

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF EMPLOYMENT AND
TRAINING ACTIVITIES FUNDED UNDER
TITLES IV-A AND IV-F OF THE SOCIAL
SECURITY ACT FOR THE PERIOD
OCTOBER 1, 1994 THROUGH
SEPTEMBER 30, 1996**

**DEPARTMENT OF WORKFORCE
DEVELOPMENT
MADISON, WISCONSIN**



**JUNE GIBBS BROWN
Inspector General**

**AUGUST 1999
A-05-98-00010**



DEPARTMENT OF HEALTH AND HUMAN SERVICES

REGION V
105 W. ADAMS ST.
CHICAGO, ILLINOIS 60603-6201

OFFICE OF
INSPECTOR GENERAL

August 26, 1999

Common Identification Number: A-05-98-00010

Linda Stewart, Secretary
Department of Workforce Development
Administrative Services
201 East Washington Avenue
Madison, Wisconsin 53707-7946

Dear Ms. Stewart:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services' (OAS) report entitled, "Review of Employment and Training Activities Funded Under Titles IV-A and IV-F of The Social Security Act for the Period October 1, 1994 through September 30, 1996." A copy of this report will be forwarded to the action official noted below for review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), OIG, OAS reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

To facilitate identification, please refer to Common Identification No. A-05-98-00010 in all correspondence relating to this report.

Sincerely,

A handwritten signature in cursive script that reads "Paul Swanson".

Paul Swanson
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:
Director, Office of Planning, Research and Evaluation
Administration for Children and Families
U.S. Department of Health and Human Services
Floor 7, Aerospace Building
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

REVIEW OF
EMPLOYMENT AND TRAINING ACTIVITIES
FUNDED UNDER TITLES IV-A AND IV-F OF THE
SOCIAL SECURITY ACT

FOR THE PERIOD OCTOBER 1, 1994
THROUGH SEPTEMBER 30, 1996

DEPARTMENT OF WORKFORCE DEVELOPMENT
MADISON, WISCONSIN

EXECUTIVE SUMMARY

OBJECTIVE

The objective of our review was to determine whether employment and training expenditures claimed for Federal financial participation under the Title IV-F Job Opportunities and Basic Skills (JOBS) program and Title IV-A (Aid to Families with Dependent Children) demonstration project (waiver savings) supplanted non-federal funding for existing educational services and activities. Our audit covered the period October 1, 1994 through September 30, 1996.

FINDINGS

For the year ended September 30, 1995, the Wisconsin Department of Health and Social Services (DHSS) charged unallowable employment and training expenditures in excess of the Title IV-F JOBS award limit to the U.S. Department of Agriculture's (USDA), Food Stamp Employment and Training (FSET) program, and a Title IV-A demonstration project in the amount of \$11,276,263 and \$1,497,464, respectively. We determined that DHSS charged these Federal funding sources with pre-existing program expenditures of the Wisconsin Technical College System (WTCS) that would have been incurred in the absence of Federal funding for employment and training activities.

Federal reimbursement for the Title IV-F JOBS program was available up to an established limit for each fiscal year. During the 2-year period ended September 30, 1996, JOBS program expenditures exceeded the award limit and a portion of excess costs were transferred to the FSET program under an agreement with USDA's, Food and Consumer Service. The USDA agreed to reimburse costs above the JOBS ceiling, if the costs transferred from the JOBS program were considered allowable program costs to both agencies.

The USDA determined that the use of WTCS expenditures as matching cost would inappropriately supplant State and local funding of existing employment and training activities. In response, DHSS initiated a series of cost transfers and cost substitutions between the FSET and JOBS programs, but the ultimate result was that unallowable WTCS matching costs remain in the FSET claim. Details regarding the cost transfers and cost substitutions are explained in the body of the report. The USDA will resolve the WTCS supplanting issue under the FSET program.

Our review determined that the WTCS expenditures, charged to the Title IV-A demonstration project for the year ended September 30, 1995, also supplanted existing State funds and were, therefore, unallowable. During the course of our audit, the State agency agreed with our finding and identified additional inappropriate demonstration project charges for WTCS matching costs in fiscal year 1994. Inappropriate WTCS costs, charged on its demonstration project claim, amounted to \$1,497,464 (\$748,732 Federal share) and \$5,140,249 (\$2,570,125 Federal share) for the years ended September 30, 1995 and 1994, respectively.

