
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF WISCONSIN
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**

February 2005

A-77-05-00007

**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: February 9, 2005

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, 2003 (A-77-05-00007)

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, 2003. 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 numbers starting with 96. SSA is responsible for resolving single audit findings reported under these CFDA numbers.

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 maintain sufficient documentation to support the reimbursement rate used to claim indirect costs from SSA for rehabilitation services during Fiscal Years 2002 and 2003. Furthermore, DWD did not have written procedures to show how the reimbursement rate was calculated. The corrective action plan indicated that DWD will recalculate the indirect costs charged to SSA and make necessary funding adjustments, and establish written procedures for indirect costs rate calculations and documentation maintenance (Attachment A, pages 1 and 2).

We recommend that SSA:

1. Determine if the reimbursement rate used by DWD to claim indirect costs in Fiscal Years 2002 and 2003 resulted in inappropriate charges and collect any unallowable costs.
2. Ensure DWD established adequate written procedures for indirect costs reimbursement rate calculations and documentation maintenance.

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



Patrick P. O'Carroll, Jr.

Attachments

Rehabilitation Services—Vocational Rehabilitation Grants to States

The Division of Vocational Rehabilitation (DVR) 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. We have concerns related to the calculation of Social Security Administration reimbursement rates, financial reporting, and case file documentation.

Finding WI-03-13: Social Security Administration Reimbursement Rates

Federal regulations allow DVR to recover from the Social Security Administration costs associated with providing vocational rehabilitation services to individuals receiving Social Security—Disability Insurance (SSDI) benefits or Supplemental Security Income (SSI) benefits. The federal government pays these reimbursements under the Social Security—Disability Insurance grant (catalog #96.001). Federal regulations require DWD to treat these reimbursements as program income of Rehabilitation Services—Vocational Rehabilitation Grants to States.

DVR may seek federal reimbursement of direct costs of providing services, such as tuition payments to vocational colleges and specialized equipment purchases. In addition, DVR is allowed to seek federal reimbursement of indirect costs related to providing services to eligible Social Security Administration clients. During FY 2002-03, DWD received approximately \$540,000 in reimbursements for indirect costs for providing these services.

Each federal fiscal year, DVR is required to calculate and submit a monthly reimbursement rate for the indirect costs related to providing administrative, counseling, and placement services to clients, and a second reimbursement rate for the indirect costs related to tracking and monitoring clients' work activity for up to nine months. The Social Security Administration multiplies the applicable rate by the number of months services were provided to determine the amount to reimburse the State. We are concerned because DWD does not have written procedures to develop the reimbursement rates and did not maintain sufficient documentation to support these reimbursement rates for FFY 2002-03.

To calculate the reimbursement rates, the Social Security Administration instructs DVR to use expenditure and case count information included in the prior federal fiscal year's Program Cost Report and Quarterly Cumulative Caseload Reports submitted to the Rehabilitation Services Administration. We attempted to review the accuracy of DWD's reimbursement rate calculations and requested supporting documentation, including documentation that supported the case count information. While staff provided some documentation, it was incomplete. As a result, we could not conclude whether DWD accurately calculated the reimbursement rates for FFY 2002-03. We discussed our concerns with current

DWD staff. However, because DWD did not have written procedures, staff were unable to explain how the case count information had been calculated for the FFY 2002-03 reimbursement rates. Subsequent to our discussions, staff were unsuccessful in their attempts to recalculate the case count information based on the available information.

DWD staff acknowledge the need to maintain proper supporting documentation and have begun to develop written procedures. However, because DWD did not maintain adequate documentation, we cannot conclude whether the FY 2002-03 federal reimbursements of indirect costs related to providing services to clients were proper. Therefore, we question an undetermined amount of reimbursements received from the Social Security Administration during FY 2002-03.

Recommendation

We recommend the Wisconsin Department of Workforce Development develop written procedures for completing the reimbursement rate calculations and for maintaining the related supporting documentation. In addition, we recommend that, consistent with the newly developed written procedures, the Department recalculate the FFY 2002-03 reimbursement rates for administrative, counseling, and placement services to ensure the federal reimbursements received from the Social Security Administration were correct and, if necessary, that it return any excess reimbursements to the federal government.

Questioned Costs: Rehabilitation Services—Vocational Rehabilitation Grants to States (catalog #84.126, award #H126A020074F): Social Security Administration Reimbursement Rates = Undetermined

Social Security—Disability Insurance (catalog #96.001): Social Security Administration Reimbursement Rates = Undetermined

DWD Response and Corrective Action Plan: DWD agrees and is establishing procedures for completing the reimbursement rate calculation that will include maintaining related supporting documentation. DWD will recalculate the FFY 2002-03 rate and make any necessary funding adjustments to the federal program.

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 Executive Operations (OEO). 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 Executive Operations

OEO supports OIG by providing information resource management and systems security. OEO also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OEO 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.