



DAN FEYEN

STATE SENATOR

18th Senate District
(608) 266-5300
Sen.Feyen@legis.wi.gov

PO Box 7882, Madison, WI 53707-7882
<http://legis.wisconsin.gov/senate/18/feyen>

To: The Senate Committee on Financial Services, Constitution, and Federalism
From: Sen. Dan Feyen
Re: Senate Joint Resolution 3

Mr. Chairman, members of the committee, thank you for holding this hearing today.

I am here to advocate for the elimination of the constitutional office of State Treasurer. I do not believe that we should flippantly change our state's constitution; however, I think that eliminating the state treasurer is a well thought through and necessary change that reflects the modernization and streamlining that our government needs.

If you recall, last session both houses passed 2015 Assembly Joint Resolution 5, which is identical to the resolution before us today. So, the majority of members of the legislature have already voted in favor of this measure once. However, procedurally, we must do so twice. Therefore, we are here today in order to ensure completion of the elimination of the Office of State Treasurer.

The Office of the State Treasurer has no purpose and no reason to exist, as the current state treasurer will happily tell you. In the past the office had responsibilities that were vital to the operation of the state, but as times have changed all of those responsibilities have been transferred to different offices and agencies where they can be better executed.

The monetary savings from eliminating this office will not be huge: the office's budget was reduced to just over \$346,000 in the 2015-2017 state budget. However, if the legislature cannot stop spending hundreds of thousands of dollars that are not vital to the functioning of the state's government, we cannot look at our constituents and tell them that we are being good stewards of their money.

To the average taxpayer or business owner an expense of \$346,000 on an office that does nothing would be unfathomable. It's time the state holds our actions and expenses to the same standards as the average taxpayer or business owner. We are sent here to advocate for these people and that is why I am a proponent of ending the Office of the State Treasurer.

Thank you for your time and consideration. I greatly appreciate it.



MICHAEL SCHRAA

STATE REPRESENTATIVE • 53RD ASSEMBLY DISTRICT

P.O. Box 8953
Madison, WI 53708

Office: (608) 267-7990
Toll-Free: (608) 534-0053
Rep.Schraa@legis.wi.gov

Testimony on SJR 3/AJR 2

Thank you, Chairman Craig and members of the Financial Services, Constitution and Federalism Committee for this opportunity to testify on Senate Joint Resolution 3, which is a constitutional amendment to eliminate the office of the State Treasurer.

This year, we commemorate the 100th anniversary of this capitol building, a structure that once housed all of state government. In fact, my office is in the area that was once occupied by the State Treasurer. Just down the hall is the door to the original safe, which is a beautiful piece of history, interesting, but no longer of any practical use.

It is the same with the office of the State Treasurer. At one time, this Constitutional office was essential to the functioning of State Government, but a few things have changed since the Constitution of Wisconsin was adopted in 1848. The Department of Revenue administers the collection of taxes, and the Department of Administration oversees the payment of expenses. Now that the Unclaimed Property Program has been successfully transferred to the Department of Revenue, the only task remaining for the State Treasurer is to serve on the Board of Commissioners of Public Lands, a duty will be assumed by the Lieutenant Governor under this resolution. The position is now just symbolic in nature – a relic of the past.

We hear time and again that citizens want smaller, more efficient government. SJR 3 is an opportunity to do just that. The 2017-19 budget proposal for the State Treasurer is \$9,495,200 less than the 2011-13 biennium. It is my opinion that the best course of action is to eliminate the office and the related expenses.

We all hold the Constitution of the State of Wisconsin in high regard, and no change should be undertaken lightly. However, there has been broad and long-term support for this proposal. Our current Treasurer, Matt Adamczyk, was elected on the platform of eliminating the office, as was his predecessor, Kurt Schuller.

It is my opinion that the decision as to whether or not to retain the unnecessary office of State Treasurer should be left to the voters. This is the second consideration of the resolution. Upon passage, the Amendment will go to a statewide referendum on April 3, 2018. Let's let the citizens of Wisconsin decide.

Thank you for the opportunity to present my testimony, and I will be glad to take any questions you may have.