RECOMMENDATIONS

We recommend that the Wisconsin Department of Workforce Development, in conjunction with the Title IV-A Action Official, assure that:

- ▶ an appropriate financial adjustment is made to the Title IV-A operating agency for the unallowable demonstration project expenditures in the amount of \$1,497,464 (\$748,732 Federal share) for fiscal year 1995, and
- ▶ an appropriate financial adjustment is made to the Title IV-A operating agency for the unallowable demonstration project expenditures in the amount of \$5,140,249 (\$2,570,125 Federal share) for fiscal year 1994.

STATE AGENCY COMMENTS

State agency officials concur with the final adjustment to the Title IV-A funding of \$748,732 for fiscal year 1995 and \$2,570,125 for fiscal year 1994. In their response, the State agency stated that it had adjusted its ACF-231 report, filed on October 19, 1998, but contend that the repayment should be retained in the Department's Waiver Savings account for use by the State.

OFFICE OF AUDIT SERVICES RESPONSE

The waiver savings program does present a unique situation which raises the question whether the waiver savings funding of disallowed expenditures should be returned to the Federal Government. We discussed this issue with ACF who deferred making a decision until all the information is considered during the audit resolution process. However, we continue to believe that the funds should be returned to the Federal treasury.

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INTRODUCTION

BACKGROUND

As a condition of participation in the Title IV-A Aid to Families with Dependent Children (AFDC) program, each state must have operated a Title IV-F Job Opportunities and Basic Skills (JOBS) training program that includes a broad range of services and activities including: (1) education below the post-secondary level, (2) job skills training, (3) job readiness activities, and (4) job development and placement. In Wisconsin, the Department of Health and Social Services (DHSS, the State agency) also offers AFDC recipients optional components, like community work experience, on-the-job training, job search and post secondary education. Since October 1, 1994, in addition to the required services, the DHSS arranged for enhanced services and expanded activities to identify and increase the number of JOBS participants.

Section 482(a)(2) of the Social Security Act (the Act) required that the State's Title IV-A agency be responsible for the administration or the supervision of the State's JOBS program. The Wisconsin DHSS administered the JOBS training program until June 30, 1996, when responsibilities were shifted to the Department of Workforce Development. The DHSS was renamed the Department of Health and Family Services. To foster interagency alliances, local agencies (e.g., JOBS centers) were selected to operate and coordinate various employment and training activities within county jurisdictions. Beyond employment and training activities funded by JOBS, local agencies provide services under the Job Training Partnership Act, funded by the U.S. Department of Labor, and Food Stamp Employment and Training (FSET) program, sponsored by the U.S. Department of Agriculture (USDA), Food and Consumer Service.

The Family Support Act of 1988 (Public Law 100-485) created the JOBS training program under Title IV-F of the Act. The purpose of JOBS is to assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence. JOBS related program expenditures amounted to more than \$39.5 million in 1995 and nearly \$55.5 million in 1996. Since Federal reimbursement for the Wisconsin Title IV-F JOBS program was limited to \$27.8 million in fiscal year 1995 and \$17.1 million in fiscal year 1996, the State agency transferred expenditures above the limits to USDA's FSET program and to a Title IV-A demonstration project.

Supplemental USDA Funding. The USDA's Food and Consumer Service agreed to cover approximately \$22.6 million (Federal share) during this 2-year period. This agreement permitted FSET funding to be used for allowable JOBS costs that exceeded the Title IV-F entitlement limit provided the costs were eligible under USDA guidelines. Allowable JOBS costs were interpreted to be JOBS expansion costs and not a share of existing State and local educational programs.

Based on a 1997 review, the USDA Office of Inspector General (OIG) determined that the use of FSET program funding for Wisconsin Technical College System (WTCS) costs claimed as matching would inappropriately supplant State and local funding of existing programs. These

expenses would have been normally incurred by the State and local educational institution. As a result, the USDA disallowed \$14.7 million (\$7.36 million Federal share) of WTCS costs.

