
OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

SINGLE AUDIT OF THE
STATE OF WISCONSIN
FOR THE FISCAL YEAR ENDED
JUNE 30, 2004

January 2006 A-77-06-00005

MANAGEMENT
ADVISORY 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.



SOCIAL SECURITY

MEMORANDUM

Date: January 31, 2006

Refer To:

To: Candace Skurnik
Director
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of Wisconsin for the Fiscal Year Ended June 30, 2004 (A-77-06-00005)

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, 2004. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Wisconsin Legislative Audit Bureau performed the audit. The Department of Health and Human Services' (HHS) desk review concluded that the audit met Federal requirements. In reporting the results of the single audit, we relied entirely on the internal control and compliance work performed by the Wisconsin Legislative Audit Bureau and the reviews performed by HHS. We conducted our review in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

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

The Wisconsin Division of Vocational Rehabilitation (DVR) within the Department of Workforce Development (DWD) provides vocational rehabilitation services to individuals receiving Disability Insurance (DI) or Supplemental Security Income (SSI). SSA reimburses DVR for the direct costs of items purchased for these individuals, such as tuition payments and specialized equipment purchases. SSA also reimburses DVR for the indirect costs related to providing administrative, placement, and counseling services; and tracking and monitoring of work activity.

The single audit reported that DWD did not have sufficient internal controls over its rehabilitation services' program. Specifically, DWD did not:

- Maintain documentation to support the claims submitted to SSA for reimbursement. DWD could not identify the names of vocational rehabilitation clients, services provided, and time periods during which clients fulfilled the requirements to support \$43,664 charged to SSA for rehabilitation services.
- Identify all vocational rehabilitation clients for which it was entitled to claim reimbursement from SSA. The single audit estimated that approximately \$583,000 in additional vocational rehabilitation costs were potentially eligible for SSA reimbursement.

The corrective action plan indicated that DWD implemented procedures to identify cases eligible for reimbursement and will retain data on all reimbursement claims for a minimum of 4 years. In addition, DWD stated that staff would be trained by SSA (Attachment A, pages 1, 2, and 3).

We recommend that SSA:

1. Determine if the \$43,664 charged to SSA was for eligible vocational rehabilitation clients and collect any unallowable costs.
2. Verify that DWD established sufficient internal controls to ensure only eligible cases are claimed for reimbursement and adequate documentation is maintained to support the costs claimed.

Please send copies of the final Audit Clearance Document to Shannon Agee and Rona Lawson. If you have questions contact Shannon Agee at (816) 936-5590.



Patrick P. O'Carroll, Jr.

Attachments

Finding WI-04-11: Unsupported and Undocumented Reimbursement Claims

The Division of Vocational Rehabilitation within DWD administers Rehabilitation Services—Vocational Rehabilitation Grants to States (catalog #84.126). This program assists eligible individuals with disabilities so that they can prepare for and engage in gainful employment.

Clients who are eligible for disability benefits under Supplemental Security Income (SSI) or SSDI are presumed to be eligible for vocational rehabilitation services, provided the clients intend to achieve gainful employment. Federal rules allow DWD to recover from the Social Security Administration the costs associated with providing vocational rehabilitation services if, among other things, the clients complete "substantial gainful activity" for 9 months within a 12-month period following receipt of services. In addition, federal rules require that claims be sufficiently documented and supported and that they be submitted to the Social Security Administration within 12 months after clients complete the required gainful activity. Based on available accounting records, DWD received \$43,664 in reimbursements from the Social Security Administration during FY 2003-04 for vocational rehabilitation services provided to SSI and SSDI clients. Federal rules require DWD to treat these funds as program income of the Vocational Rehabilitation grant and to use the funds for vocational rehabilitation purposes.