Testimony

By Jack C. Voight

Outagamie County Treasurer
(January 2017 – present)

Wisconsin State Treasurer
(1995 – 2007)

**Before Senate Committee on Financial Services,
Constitution and Federalism**

Tuesday, February 28, 2017

Room 300 Southeast, State Capitol

Madison, Wisconsin

The founders of the State of Wisconsin clearly understood that democracy requires checks and balances and the separation of powers among the several statewide elected officials, rather than concentrating all or many powers within the office of governor.

The citizens of Wisconsin have elected a state treasurer since 1848 with clear responsibilities and duties established in the Constitution and by legislative action.

Unfortunately, in recent years, the Office of State Treasurer has been stripped of its traditional responsibilities, which have been transferred to the executive branch, promising cost-savings, yet no public money was ever saved. These respective duties and functions remain and their costs remain the same; they are simply performed by state agencies and bureaucrats controlled by the governor.

Certain members of the Wisconsin Legislature are again proposing to eliminate the Office of State Treasurer based upon the flimsy, empty promise to save money.

During my service as Wisconsin State Treasurer, the office was a revenue-producer, requiring no tax dollars, and accountable to the electorate and citizens of Wisconsin.

Additionally, waiting in the shadows, is a notion, an idea, a too-clever proposition that includes risky and radical restrictions to be placed upon the Board of Commissioners of Public Lands which controls nearly one billion dollars of investments and the ownership of some 80,000 acres of forest lands in northern Wisconsin, all for the benefit of the state's public schools and libraries.

For the Board's assets of (more than) \$1 billion to be placed under the control of unelected bureaucrats and conniving politicians ... to sweeten the general fund for God-only-knows what political purposes ... would be a travesty ... a disgrace ... and an abrogation of the oath of office by those who would seek and support this travesty.

"Wisconsin has a good history of ensuring that government structures serve the people. The proposal to eliminate the Office of State Treasurer, or any elected, constitutional position and to shift authority to appointed cronies and unaccountable agencies [is] exceptionally unwise." So expressed a Capital Times editorial, October 7, 2013.

I agree totally!

Moreover, as then-State Treasurer Kurt Schuller wrote in October 2013: "I do believe this office can continue to play an important financial role in Wisconsin's government ..."

For years, the political elite have chipped away at the Treasurer's Office ... taking responsibilities away from an elected official accountable to the citizens of Wisconsin ... and concentrating it in the hands of bureaucrats ... NOT accountable to the people. This is wrong. It is not a conservative idea, not a progressive idea. It's just Madison politics ... pure and simple ... at its worst!

As a former State Treasurer, it is my considered opinion that certain important functions removed from the Office should be returned and restored to the Office ... to wit: Cash Management ... Unclaimed Property ... the Local Government Investment Pool and the EdVest College Savings Program.

**Gentlemen, my fellow conservatives, remember and respect
your oaths of office!**

DATE: 2/28/2017

TO: Members of the Senate Committee on Financial Services, Constitution and Federalism

FROM: Jamie J. Aulik, former Manitowoc County Clerk

RE: Testimony opposing SJR-3, eliminating office of state Treasurer

At first glance, the proposal to eliminate the office of the state Treasurer may look like a common-sense way to streamline state operations. After more careful reflection, however, it appears to be a consolidation of power that makes government less accountable, dilutes citizens' influence, and has no guaranteed fiscal benefits.

The more eyes on public money, the better

- As we saw in past sessions, even a unit of government the size of the UW system can have fiscal issues; larger units of government need more oversight, not less.
- The treasurer is an independently elected official who is charged to exercise fiscal oversight irrespective of the officer in charge of the executive branch, and is directly accountable to voters. Elected officials are oftentimes more transparent than work performed by those insulated in a sprawling bureaucratic department.

Questionable cost savings

- Work performed in the State Treasurer's office wasn't eliminated; it was merely shifted to other state personnel or agencies.
- Oftentimes, appointees who perform the same managerial work are paid more than elected officials.

Eliminating the state Treasurer consolidates power

- The wise authors of Wisconsin's constitution created a divided government that provided checks and balances not only between branches of government, but also within the individual branches.
- Regardless of which party holds each elected office, the state treasurer is an integral part of the delicate balance of power within the executive branch. Eliminating the office and transferring duties to personnel appointed by, and/or overseen by, the governor's office creates a disconcerting consolidation of power that has the potential to compromise fair and transparent government.

