

Joint Audit Committee

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**Audit Identifies Lack of Monthly Bank Reconciliations**

**MADISON** – Friday, the nonpartisan Legislative Audit Bureau (LAB) issued report 16-10, which relates to the financial statement audit of the Wisconsin Retirement System (WRS) for calendar year 2015, and report 16-11, which relates to the audit of the Schedule of Employer Allocations of the WRS and the Schedule of Pension Amounts by Employer of the WRS (employer schedules) for calendar year 2015. ETF calculated a net pension liability for the WRS of \$1.6 billion as of December 31, 2015.

The 2015 WRS financial statements and the employer schedules, which are critical to financial reporting for employers participating in the WRS, were completed later than originally anticipated. This resulted in delays in financial reporting for many of the almost 1,500 employers participating in the WRS, including school districts, the University of Wisconsin Hospitals and Clinics Authority, the Wisconsin Housing and Economic Development Authority, and the Wisconsin Economic Development Corporation.

LAB indicated that these delays related, in part, to the effects of the State’s October 2015 implementation of a new enterprise resources planning system, STAR, on ETF’s financial statement preparation. In addition, the delays occurred because the State Controller’s Office (SCO) in the Department of Administration (DOA) did not perform monthly bank reconciliations once STAR was implemented. LAB explained that a bank reconciliation identifies differences between an entity’s accounting records and the bank statement account balance and ultimately provides assurance that both sets of records are correct.

“We need to have precise financial reporting. Everything depends on having accurate numbers from our financial reports. Ensuring that our reports are accurate and match the cash in the bank is no different than a family balancing a checkbook. While there may be some complexities with the implementation of STAR, it is my expectation that DOA will continue to perform bank reconciliations and ensure that the checkbook balances,” said State Senator Robert Cowles (R-Green Bay).

LAB formally communicated its concerns in a July 2016 memorandum to the State Controller and SCO agreed with LAB’s concerns.

“Although I’m disappointed that monthly bank reconciliations stopped for a time, I am pleased that SCO and DOA have agreed that monthly bank reconciliations are important,” said State Representative Samantha Kerkman (R-Salem).

Although LAB acknowledged that SCO does have other controls in place related to cash processing and has worked with the State’s bank to implement fraud controls, LAB reported the lack of complete and timely bank reconciliations as a significant deficiency in internal controls over financial reporting in report 16-10. Copies of report 16-10 and report 16-11 may be obtained from LAB’s website at [www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab) or by calling (608) 266-2818.

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