Title IV-A Demonstration Project. In 1987, prior to the creation of the JOBS program, the DHSS was authorized to use savings from a Welfare Reform proposal (Section 1115 waiver under Title IV-A of the Act) for the cost of implementing specific demonstration projects. Cost savings were considered Federal funds made available to the State, which usually required a 50 percent State match. Proposals had to meet statutory and regulatory requirements of the Federal program being supported. Although the State obtained initial approval to operate an expanded JOBS program, as a Title IV-A demonstration project, it arranged to provide State matching through agreements with local JOBS centers who designated WTCS funding as matching. Rather than being costs of JOBS expansion activities, the WTCS estimated costs pertained to State and local funding of existing educational programs.

Title 45 CFR Part 250 contains the policies, rules and regulations pertaining to the JOBS program. It provides that JOBS program expenditures must be for services not otherwise available to the general public on a non-reimbursable basis. Therefore, regulations limit JOBS funding to the increase in expenditures attributable to JOBS participants, or for courses developed and designed to meet the specific needs of JOBS participants. Since similar Federal regulations for employment and training programs are applicable to JOBS, FSET and the Title IV-A demonstration project, Federal funding from any of these sources should not supplant State and local funding for already existing educational programs.

In fiscal year 1995, the State agency did expand JOBS training in Milwaukee County to accommodate more AFDC recipients, improve educational opportunities and enhance employment services. We considered this expansion in our calculations.

SCOPE OF REVIEW

The objective of our review was to determine whether WTCS employment and training expenditures claimed for Federal financial participation under the Title IV-F JOBS program and Title IV-A demonstration project (also referred to as waiver savings) supplanted non-federal funding for existing educational services and activities. To accomplish our objectives, we (1) reviewed applicable financial and accounting records and reports; (2) reviewed the methodology used to compute the State's funding, the Federal claim, and expansion activity costs; (3) reviewed agreements between the State agency, JOBS center, and WTCS; and (4) performed other auditing procedures considered appropriate under the circumstances. Our audit covered the period October 1, 1994 through September 30, 1996. In addition to our review, the State agency reviewed demonstration project expenditures claimed as matching costs for the period October 1, 1993 through September 30, 1994 and made an additional financial adjustment. We did not

perform any tests or validation of the State's work. Our audit of Title IV-A demonstration project spending was limited to WTCS costs quantified in connection with pre-existing services.

Our examination was made in accordance with generally accepted government auditing standards, except that we did not conduct a study and evaluation of the State's internal control structure. During our review, nothing came to our attention that caused us to believe that there were any material weaknesses in the State's internal control structure.

We conducted our field work at the Wisconsin Department of Workforce Development between November 1997 and March 1998. We completed the review in our Madison Field Office, located in Madison, Wisconsin.

HIGHLIGHTS OF AUDIT RESULTS

For the year ended September 30, 1995, we determined that DHSS charged \$11,276,263 and \$1,497,464 in unallowable JOBS related employment and training expenditures to the USDA FSET program and Title IV-A demonstration project for pre-existing WTCS expenditures that the State would have incurred in the absence of a Federal employment and training program. Details follow:

PRE-EXISTING SERVICE EXPENDITURES

During fiscal year 1995, Wisconsin's DHSS incurred employment and training expenditures that exceeded the Title IV-F JOBS program grant award. To sustain JOBS services and activities, Food and Consumer Service's agreed to use nearly \$11 million (Federal share) of FSET funds to cover JOBS related costs in excess of the fiscal year 1995 grant award. In addition, the State agency charged a Title IV-A demonstration project with excess JOBS related costs which included WTCS costs amounting to \$1,497,464 (\$748,732 Federal share).

In 1997, the USDA's OIG reviewed the content of the cost transfer to FSET and determined that the transfer included WTCS expenditures that were unallowable. The State agency claimed existing state and local funding as matching rather than providing funds for new or increased levels of training. In effect, Federal matching claims supplanted existing State and local funding. According to Title 45 CFR, Section 250.72, Maintenance of effort, Federal JOBS funds:

... shall not be used to supplant non-Federal funds for services and activities that promote the purposes of the JOBS program....

Regulations prohibit the use of JOBS funds to supplant State and local funds. Program instructions explain that Federal financial participation is available for "new or increased levels of

services” to JOBS participants. The USDA’s OIG identified \$14.7 million in employment and training expenditures related to existing WTCS expenditures.