Less citizen representation and less access

- Adoption of this measure would deprive Wisconsinites of an independently elected voice in their state government, further removing citizens from those who are charged with serving them.
- Elected officials are held accountable by their constituents through the voting process. Appointed employees have no such accountability to the will of the majority; they are only accountable to a select few. This paves the way for less responsive and responsible government.

It is shortsighted to eliminate the office

- Administrations come and go, and we may not want this office eliminated because it has the potential to serve as a check within state government regardless of who is in the Governor's mansion.

In sum, the office shouldn't be eliminated, rather it's time to restore duties the office of the state Treasurer so it can serve as an important check to ensure fiscal responsibility and accountability within state government.



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 28, 2013

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Unclaimed Property Program Transfer to the Department of Revenue

This memorandum provides information relating to the transfer of the unclaimed property program from the Office of State Treasurer to the Department of Revenue (DOR) under Motion #230 (attached), adopted by the Committee on Wednesday, May 15. Currently, base funding for the unclaimed property program administrative expenses appropriation is \$4,861,100 PR annually, funded from unclaimed property program revenue. The program is authorized 9.95 PR positions. Under AB 40, the appropriation is funded \$4,874,600 PR in 2013-14 and \$4,877,600 PR in 2014-15 and 9.95 PR positions annually. Program revenue from unclaimed property is the only funding source for the Office of State Treasurer.

Motion #230 provides \$4,329,800 PR in 2013-14 and \$4,332,800 PR in 2014-15 and 5.95 PR positions annually to DOR for the transfer of the administration of the unclaimed property program from the Office of State Treasurer. An annual PR appropriation would be newly created within DOR for this purpose. In addition, the motion specifies that the incumbent employees currently occupying the 5.95 positions would be transferred and any employment rights and status that the employees currently have at the Office of State Treasurer be retained.

Further, under the motion, the appropriation from which the Treasurer is currently funded would remain intact, with reduced expenditure authority of \$544,800 PR and 4.0 PR positions annually (including the State Treasurer and Deputy State Treasurer). The motion renames the appropriation to be the administrative expenses appropriation. The 4.0 PR positions in the Office of State Treasurer would continue to be funded from unclaimed property program revenue.

In relation to the source of funding for the Treasurer, the Board of Commissioners of Public Lands and staff attorneys at the Legislative Reference Bureau have raised concerns regarding the continued use of unclaimed property program revenue to fund the Treasurer. Specifically, Article X Section 2 of the Constitution requires that unclaimed property proceeds (the clear proceeds of all

property that accrues to the state by forfeiture or escheat) be deposited in the Common School Fund. Although state statute permits the use of unclaimed property program revenue to defray expenses associated with the administration of the program, a complete transfer of all administrative duties relating to the program would disconnect the Office from this purpose and prohibit the continued use of the program revenue by the Treasurer for constitutional reasons. Further, the 4.0 PR positions that would remain with the Treasurer under the motion have experience conducting outreach efforts for the program.

Legislative attorneys have advised that in order to achieve the goal of the motion using the current revenues from the unclaimed property program to fund the operations of the Office of the State Treasurer and to conform to constitutional requirements, the duties of the State Treasurer would need to be modified to *require that the Treasurer provide services related to the promotion of the unclaimed property program in consultation with the Secretary of DOR*. To accomplish the Committee's intent under Motion #230, and to address the issue raised in this memorandum, the language that will be included in the Committee's substitute amendment will be drafted to contain the language in italics shown above.

If you have any questions about this memorandum, please contact me.

RJ/lb
Attachment

STATE TREASURER

Unclaimed Property Program Transfer

Motion:

Move to transfer administration of the unclaimed property program from the Office of State Treasurer (OST) to the Department of Revenue (DOR). Modify statutory language relating to the unclaimed property program to reflect the change in administration of the program.

Create an annual PR appropriation within DOR for administrative expenses associated with the unclaimed property program, funded from unclaimed property program revenue. Provide \$4,329,800 PR in 2013-14 and \$4,332,800 PR in 2014-15 and 5.95 PR positions annually to the appropriation.

