



SOCIAL SECURITY

Office of the Inspector General

MEMORANDUM

Date: MAR 12 2002

Refer To:

To: Ellen Baese
Director
Management Analysis and Audit Program Support Staff

Assistant Inspector General
for Audit

Subject: Single Audit of the State of Wisconsin for the Fiscal Year Ended June 30, 2000
(A-77-02-00010)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Wisconsin for the Fiscal Year ended June 30, 2000. The Legislative Audit Bureau performed the audit. Results of the desk review conducted by the Department of Education (DOE) have not been received. We will notify you when the results are received if DOE determines the audit did not meet Federal requirements.

For single audit purposes, the Office of Management and Budget assigns Federal programs a Catalog of Federal Domestic Assistance (CFDA) number. SSA's Disability Insurance and Supplemental Security Income programs are identified by CFDA number 96. SSA is responsible for resolving single audit findings reported under this CFDA number.

The single audit reported that SSA might have reimbursed the Wisconsin Division of Vocational Rehabilitation (DVR) for client rehabilitation services based on incorrect administrative costs. The auditors were unable to determine how SSA's reimbursement amount was calculated because DVR did not retain the supporting documentation. The corrective action plan indicates that DVR considers the differences in the administrative costs used to calculate SSA's reimbursement amount as immaterial. DVR agreed to retain supporting documentation for future calculations (See Appendix A).

We recommend that SSA verify the accuracy of the amount the Wisconsin DVR was reimbursed for SSA-related rehabilitation services and recover any unallowable amounts.

Please send copies of the final Audit Clearance Document to Mark Bailey in Kansas City and Paul Wood in Baltimore. If you have questions contact Mark Bailey at (816) 936-5591.



Paul N. Wood for
Steven L. Schaeffer

Attachments

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF WISCONSIN
FOR THE FISCAL YEAR ENDED
JUNE 30, 2000**

March 2002

A-77-02-00010

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.

Finding WI-00-13: Rehabilitation Services Administration Report

DWD is required to prepare the Rehabilitation Services Administration-2 (RSA-2) report, which is an annual report that details program costs for the Vocational Rehabilitation program. This report is completed by staff in DVR and includes total program expenditures, case count information for specific categories of services, and expenditure information for each category. Case counts are obtained from DVR's client monitoring system, and expenditure information is obtained from both the client monitoring system and DWD's accounting system.

This report is important because the administrative expenditure information is used to calculate a monthly administrative cost per client. The federal government uses this per client cost to determine the amount of social security reimbursement funds to pay the State. These funds are in addition to the Vocational Rehabilitation grant and are dependent upon the number of clients receiving federal Social Security—Disability Insurance (catalog #96.001) or Supplemental Security Income payments who have been successfully rehabilitated by the Vocational Rehabilitation program.

We attempted to review the preparation of the FFY 1998-99 RSA-2 report, filed in February 2000. However, because DVR's staff did not retain documentation to support adjustments they made to information reported on the client monitoring system and DWD's accounting system, we were unable to determine if the amounts reported in the RSA-2 report and used to calculate the monthly cost per client for social security reimbursement are accurate. DVR staff told us that they did not retain the supporting documentation because it took up too much storage space.

DWD reported \$26,306,651 in administrative costs on the FFY 1998-99 RSA-2 report. This same amount was used in the formula to calculate the monthly cost per client for social security reimbursement purposes. To assess the reasonableness of this amount, we obtained supporting documentation used to prepare the FFY 1998-99 Financial Status Report (FSR) for the quarter ended September 30, 1999. This supporting documentation was prepared from information obtained from the accounting system and represents actual expenditures and unliquidated obligations at that date. This documentation indicates that administrative expenditures and unliquidated obligations recorded on the accounting system for FFY 1998-99 totaled \$24,981,817, which is \$1,324,834 less than the amount reported in the RSA-2 report. Based on discussions with staff, the variance is most likely the result of adjustments related to additional unliquidated obligations.

We recommend the Wisconsin Department of Workforce Development's Division of Vocational Rehabilitation verify the accuracy of the FFY 1998-99 Rehabilitation Services Administration-2 report and file an amended report, if necessary. In addition, we recommend the Department maintain documentation to support the Rehabilitation Services Administration-2 reports in the future.

Questioned Costs: Rehabilitation Services—Vocational Rehabilitation Grants to States (catalog #84.126, award #H126A90074) and Social Security—Disability Insurance (catalog #96.001): Reporting = Undetermined

DWD Response and Corrective Action Plan: DWD agrees. The DWD data warehouse was used to recreate the administrative costs reported on the FFY 1998-99 RSA-2 report and was within 0.5 percent of the number originally reported. Due to the immateriality of this difference, DWD believes it is not necessary to reissue the RSA-2 report. For future reports, supporting documentation used for preparation will be retained.

Finding WI-00-14: Excess Federal Reimbursements under the Child Support Enforcement Program

The Child Support Enforcement program (catalog #93.563) is administered on a statewide basis by the Bureau of Child Support in DWD's Division of Workforce Solutions. The objectives of the Child Support Enforcement program are to: 1) establish paternity; 2) locate absent parents; 3) enforce support obligations owed by noncustodial parents; and 4) obtain child and spousal support. DWD maintains the Kids Information Data System (KIDS), the statewide support computer system. Case information, collections, and adjustments are entered on KIDS, and KIDS determines the amount of support to be distributed to the families or to be held by the State as reimbursement for current or prior public assistance received by the families.

The federal government generally reimburses the State for 66 percent of the costs incurred in administering the Child Support Enforcement program. Non-federal funding sources must pay for 34 percent of program administration costs. Typically, DWD accounts for the federal and non-federal share of grant expenditures in separate accounts. However, in some cases DWD relies on other state agencies or local governments to provide a portion of the required non-federal matching expenditures. DWD receives federal reimbursement for amounts charged to federal accounts through the State's cash management system.

DWD contracted with the UW-Madison Institute for Research on Poverty (IRP) under the Wisconsin Works Child Support Waiver Demonstration Evaluation contract for research projects. Under the terms of the five-year contract, IRP is to provide 23 percent of the funding, DWD is to provide 11 percent of the funding, and the federal government is to provide 66 percent of the funding. However, these funding percentages vary for specific portions of the contract and for various time periods covered by the contract.

During FY 1999-2000, DWD received invoices from IRP requesting \$2,217,855, representing the federal government's and DWD's shares of total project costs. Based on the applicable funding percentages, we determined that DWD should have charged \$1,890,137 to federal accounts and \$327,718 to state accounts. However, because of an oversight, DWD made errors in its calculations that resulted in charges of \$1,907,355 to federal accounts and \$310,500 to state accounts. Therefore, DWD claimed and received \$17,218 in excess federal reimbursements.

We recommend the Wisconsin Department of Workforce Development adjust the accounting records and return \$17,218 in excess federal reimbursements to the federal government.

Overview of the Office of the Inspector General

Office of Audit

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency.

Office of Executive Operations

The Office of Executive Operations (OEO) provides four functions for the Office of the Inspector General (OIG) – administrative support, strategic planning, quality assurance, and public affairs. OEO supports the OIG components by providing information resources management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this Office coordinates and is responsible for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. The quality assurance division performs internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from the Agency. This division also conducts employee investigations within OIG. The public affairs team communicates OIG's planned and current activities and the results to the Commissioner and Congress, as well as other entities.

Office of Investigations

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.