanent employees and the temporary worker are located in the Madison office and three permanent employees are in the Woodruff office. We noted staff evaluations are not being prepared on an annual basis.

The Department of Employment Relations Administrative Code section 45.03 states that (1) the intent and purpose of performance evaluation shall be communicated to all employees, (2) performance standards shall be established for and communicated to each employe prior to the period for which the employe is being evaluated and serve as a basis for evaluating performance, and (3) a formal performance evaluation review shall be conducted with each employe at least every 12 months. We found that the Board Secretary has not complied with these requirements. Annual evaluations for staff were last done in 1984, with one exception when a probationary evaluation was given to the account specialist in July, 1987, four months after employment began.

The Office of the Commissioners of Public Lands is administratively attached to the Department of Justice. The Department has instituted practices to comply with state personnel requirement. In June, 1988, the Department's personnel office instructed the Board Secretary to develop performance standards for staff in anticipation of future evaluations. The standards had not yet been developed by the Board Secretary at the time of our review.

We recommend the Board direct its Secretary to comply with state requirements for the development of employe performance standards and completion of annual personnel evaluations. The Board Secretary has assured us he intends to complete soon all personnel evaluations.

We hope that our comments are helpful to you and your staff. We appreciate the courtesy and cooperation extended to us by the staff of the Board of Commissioners of Public Lands.

Dale Cattnach
State Auditor

EXECUTIVE COMMUNICATIONS

State of Wisconsin
Office of the Governor

October 19, 1988

To the Honorable, the Senate:

I am pleased to nominate and with the advice and consent of the Senate, do appoint ROGER STAUTER of Madison, as a member of the Historical Society Board of Curators pursuant to the statute governing, to serve for the term ending October 15, 1991.

Respectfully,
TOMMY THOMPSON
Governor

Read and referred to committee on Housing, Government Operations and Cultural Affairs.

SENATE CLEARINGHOUSE ORDERS

Senate Clearinghouse Rule 88-30

Relating to nursing homes.

Submitted by Department of Health and Social Services.

Report received from agency, October 24, 1988.

Referred to committee on Agriculture, Health and Human Services, October 26, 1988.

Senate Clearinghouse Rule 88-86

Relating to the regulation of legal expense insurance and to allow for modification of capital requirements.

Submitted by Office of the Commissioner of Insurance.

Report received from agency, October 24, 1988.

Referred to committee on Labor, Business, Insurance, Veterans' and Military Affairs, October 26, 1988.

Senate Clearinghouse Rule 88-101

Relating to immunization requirements for elementary school, middle school, junior high school and senior high school students and for children attending day care centers.

Submitted by Department of Health and Social Services.

Report received from agency, October 21, 1988.

Referred to committee on Agriculture, Health and Human Services, October 26, 1988.

Senate Clearinghouse Rule 88-123

Relating to the elderly and handicapped transportation assistance program for private nonprofit organizations.

Submitted by Department of Transportation.

Report received from agency, October 20, 1988.

Referred to committee on Transportation, Tourism and Conservation, October 26, 1988.

Senate Clearinghouse Rule 88-141

Relating to transition requirements for Medicare supplement policies.

Submitted by Office of the Commissioner of Insurance.

Report received from agency, October 25, 1988.

Referred to committee on Labor, Business, Insurance, Veterans' and Military Affairs, October 26, 1988.

The committee on Education reports and recommends:

Senate Clearinghouse Rule 88-66

Relating to application and renewal fees required of for-profit postsecondary schools.

No action taken.

Joseph Czarnecki
Chair

The committee on Urban Affairs, Energy, Environmental Resources and Elections reports and recommends:

Senate Clearinghouse Rule 88-17

Relating to well driller and pump installer registration.

No action taken.

Senate Clearinghouse Rule 88-21

Relating to definition changes and permit exemption criteria for the establishment of an ambient air quality standard for particulate matter with a diameter of 10 micrometers or less.

No action taken.

Mordecai Lee
Chair