Delete \$4,329,800 PR in 2013-14 and \$4,332,800 PR in 2014-15 and 5.95 PR positions annually in the OST's unclaimed property administrative expenses appropriation. Rename the appropriation to be the general program operations appropriation. In addition, transfer the following unclaimed property program appropriations to DOR: (1) unclaimed property contingency appropriation; and (2) unclaimed property claims appropriation.

Specify that the incumbent employees currently occupying the positions be transferred and any employment rights and status that the employees currently have at the OST be retained.

Note:

The motion would transfer the following positions from the OST to DOR for administration of the unclaimed property program: (a) records management program supervisor (1.0 position); (b) financial specialist (2.25 positions); (c) operations program associate (1.7 positions); (d) community services specialist (1.0 position).

ARTICLE X.

EDUCATION

Superintendent of public instruction. SECTION 1. [As amended Nov. 1902 and Nov. 1982] The supervision of public instruction shall be vested in a state superintendent and such other officers as the legislature shall direct; and their qualifications, powers, duties and compensation shall be prescribed by law. The state superintendent shall be chosen by the qualified electors of the state at the same time and in the same manner as members of the supreme court, and shall hold office for 4 years from the succeeding first Monday in July. The term of office, time and manner of electing or appointing all other officers of supervision of public instruction shall be fixed by law. [1899 J.R. 16, 1901 J.R. 3, 1901 c. 258, vote Nov. 1902; 1979 J.R. 36, 1981 J.R. 29, vote Nov. 1982]

School fund created; income applied. SECTION 2. [As amended Nov. 1982] The proceeds of all lands that have been or hereafter may be granted by the United States to this state for educational purposes (except the lands heretofore granted for the purposes of a university) and all moneys and the clear proceeds of all property that may accrue to the state by forfeiture or escheat; and the clear proceeds of all fines collected in the several counties for any breach of the penal laws, and all moneys arising from any grant to the state where the purposes of such grant are not specified, and the 500,000 acres of land to which the state is entitled by the provisions of an act of congress, entitled "An act to appropriate the proceeds of the sales of the public lands and to grant pre-emption rights," approved September 4, 1841; and also the 5 percent of the net proceeds of the public lands to which the state shall become entitled on admission into the union (if congress shall consent to such appropriation of the 2 grants last mentioned) shall be set apart as a separate fund to be called "the school fund," the interest of which and all other revenues derived from the school lands shall be exclusively applied to the following objects, to wit: (1) To the support and maintenance of common schools, in each school district, and the purchase of suitable libraries and apparatus therefor.

(2) The residue shall be appropriated to the support and maintenance of academies and normal schools, and suitable libraries and apparatus therefor. [1979 J.R. 36, 1981 J.R. 29, vote Nov. 1982]

District schools; tuition; sectarian instruction; released time. SECTION 3. [As amended April 1972] The legislature shall provide by law for the establishment of district schools, which shall be as nearly uniform as practicable; and such schools shall be free and without charge for tuition to all children between the ages of 4 and 20 years; and no sectarian instruction shall be allowed therein; but the legislature by law may, for the purpose of religious instruction outside the district schools, authorize the release of students during regular school hours. [1969 J.R. 37, 1971 J.R. 28, vote April 1972]

Annual school tax. SECTION 4. Each town and city shall be required to raise by tax, annually, for the support of common schools therein, a sum not less than one-half the amount received by such town or city respectively for school purposes from the income of the school fund.

Income of school fund. SECTION 5. Provision shall be made by law for the distribution of the income of the school fund among the several towns and cities of the state for the support of common schools therein, in some just proportion to the number of children and youth resident therein between the ages of four and twenty years, and no appropriation shall be made from the school fund to any city or town for the year in which said city or town shall fail to raise such tax; nor to any school district for the year in which a school shall not be maintained at least three months.

State university; support. SECTION 6. Provision shall be made by law for the establishment of a state university at or near the seat of state government, and for connecting with the same, from time to time, such colleges in different parts of the state as the interests of education may require. The proceeds of all lands that have been or may hereafter be granted by the United States to the state for the support of a university shall be and remain a perpetual fund to be called "the university fund," the interest of which shall be appropriated to the support of the state university, and no sectarian instruction shall be allowed in such university.

Commissioners of public lands. SECTION 7. The secretary of state, treasurer and attorney general, shall constitute a board of commissioners for the sale of the school and university lands and for the investment of the funds arising therefrom. Any two of said commissioners shall be a quorum for the transaction of all business pertaining to the duties of their office.