It would be expected that DWD would establish a sound system of internal controls to ensure that all eligible cases, and only eligible cases, are claimed for reimbursement and that the claims are adequately documented and supported and are submitted for reimbursement to the Social Security Administration within 12 months after clients fulfill gainful activity requirements. However, we found serious deficiencies in DWD's systems related to Social Security Administration reimbursement claims. For example, during our audit period, DWD did not retain any documentation to support the claims that had been submitted to the Social Security Administration. As a result, DWD was not able to provide us any documentation, including names of clients, services provided, and time periods during which clients fulfilled their gainful activities requirements, to support any of the \$43,664 in reimbursements received from the Social Security Administration during FY 2003-04. Therefore, we question \$43,664 in unsupported and undocumented claims for reimbursement of vocational rehabilitation services provided to SSI and SSDI clients.

In addition, we are concerned because during our audit period, DWD had not ensured that it had identified all eligible SSI and SSDI clients for whom Wisconsin was entitled to claim reimbursements from the Social Security Administration for vocational rehabilitation services. It is a long-standing state policy that state agencies maximize federal reimbursements in order to reduce the need to expend state resources. We selected for review a statistically valid sample of 59 cases from the total of 1,026 SSI and SSDI cases closed during FY 2003-04 to determine the extent to which DWD could have sought federal reimbursements. We found five cases to have been eligible for a total of \$33,542 in Social Security Administration

reimbursements. Based on our statistical sample, we estimate that DWD could have claimed costs for approximately 87 of the 1,026 cases closed during FY 2003-04. If the average potential reimbursement of \$6,708 per case in our sample were applied to the estimated 87 cases, approximately \$583,000 in additional costs could be eligible for reimbursement.

Because of the large number of cases we identified, we discussed our concerns with staff, who agreed that there is a lack of internal control related to Social Security Administration claims for reimbursement of vocational rehabilitation services to eligible SSI and SSDI clients. DWD has taken steps to seek Social Security Administration reimbursement for some of the cases closed before or during our audit period. In November and December 2004, DWD claimed \$335,145 in reimbursements for 23 clients. We reviewed these claims and found they were for eligible SSI and SSDI clients. However, 22 of the 23 cases were not submitted within 12 months after the clients fulfilled their gainful activity requirements. DWD requested that the Social Security Administration grant a waiver of the 12-month submission time deadline, citing problems collecting accurate and timely client data and an inexperienced staff member responsible for identifying closed cases. Staff acknowledge that an additional but undetermined number of clients could be claimed for reimbursement. Based on our audit work, at least an additional \$247,000 could be requested and, if approved for payment by the Social Security Administration, used for vocational rehabilitation purposes.

Recommendation

We recommend the Wisconsin Department of Workforce Development take immediate action to establish written policies and procedures to:

- *identify all SSI clients and SSDI clients who are eligible for Social Security Administration reimbursement of vocational rehabilitation services;*
- *seek timely federal reimbursement from the Social Security Administration for all eligible services provided; and*
- *maintain adequate support and documentation for submissions for reimbursement from the Social Security Administration.*

In addition, we recommend the Department of Workforce Development ensure that staff assigned these duties are adequately trained and supervised.

Questioned Costs: Social Security—Disability Insurance (catalog #96.001): Unsupported and Undocumented Reimbursement Claims = \$43,664

DWD Response and Corrective Action Plan: DWD agrees. Procedures will be documented by April 30, 2005. The following steps have been taken:

- Over the past year, a cross-match has been initiated on a quarterly basis to match SSI and SSDI clients with the Division of Vocational Rehabilitation consumer caseload to ensure all potential reimbursement cases are identified. The Division of Vocational Rehabilitation has also initiated a quarterly cross-match of the Division of Vocational Rehabilitation consumer caseload and Wisconsin Unemployment Insurance Wage Record file to assist in identifying all consumer wages that document that "substantial gainful activity" has been achieved.
- Additional claims totaling over \$259,000 were submitted in February 2005 for consumers with closure dates during FY 2003-04.
- Data on all reimbursement submittals will be retained for a minimum of four years in a reimbursement file.

An additional staff member is scheduled to be trained by the Social Security Administration in April 2005 to identify and submit reimbursement claims. The Division of Vocational Rehabilitation has submitted a reorganization proposal for its central office that will include closer supervision for the reimbursement function.

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Resource Management (ORM). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Chief Counsel to the Inspector General

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

Office of Resource Management

ORM supports OIG by providing information resource management and systems security. ORM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, ORM is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.