



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:

State Senator Robert Cowles

State Representative Samantha Kerkman

NEWS RELEASE

FOR IMMEDIATE RELEASE

June 7, 2022

For More Information Contact:

Senator Cowles ~ 800.334.1465

Representative Kerkman ~ 888.529.0061

Audit Recommends OCI Improve its Financial Reporting Process

MADISON – Today, the nonpartisan Legislative Audit Bureau (LAB) released a financial audit of the Injured Patients and Families Compensation Fund for fiscal year (FY) 2018-19, FY 2019-2020, and FY 2020-21 (report 22-6). The Fund, which insures health care providers in Wisconsin against medical malpractice claims that exceed the primary malpractice insurance thresholds established in statutes, is administered by the Office of the Commissioner of Insurance (OCI).

LAB provided unmodified opinions on the Fund's financial statements as of and for the years ended June 30, 2021, June 30, 2020, and June 30, 2019. The Fund's net position, which is a measure of its financial condition, was \$1.3 billion as of June 30, 2021. This amount was significantly above the minimum net position level set by the Board of Governors in September 2020. The assessment rates charged to participating health care professionals and providers were waived beginning in FY 2020-21.

LAB found that the Fund's procedures were not sufficient to prevent or detect errors in the financial statements on a timely basis. Therefore, LAB reported two material weaknesses in internal control related to the Fund's financial reporting process and made recommendations to OCI for improvement. Given that LAB has identified financial reporting concerns for the Fund for several years, LAB recommended that OCI report to the Joint Legislative Audit Committee by October 28, 2022, on the status of its efforts to implement LAB's recommendations and improve its financial reporting process.

"These were not small misstatements reported in the Fund's financial statements. Accurate financial statements are the basis for competent government decisions. The effect of these errors resulted in the Fund overstating its loss liabilities by \$60.9 million on the statement of cash flows in FYs 20 and 21. Further follow-up in fall will better assess the agency's plan to avoid these problems in the future," said Senator Robert Cowles (R-Green Bay).

"The Injured Patients and Families Compensation Fund plays a critical role for Wisconsin physicians as well as for Wisconsin patients and their families and it is important that the fund remains strong and available when need arises," said Representative Samantha Kerkman (R-Salem Lakes). "I urge OCI to make corrections to improve their internal controls."

Copies of report 22-6 may be obtained from LAB's website at www.legis.wisconsin.gov/lab or by calling (608) 266-2818. To report fraud, waste, or mismanagement concerns related to state government activities, call LAB's toll-free hotline at 1-877-FRAUD-17.

-###-

SENATOR COWLES

P.O. Box 7882 • Madison, WI 53707-7882
(608) 266-0484 • Fax: (608) 267-0304

REPRESENTATIVE KERKMAN

P.O. Box 8952 • Madison, WI 53708-8952
(608) 266-2530 • Fax (608) 282-3661