Sale of public lands. SECTION 8. Provision shall be made by law for the sale of all school and university lands after they shall have been appraised; and when any portion of such lands shall be sold and the purchase money shall not be paid at the time of the sale, the commissioners shall take security by mortgage upon the lands sold for the sum remaining unpaid, with seven per cent interest thereon, payable annually at the office of the treasurer. The commissioners shall be authorized to execute a good and sufficient conveyance to all purchasers of such lands, and to discharge any mortgages taken as security, when the sum due thereon shall have been paid. The commissioners shall have power to withhold from sale any portion of such lands when they shall deem it expedient, and shall invest all moneys arising from the sale of such lands, as well as all other university and school funds, in such manner as the legislature shall provide, and shall give such security for the faithful performance of their duties as may be required by law.



To: Senator Craig , Chair, Senate Committee on Financial Services, Constitution and Federalism, and Committee Members

From: Wisconsin Educational Media & Technology Association

Date: February 28, 2017

Re: Senate Joint Resolution 3

Thank you for the opportunity to provide input on Senate Joint Resolution 3. The composition of the Board of Commissioners of Public Lands (BCPL) is very important to the school library community. One of the funds overseen by BCPL Commissioners is the Common School Fund. Established by the Wisconsin State Constitution in 1848, the Common School Fund is the only dedicated source of K-12 school library funding in Wisconsin. Common School Fund disbursements provided to school libraries by the BCPL are used to purchase books, newspapers, periodicals, web-based resources and other library materials - including computers and related software.

WEMTA is very concerned about potential unintended consequences of Senate Joint Resolution 3. We believe that replacing the State Treasurer with the Lieutenant Governor on the BCPL jeopardizes our founding fathers' commitment to maintaining a constitutionally protected form of school library funding.

As envisioned by our founding fathers, current BCPL Commissioners do not play a leading role in K-12 school funding or the state budget process—this makes them ideal custodians of the Common School Fund and helps protect the integrity of the fund.

Wisconsin's commitment to preserving the constitutional intent of the BCPL and the funds it oversees has resulted in an incredibly effective investment system for the state. The BCPL generates earnings for the Common School Fund by investing in community projects across Wisconsin through the State Trust Fund Loan Program. BCPL has invested more than \$1.1 billion dollars in local communities, including over \$220 million in economic development projects over the last ten years. On average, the BCPL distributes over 96 cents on every dollar earned to K-12 school libraries. Thanks to sound stewardship by BCPL, in 2016, Wisconsin K-12 school libraries received \$32.1 million.

With school districts facing increased budget constraints, the vast majority of school libraries rely on Common School Fund distributions as their sole funding source for the purchase of informational resources. Strong school libraries, with quality resources, are essential to the academic success of Wisconsin's children, especially in the area of reading. Now, more than ever, we must work to ensure that the Common School Fund is protected from competing financial interests.

Wisconsin has a unique program overseen by the Commissioners of Public Lands, which operates at no expense to Wisconsin taxpayers and gives much back. WEMTA is concerned that a complicated process to change the state constitution may not save as much money as projected, will require a lengthy legislative and election process, and may have unintended consequences affecting the future performance of the fund.

Thank you for your consideration.



**WAUSHARA COUNTY
OFFICE OF THE COUNTY CLERK**

Melanie R. Stake, County Clerk

209 S. Ste. Marie St., P.O. Box 488

Wautoma, WI 54982

(920) 787-0442

melanie.stake@co.waushara.wi.us

TO: Honorable Members of the Senate Committee on
Financial Services, Constitution and Federalism

DATE: February 28, 2017

RE: Senate Joint Resolution 3 (SJR-3)

Why are some Wisconsin elected officials so determined to **eliminate their fellow elected officials?**

This is a question I ask myself (a Republican, by the way) every time the Wisconsin Legislature introduces something like **SJR-3, the second consideration to eliminate the office of state treasurer.** This measure continues the Republican-run legislature's disturbing trend of consolidating power in the governor's office at the expense of citizens' influence in their government.

