



**WISCONSIN LEGISLATIVE AUDIT BUREAU
LETTER OF TRANSMITTAL**

July 28, 2000

Senator Gary R. George and
Representative Carol Kelso, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator George and Representative Kelso:

We have completed a review of Maximus, Inc., as part of our comprehensive audit of the statewide implementation of the Wisconsin Works (W-2) program, which is required by Wisconsin Statutes. To address recent concerns about Maximus' administration of the W-2 program in Milwaukee, we reviewed time spent by its W-2 staff on projects outside of Wisconsin; Maximus' use of a temporary employment agency, MaxStaff; its personnel practices; and the appropriateness of its W-2 program expenditures.

We found that improved oversight of time reporting is needed, especially for Maximus staff who travel and work on out-of-state projects. From September 1997 through March 2000, 46 staff in the Milwaukee office also worked on other Maximus projects that were unrelated to W-2. In total, 724 hours for these staff were incorrectly billed to the W-2 program, resulting in overcharges of \$51,300.

In addition, we found that 72.7 percent of the selected accounting transactions we reviewed, which had resulted in charges of \$1.6 million to the W-2 program, lacked sufficient supporting documentation for reimbursement. We identified \$138,840 in unallowable costs and questioned an additional \$276,407 in expenditures charged to the W-2 program. In total, these costs represent 3.2 percent of all direct costs that were not related to staffing. Unallowable and questioned transactions include entertainment expenditures for Maximus employees; donations to various not-for-profit organizations; and expenditures that appear to be excessive or unreasonable. For example, we found that Maximus spent substantially more on advertising—\$1.1 million from 1997 through 1999—than other W-2 agencies did. At least some of these advertising costs appear to have promoted company interests rather than to have provided information to assist prospective W-2 program participants.

The Department of Workforce Development has provided inadequate guidance and oversight to Maximus and other W-2 agencies with which it has contracted; we have included recommendations for the Department to improve its efforts in these areas. We have also included recommendations for Maximus to improve its accounting practices by better recording and documenting stated business purposes for W-2 expenditures.

Finally, we found that the creation and use of MaxStaff is an allowable activity and that indirect costs of \$6.6 million that Maximus charged to the W-2 program through 1999 appear to have been allocated based on a reasonable method.

We appreciate the courtesy and cooperation extended to us by Maximus during the course of our review. Maximus cooperated fully and provided access to all of the records we requested.

Sincerely,

Janice Mueller
State Auditor

JM/PS/bm

[letter report, PDF file \(131KB\)](#)