



**WISCONSIN LEGISLATIVE AUDIT BUREAU
LETTER OF TRANSMITTAL**

February 16, 2001

Senator Gary R. George and
Representative Joseph K. Leibham, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator George and Representative Leibham:

We have completed a review of Employment Solutions, Inc. (ESI) and 15 other Wisconsin Works (W-2) agencies as part of a comprehensive audit of the statewide implementation of the W-2 program. We have identified charges for out-of-state work and other unallowable and questioned expenditures by ESI that are similar to those we identified for Maximus, Inc., an agency that also administers the W-2 program in Milwaukee County.

We identified \$270,268 in unallowable costs that were related to ESI's activities outside of Wisconsin but charged to the W-2 program. Most were related to unsuccessful efforts to acquire a contract for administration of Arizona's welfare-to-work program. Our findings suggest the extent of ESI's out-of-state activities was greater than the agency had indicated.

Among \$3.6 million in additional transactions for ESI, we identified \$35,899 in unallowable costs and questioned another \$61,234 in expenditures charged to the W-2 program. Unallowable and questioned transactions include expenditures for entertaining ESI employees, advertising, legal services, local hotel charges, and a variety of restaurant and other food charges.

We also reviewed staff performance incentives that were charged to the W-2 program by three agencies in 1999. ESI provided substantially higher incentives than the other agencies, partly because ESI has chosen to make a portion of employees' compensation contingent upon performance. ESI's incentives averaged \$9,635 each for the 84 employees receiving them. ESI's chief executive officer received a total of \$61,645 in 1999; that amount reflects incentive payments for performance in 1998 and 1999.

Finally, we identified \$12,604 in unallowable costs and \$114,487 in questioned costs made by six other W-2 agencies.

We appreciate the courtesy and cooperation extended to us by the W-2 agencies and the Department of Workforce Development during the course of our review.

Sincerely,

Janice Mueller
State Auditor

JM/PS/bm

[letter report, PDF file \(57KB\)](#)