I respectfully request that you consider the following questions:

1. Is there really cost savings?

In order to justify eliminating this office, the legislature systematically transferred duties from the state treasurer to other state departments over years. The state treasurer's work was not *eliminated*; it was merely shifted. Can state financial records prove that money was saved through these duty transfers, or did costs go up a proportionate amount in the departments where the work went, such as the departments of Administration, Financial Institutions and Revenue?

Because it has taken all the work out of the office, the legislature has created a situation where taxpayers are paying a state treasurer nearly \$70,000 a year over four years to do nothing more than promote his own elimination. To me, it is unacceptable to throw away hundreds of thousands of dollars in order to *maybe* save money *eventually*. Additionally, though the do-nothing state treasurer promised to return a portion of his salary to taxpayers, I cannot find evidence that he has followed through on this promise.

2. When Republicans no longer hold the office of governor, will they still want such a consolidation of power?

While Republicans *currently* control Wisconsin government, including the governor's office, one would be naïve to assume this will *always* be the case. Are you comfortable with a future *Democratic* governor having all the powers and responsibilities that were formerly spread amongst other elected constitutional officers?

The wise authors of Wisconsin's constitution created a divided government – and six state constitutional officers – for a reason. Transferring duties to personnel appointed by, and/or overseen by, the governor's office creates a disconcerting consolidation of power that has the potential to compromise fair and transparent government.

3. Are citizens' needs being addressed as effectively when handled by appointees buried in layers of bureaucracy?

Through the voting process, citizens have the authority to hold constitutional officers/offices accountable. Appointed employees do not have direct accountability to the will of the people; they are only accountable to a select few. This paves the way for less responsive and responsible government. At the county level, I have personally witnessed how service to the public is not as responsive when it's transferred from an elected official's office to an appointive office.

4. Is Wisconsin really so much smarter than (almost all) the other states?

Wisconsin's propensity for diluting its constitutional offices – with the end game of eliminating the offices – is so extreme that *The Wisconsin Taxpayer's* March 2015 issue was devoted to the subject. "Chipping Away at Tradition: Constitutional Offices Past and Present" noted the following:

- In recent decades, Wisconsin's governor and attorney general have gained increasingly more authority, while the legislature has taken power away from the other four constitutional officers.
- Wisconsin is the ONLY state where the treasurer does not oversee cash management, and one of two states where the treasurer is not responsible for banking services. In addition, 36 states have the treasurer in charge of trust fund investments, 35 in charge of debt service and unclaimed property, and 31 in charge of bond issuance.
- Wisconsin's 1848 constitutional convention created six constitutional officers because it believed in "limiting government by empowering people to elect a wide variety of public officials ..."

Isn't limiting government one of the Republican Party's core beliefs? Then why is it determined to eliminate elected officials? And why has the state legislature put itself in the position where we are paying someone \$70,000 a year to do nothing?

I urge you to **stop pursuit of this constitutional amendment to eliminate the office of state treasurer and put our state treasurer back to work.**

Respectfully,



Melanie R. Stake
Waushara County Clerk



United States Government Accountability Office

By the Comptroller General of the
United States

September 2014

Standards for Internal Control in the Federal Government

10.09 Entity-level controls are controls that have a pervasive effect on an entity's internal control system and may pertain to multiple components. Entity-level controls may include controls related to the entity's risk assessment process, control environment, service organizations, management override, and monitoring.

10.10 Transaction control activities are actions built directly into operational processes to support the entity in achieving its objectives and addressing related risks. "Transactions" tends to be associated with financial processes (e.g., payables transactions), while "activities" is more generally applied to operational or compliance processes. For the purposes of this standard, "transactions" covers both definitions. Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.

10.11 When choosing between entity-level and transaction control activities, management evaluates the level of precision needed for the operational processes to meet the entity's objectives and address related risks. In determining the necessary level of precision for a control activity, management evaluates the following:

- **Purpose of the control activity** - A control activity that functions to prevent or detect generally is more precise than a control activity that merely identifies and explains differences.
- **Level of aggregation** - A control activity that is performed at a more granular level generally is more precise than one performed at a higher level. For example, an analysis of obligations by budget object class normally is more precise than an analysis of total obligations for the entity.
- **Consistency of performance** - A control activity that is performed routinely and consistently generally is more precise than one performed sporadically.
- **Correlation to relevant operational processes** - A control activity that is directly related to an operational process generally is more likely to prevent or detect than a control activity that is only indirectly related.