Since the USDA agreed to pay only allowable employment and training expenditures in excess of the JOBS ceiling, any unallowable cost had an effect on what USDA should reimburse. The USDA’s OIG recommended the disallowance of \$14.7 million (\$7,364,733 Federal share) for WTCS expenditures and referred their findings to us for consideration under the JOBS program. In response to the USDA’s review, the State agency made an initial adjustment to remove unallowable WTCS expenditures from the cost transfer to FSET, in exchange for a comparable amount of program service and administrative expenditures which were eligible under either program. After the dually eligible costs were transferred to FSET, the State agency contended that the allowable claim to the Title IV-F JOBS program remained at the award ceiling. The unallowability of WTCS costs within the JOBS program expenditures was not addressed.

Based on information provided by the USDA’s OIG, we conducted a review of WTCS expenditures charged to employment and training activities. Our review revealed that the State agency had identified and claimed Federal financial participation on WTCS expenditures totaling \$16,570,368 during fiscal year 1995. Of this amount, \$15,072,904 was charged to the Title IV-F JOBS program and \$1,497,464 was charged to the Title IV-A demonstration project. These estimated expenditure claims were based on WTCS student enrollment data and normal operating costs of the school, instead of costs associated with program expansion.

We determined that the WTCS claim included eligible program service, administration and transportation expenses for the Milwaukee County expansion of the JOBS program which amounted to \$3,796,641. The remaining WTCS expenditures totaling \$12,773,727 represent the cost of pre-existing services, which are unallowable for Federal reimbursement. The WTCS expenditures, totaling \$11,276,263 and \$1,497,464, were related to the Title IV-F JOBS program and Title IV-A demonstration project activities, respectively.

In its response to our preliminary findings, the State agency removed unallowable WTCS costs from the Title IV-F JOBS costs, thus, creating an over-claim to FSET. Since the USDA agreed to cover allowable costs above our JOBS ceiling, the State agency reinstated the cost transfer to FSET, effectively transferring unallowable WTCS expenditures back to the FSET claim, thus, an adjustment of \$11,276,263 (\$5,638,132 Federal share) will need to be reflected in the FSET program. The difference between the USDA OIG’s prior disallowance and the unallowable amount cited above is attributed to the JOBS program expansion activities that we accepted. The claim for JOBS program expenditures were ultimately accepted at the program ceiling. We have discussed this matter with the USDA OIG staff.

In relation to the WTCS expenditures charged to the Title IV-A demonstration project, these costs, amounting to \$1,497,464 (\$748,732 Federal share), did not meet the JOBS matching requirements. The Title IV-A demonstration project funds were authorized subject to a 50 percent matching rate, as specified in the approval letter. The Approving Official imposed the

matching requirements from the Title IV-F JOBS formula grant. Since the WTCS expenditures did not augment expansion of JOBS related programs and supplanted existing State and local funds, the Federal share of those expenditures should be returned to the Title IV-A accounts.

Additional Adjustment. Subsequent to our preliminary findings, the State agency reviewed the Title IV-A demonstration project expenditures for the year preceding our audit period. They determined that the same methodology was used to claim WTCS expenditures in fiscal year 1994 and resulted in unallowable WTCS expenses being used as matching costs under the Title IV-A demonstration project. We agree with the State's assessment and concur with a financial adjustment of \$5,140,249 (\$2,570,125 Federal share). We have included this adjustment in our scope of audit and recommendations for operating division action.

RECOMMENDATION

We recommend that the Wisconsin Department of Workforce Development, in conjunction with the Title IV-A Action Official, assure that:

- ▶ an appropriate financial adjustment is made to the Title IV-A operating agency for the unallowable demonstration project expenditures in the amount of \$1,497,464 (\$748,732 Federal share) for fiscal year 1995, and
- ▶ an appropriate financial adjustment is made to the Title IV-A operating agency for the unallowable demonstration project expenditures in the amount of \$5,140,249 (\$2,570,125 Federal share) for fiscal year 1994.

STATE AGENCY COMMENTS

The State agency concurs with the final adjustment to the Title IV-A funding of \$748,732 for fiscal year 1995 and \$2,570,125 for fiscal year 1994. Although the State agency adjusted its ACF-231 report, filed on October 19, 1998, it believes that the amount of disallowed expenditures funded by waiver savings should be retained in the Department's Waiver Savings account for future use.

