
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF WISCONSIN
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006**

November 2007

A-77-08-00004

**MANAGEMENT
ADVISORY REPORT**



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, 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

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: November 28, 2007

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, 2006 (A-77-08-00004)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Wisconsin for the Fiscal Year (FY) ended June 30, 2006. 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 Disability Insurance (DI) and Supplemental Security Income (SSI) 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 DI and SSI. SSA reimburses DVR for the direct costs of certain vocational rehabilitation services, provided that all eligible cases are submitted within 12 months after the clients fulfill their gainful activity requirements.

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The single audit reported DWD did not have sufficient internal controls over its vocational rehabilitation reimbursement program. Specifically, DWD did not claim SSA reimbursement for all eligible claims timely. The corrective action plan indicated that DWD staff will use an electronic calendar as a tickler system to set up reminder dates to review cases so that SSA reimbursements are claimed timely (Attachment, pages 2 and 3). Since DWD is responsible for establishing a system to submit claims to SSA for timely reimbursement, we are not making a formal recommendation.

If you have questions contact Ken Bennett at (816) 936-5593.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Attachment

Finding WI-06-8: SSA Reimbursement Claims

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

Through the Vocational Rehabilitation Reimbursement Program, the Social Security Administration (SSA) reimburses states for the costs of certain vocational rehabilitation services provided to clients receiving Supplemental Security Income (SSI) and SSDI. Based on available accounting records, DWD received \$1.4 million during FY 2005-06 in reimbursements from SSA for vocational rehabilitation services provided to these clients. However, we have concerns because DWD did not claim SSA reimbursement for the costs of additional clients eligible for federal reimbursement.

Clients who are eligible for disability benefits under 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 the costs associated with the vocational rehabilitation services from SSA if, among other things, the clients achieve "substantial gainful activity" for at least 9 months within a 12-month period following receipt of services, reimbursement claims are submitted to SSA within 12 months after the clients met the substantial gainful activity requirements, and the clients did not participate in the AAA Take Charge program, which is a work-incentive program that is also funded by SSA. SSI and SSDI clients with direct rehabilitation costs of less than \$10,000 are eligible to voluntarily participate in the AAA Take Charge program. DWD is notified of the client's participation in the AAA Take Charge program through a monthly AAA Take Charge report received from a subcontractor of SSA.

It is a long-standing state policy that state agencies maximize federal reimbursements in order to reduce the need to expend state resources. It would be expected that DWD would establish a sound system of internal controls to ensure that it claims SSA reimbursement for all eligible cases and that reimbursement claims are submitted within 12 months after the clients fulfill their gainful activity requirements. However, while DWD has established written procedures, it is apparent the procedures are not consistently followed, resulting in serious internal control deficiencies.

To determine the extent to which DWD could have sought federal reimbursement but did not, we tested 59 cases that were most likely to be eligible for SSA reimbursement. Our 59 test cases were selected from the 521 SSI and SSDI cases that closed during the first two quarters of FY 2005-06. We determined that 30 of these cases were eligible for reimbursement, which DWD failed to seek for 19 cases. In 12 of these 19 cases, DWD did not review the AAA Take Charge report, as required by its own written procedures, but instead assumed the client was participating because direct rehabilitation costs were below \$10,000; in the remaining 7 cases, monitoring appears to have been inadequate to determine whether the requirement for substantial gainful activity was met.

We discussed our concerns with staff, who agreed that current procedures are ineffective for consistently determining whether program requirements have been met. In January 2007, DWD claimed \$408,510 from SSA for the 19 eligible cases we identified. However, for 12 of these cases, the 12-month claim submission deadline had elapsed by that time. DWD requested that SSA grant a waiver of the 12-month deadline and is currently awaiting the federal government's response. Staff acknowledge that an additional but undetermined number of clients could still be claimed for reimbursement.

☑ Recommendation

We recommend the Wisconsin Department of Workforce Development take immediate action to ensure claims for all eligible vocational rehabilitation services related to cases closed during FY 2005-06 are appropriately submitted to the Social Security Administration in a timely manner. In addition, for cases closed during FY 2005-06 and in the future, the Department should:

- *review cases with costs less than \$10,000 to determine whether clients did not participate in the AAA Take Charge program and, therefore, may be eligible for SSA reimbursement;*
- *consistently determine whether cases meet the substantial gainful activity requirement and are eligible for SSA reimbursement; and*
- *claim all eligible SSA reimbursements in a timely manner.*

Finding WI-06-8: SSA Reimbursement Claims

Social Security—Disability Insurance (CFDA #96.001)

| <u>Award Number</u> | <u>Award Year</u> |
|---------------------|-------------------|
| N/A | N/A |

Questioned Costs: None

DWD Response and Corrective Action Plan: DWD agrees with the recommendation and has developed a Vocational Rehabilitation—SSA reimbursement claim follow-up plan to ensure compliance.

DWD staff will review and analyze all FY 2005-06 successfully closed SSDI and SSI cases to determine if the cases meet substantial gainful activity (SGA) earnings. If the cases meet SGA and if the case costs are more than \$10,000, the claims will be sent to SSA by March 30, 2007.

For future cases with costs less than \$10,000, DWD staff will review the AAA Take Charge monthly report and if the consumer fails to apply for the AAA Take Charge option within thirty days of notification, DWD will send the claim to SSA if earnings are at SGA.

For those cases without wage documentation in the Integrated Rehabilitation Information System (IRIS) or in the unemployment insurance wage data base, DWD staff will use other collateral resources to determine whether SSA work incentives are being used to reduce SGA earnings. If the consumer is in a supported employment job, has an approved plan for achieving self support, or has impairment-related work expenses or blind work expense, DWD staff will document this information in IRIS that will indicate earnings are below SGA due to work incentives and that a claim will not be sent to SSA.

For those cases that have documentable wages at or above the SGA level but not for nine of twelve months, or are within \$500 of the SGA level for a quarter, DWD staff will follow up on these cases each month. Since unemployment insurance wage data are updated on a quarterly basis, follow-up will occur by the 20th of April, July, October, and January of each year after the unemployment insurance quarter closes.

For those cases with a history of wages not meeting SGA after one year from the date of review, these cases will not receive follow-up.

DWD staff will use the Microsoft Outlook electronic calendar as a "tickler system" to set up reminder dates to review cases that need follow-up so that SSA reimbursements are claimed in a timely manner.

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.