Segregation of Duties

10.12 Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

Control Activities

10.13 Segregation of duties helps prevent fraud, waste, and abuse in the internal control system.³³ Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Principle 11 - Design Activities for the Information System

11.01 Management should design the entity's information system and related control activities to achieve objectives and respond to risks.

Attributes

The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Design of the Entity's Information System
- Design of Appropriate Types of Control Activities
- Design of Information Technology Infrastructure
- Design of Security Management
- Design of Information Technology Acquisition, Development, and Maintenance

Design of the Entity's Information System

11.02 Management designs the entity's information system to respond to the entity's objectives and risks.

11.03 Management designs the entity's information system to obtain and process information to meet each operational process's information requirements and to respond to the entity's objectives and risks. An information system is the people, processes, data, and technology that

³³See paras. 8.02 through 8.03 for further discussion of fraud, waste, and abuse.

Participation in sports twice demonstrated his

fulfilled a personal goal

grade teacher Mike

back saw

CITY BATTLE

Defender Beaudrie scores twice as Abes down rival Huskies

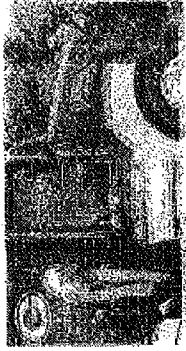
SPORTS, 1D.



PEN PALS

Menomonic truckers enjoy time with elementary students

YOUR REGION, 1B



42

TODAY'S LOCAL STORIES
MORE NEWS YOU CAN COUNT ON

High 60
Low 40
Details 4B

LEADER-TELEGRAM

75¢

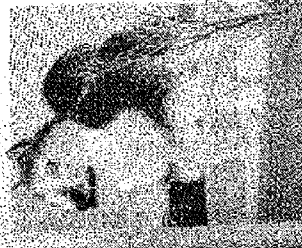
WEDNESDAY • MAY 20, 2015

LEADER-TELEGRAM
LEADER-TELEGRAM.COM
FACEBOOK.COM/LEADER-TELEGRAM

YOUR LEADING SOURCE FOR LOCAL NEWS IN EAU CLAIRE AND THE CHIPPEVA VALLEY SINCE 1881

Volume 44 • Number 343 • 4 Sections • 24 Pages

LENSIDE STUDENT COUNT VARIATION



Eau Claire school officials are concerned

Policies revisited in thefts' wake

City government assures it has received all taxes owed by Eau Claire County treasurer's office

By CHRIS VETTER AND ANDREW DOWD
Leader-Telegram staff

In the wake of charges filed Monday alleging that former Eau Claire County Treasurer Larry Lokken and his deputy, Kay Onarheim, stole \$625,800, officials in surrounding counties said they were reviewing their policies to ensure similar thefts couldn't occur there.

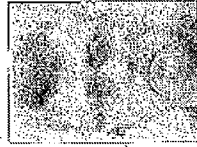
Barron County Administrator Jeff French — who previously held the county's auditor/finance manager job

Eau Claire County to set new policy on how departments handle funds/1B

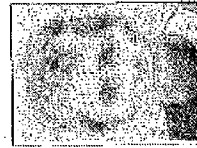
— said he immediately double-checked his county's policies on Tuesday.

"There has already been a meeting with our external auditing firm and our internal auditor, and we feel we have procedures in place," French said.

See POLICIES Page 3A



Lokken



Onarheim

Lokken, Onarheim can't use public defenders

LEADER-TELEGRAM STAFF

The former Eau Claire County treasurer and his deputy accused of stealing more than \$625,800 must hire private attorneys if they want legal representation.

Larry C. Lokken, 67, 1700 Pine Park Drive, and Kay S. Onarheim, 64, 1509 Webster Ave., were represented by public defender Sonia Anderson on Monday at their initial appearances in Eau Claire County Court because neither had

See DEFENDERS Page 3A

Area county officials says checks, balances are in place

» Policies

From Page 1A

French noted that the treasurer's position is an elected, autonomous job. However, Barron County, like many others, has staff that legally can obtain the treasurer's records.

"Barron County does have a position of county auditor, and state statute allows that person to have access of all books of account in the county," French said.