OFFICE OF AUDIT SERVICES RESPONSE

The waiver savings program does present a unique situation which raises the question whether the waiver savings funding of disallowed expenditures should be returned to the Federal Government. We discussed this issue with ACF who deferred making a decision until all the information is considered during the audit resolution process. However, we continue to believe that the funds should be returned to the Federal treasury.

ATTACHMENT

Tommy G. Thompson
Governor

Linda Stewart, Ph.D.
Secretary



State of Wisconsin

Department of Workforce Development

OFFICE OF THE SECRETARY
201 East Washington Avenue
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Madison, WI 53707-7946
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<http://www.dwd.state.wi.us/>

April 28, 1999

Mr. Paul Swanson
Office of Inspector General
Department of Health and Human Services
105 West Adams Street
Chicago, Ill 60603-6201

Re: Common Identification No. A-05-98-0010

Dear Mr. Swanson:

We have reviewed the draft report of the Review of Employment and Training Activities Funded Under Titles IV-A and IV-F of the Social Security Act for the Period of October 1, 1993 through September 30, 1996. We concur with final recommendations regarding Title IV-A, but we also wish to point out some technical corrections to the numbers shown for Title IV-F and Food Stamp Employment and Training (FSET) in the report.

First, we agree with the recommendation to return to the Title IV-A agency the federal funding shown below. This transaction was completed on an ACF-231 report filed on October 19, 1998.

<u>Total Costs</u>	<u>Federal Share</u>	
\$1,497,464	\$ 748,732	Fiscal Year 1995 for Title IV-A
\$5,140,249	\$2,570,125	Fiscal Year 1994 for Title IV-A

Next, we would like to clarify the numbers used in connection with the Title IV-F JOBS and the Food Stamp Employment and Training Program in the report. Pages i, 4, and 5 of the report state that the total amount of Title IV-F unallowable expenditures were \$11,276,263. Per the attached schedule, the Total Unallowable Charges for JOBS WTCS should be \$8,656,881.00. It appears that the Federal Share of Allowable Charges in the amount of \$3,796,641 was subtracted from the Original Total Federal Claim amount of \$15,072,904 instead of the Federal Share of \$8,971,082.90.

On page 5 of the report, we would like to clarify that the WTCS claim included eligible program, administration, and transportation expenses for the Milwaukee County expansion of the JOBS program which totaled \$6,416,023. The amount of \$3,796,641 in the report represents only the federal share.

Also on page 5 of the report, the auditors state we "...effectively transferred unallowable WTCS expenditures back to the FSET claim...". We would like to see the report corrected to reflect the actual amount of repayment for Food Stamp Employment and Training to be \$8,656,881 (\$4,328,440.50 federal) instead of \$11,276,263 (\$5,638,132 federal).

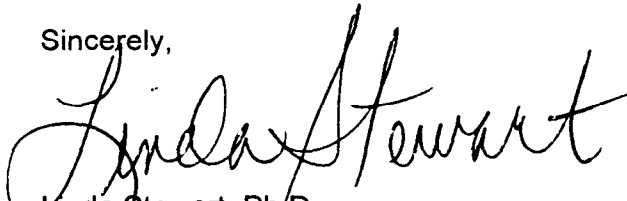
At the time of the US DHHS-OIG review, the FSET expenditures did not contain any WTCS expenditures that were transferred from JOBS. Instead, these expenditures for JOBS participants were reported under Title IV-F and Title IV-A. As the result of the finding of unallowable JOBS WTCS expenditures for a total of \$8,656,881, an equal amount of JOBS overspending (non-WTCS) was returned from FSET to the JOBS grant.

Mr. Paul Swanson
April 28, 1999
Page 2

Regarding the financial adjustment to be made by the Title IV-A Action Official, we believe that the repayment of \$3,318,857 (\$748,732 plus \$2,570,125) in Waiver Savings should be retained in the Department's Waiver Savings account. The Waiver Savings account was approved by Title IV-A officials for use in Wisconsin's demonstration projects under Section 1115.

If you have any questions, please contact Kelly Shisler, DWD Bureau of Finance at (608) 266-9405.

Sincerely,



Linda Stewart, Ph.D.
Secretary

Attachment