Eau Claire County officials said Monday that imposed safeguards were enacted under current Treasurer Glenda Lyons, namely expanded transparency between her office's computerized financial computer records and the finance department. Lyons, who was appointed after Lokken retired in September 2013, is credited with finding and reporting irregularities in tax records that led to her predecessor's arrest last week.

City not impacted

A Tuesday afternoon news release from the city of Eau Claire stated that officials reviewed their books to confirm that the city government had re-

ceived all the property tax money owed to it by the county treasurer's office.

"Based upon our records on the bills that were sent out and the amounts owed, that's the amount we received from the county, and we're sure of that," city finance director Jay Winzenz said.

That's due to the county paying the city for property taxes billed to city residents — even those that residents don't pay. The county is responsible for collecting delinquent taxes, including those that lead to foreclosure.

It was through checks for late tax payments that Lokken and Onarheim are accused of taking about \$625,800. According to court records, they did it through a method of initially voiding late payments made by taxpayers, but marking them as paid on the tax records and then turning the taxpayer checks into cash for personal use.

That method of misappropriating funds would be significantly tougher under the city of Eau Claire's procedures, Winzenz said. "There are some additional checks and balances in place to reduce the likelihood an incident like that would

occur here."

Different groups of city employees are authorized to receive cash versus those who can void or reverse payments, he said, and the latter transactions must be approved by a supervisor.

Winzenz also noted city departments that deal with money have more employees than the county who can cross-check their work. They're also all overseen by Winzenz, who reports to the assistant city manager and city manager.

Chippewa County Administrator Frank Pascarella said he is confident that a similar theft could not happen there. He said the county's checks and balances of financial records go between the administrator, finance manager and treasurer.

"We depend on (the treasurer) and the finance director to manage our checks and balances," Pascarella said. "Our auditors are going to be starting here on (Monday), and I'm sure that will be a discussion item. I'm sure we'll review our processes. I'm extremely confident we have ethical and honorable people in these positions."

Chippewa County Treasurer Patricia Schimmel

echoed that she balances all tax numbers with the finance department each month.

"They have access to any reporting we have," Schimmel said.

Checking balances

Trempealeau County Clerk Paul Syverson also has duties of administrative coordinator and finance director.

"We do have checks and balances — all the checks go through my office," Syverson said. "We have a good cash-receiving system. We have different people receiving money from the people who are depositing it."

Additionally, Syverson's office checks and audits the treasurer's records on a routine basis.

"The treasurer and I have to balance every month," Syverson said. "When money exchanges hands in a department, there has to be a receipt. And we try to stay away from a lot of cash."

Trempealeau County's external audit will begin today, and Syverson said it is expected to be a three-week process of reviewing records.

However, Syverson said the news from Eau Claire County made him pause

and rethink any holes in their system.

"There is always that potential — that makes you worry," Syverson said. Gene Smith, the Dunn County administrative coordinator, said he is confident policies and procedures are in place to prevent thefts, with both external and internal staff to review records.

"We have a chief financial officer who is also the internal auditor," Smith said. "We have a myriad of procedures in place to avoid these things."

Eau Claire denounces actions

The city of Eau Claire's news release chastised Lokken and Onarheim, who were each charged Monday in Eau Claire County Court with 11 felony counts of theft in a business setting and three felonies for misconduct in office.

"We are angry about the actions of the two Eau Claire County employees who violated the public's trust," the city news release stated.

City Council President Kerry Kincaid said that the two former county employees do not represent the community's dedicated public workforce.

"We are confident that Eau Claire County's criminal justice system will appropriately adjudicate this matter and express our support for county leadership as they work through this difficult situation," Kincaid said in the release. "The county already has filed a claim with its insurance carrier for the missing funds, and a statement from County Board Chairman Gregg Moore noted that attempts to recover it through restitution also are likely."

Charges against Lokken and Onarheim reflect money the two are accused of taking between 2011 and 2013, prior to the longtime county employees retiring in 2013. However, Onarheim told investigators that she'd taken money from the office since 2008, according to the criminal complaint.

The county ordered a forensic audit in November of suspicious transactions, which was turned over to Eau Claire police in January as part of an ongoing investigation.

Vetter can be reached at 715-723-0303 or chris.vetter@ecpc.com. Dowd can be reached at 715-833-9204, 800-236-7077 or drew.dowd@ecpc.com.