

ADMINISTRATION OF THE WISCONSIN WORKS PROGRAM BY MAXIMUS, INC.

Maximus, Inc., is a private, for-profit corporation that manages and operates health and human service programs for state and local governments. It was established in 1975 and has grown rapidly; revenues increased more than 260 percent in the past five years, from \$88.4 million in 1995 to \$319.5 million in 1999. Maximus has provided consulting services for several State of Wisconsin agencies, and since fiscal year 1994-95 has contracted with the departments of Administration, Corrections, Health and Family Services, and Workforce Development (DWD).

In March 1997, DWD selected Maximus, as well as four other private entities, to deliver program services to eligible participants in Milwaukee County under the newly created Wisconsin Works (W-2) program. Maximus has since had three contracts related to the administration of W-2 in Milwaukee County, with a total value of \$107.7 million:

- a \$3.0 million contract to help prepare for W-2 implementation for the period from March 1997 through August 1998;
- a \$58.3 million contract to provide W-2 services from September 1997 through December 1999; and
- a second \$46.4 million contract to provide W-2 services from January 2000 through December 2001.

Maximus has been the subject of several recent media reports, including reports that questioned whether W-2 funds had been used for other purposes, such as to secure a welfare program contract in New York City. Some of these reports also raised questions about the use of MaxStaff Employment Services, a temporary employment agency operated by Maximus, in administering Maximus' W-2 contract; about the appropriateness of Maximus' personnel practices; and about the methods used to assign indirect costs to Wisconsin's W-2 contract.

We selected Maximus for review as part of our comprehensive audit of the statewide implementation of W-2, which is required by s. 49.141(2g)(a), Wis. Stats. However, to address recent concerns, we expanded the scope of our audit to include a review of:

- time spent by Maximus' W-2 staff on other Maximus projects throughout the country;
- the creation and use of MaxStaff to provide employment services;
- Maximus' personnel practices related to affirmative action and civil rights compliance and the hiring of family members;
- the process used to assign indirect costs to the State's W-2 program;
- whether any W-2 funds had been used improperly; and
- the adequacy of DWD's oversight of Maximus and other W-2 agencies in Milwaukee.

In conducting this expanded review, we interviewed staff of Maximus and DWD and analyzed the financial and program records they maintained.

This letter is the third in a series of reports issued under our statutory requirement to audit the W-2 program. Additional information on the performance of Maximus and all other W-2 agencies will be included in a subsequent report analyzing the provision of W-2 services statewide.

Maximus' Work in Other States

Wisconsin and New York media reports disclosed that Maximus staff, including some assigned to Maximus' W-2 project, participated in the development of a contract proposal for administration of a welfare program in New York City. As a result, questions were raised about whether any costs associated with the New York City proposal had been charged to Wisconsin's W-2 program.

Approximately 46 staff, or 18.3 percent of former and present employees assigned to Maximus' W-2 project, have also worked on other, unrelated projects in New York and other cities. This work is typically done outside of Milwaukee. To address concerns about whether staff costs associated with other projects may have been charged to Wisconsin's W-2 program, Maximus officials compared time sheets with travel reimbursement records. Earlier this year, they determined that four staff had incorrectly charged a total of 272 hours to W-2:

- 184 hours were associated with the New York City project;
- 80 hours were associated with a San Diego project; and
- 8 hours were associated with an Arizona project.

Earlier this year, Maximus reimbursed the State for \$18,068 in salary and other costs associated with these hours and for travel expenses incorrectly charged to W-2. In a May 5 letter to DWD's Secretary, Maximus indicated that it had addressed all of the questions related to accuracy of W-2 billings and identified those hours billed inappropriately to W-2. However, in our review, we noted that 48 of the hours charged to the New York project had been correctly billed to W-2. Therefore, the State should have been reimbursed for only 224 incorrectly billed hours in May 2000.

After reviewing the methods Maximus used to identify its billing errors, we recommended additional testing that included comparisons of monthly travel management reports with information from staff time sheets. Based on our request, Maximus officials identified 500 additional hours that had been incorrectly charged to Wisconsin's W-2 program from September 1997 through March 2000. These hours, which were identified in June 2000, include:

- 124 hours associated with the New York City project;
- 112 hours associated with a Pennsylvania project;
- 104 hours associated with a San Diego project;

- 88 hours associated with an Arizona project;
- 40 hours associated with various corporate marketing projects;
- 24 hours associated with a Michigan project; and
- 8 hours associated with an Illinois project.

Maximus has agreed to reimburse the State \$33,236 for the salary and other costs associated with these additional hours and for additional travel expenses incorrectly charged to the W-2 program.

Costs associated with a total of 724 staff hours (224 + 500) that had been incorrectly charged to the W-2 program from September 1997 through March 2000 will be reimbursed, and we found that Maximus' time-reporting procedures include measures to prevent incorrect staffing charges in the future. For example, the centralized payroll system is appropriately configured to avoid billing the same staff hours to more than one project; the employee manual provides guidance on time reporting and emphasizes the importance of accuracy; time-reporting is discussed during new staff orientation; and time sheets must be approved by a supervisor. However, the accuracy of project billing ultimately depends on the care staff take in reporting their time, and we found that a number of staff who worked on both W-2 and other Maximus projects incorrectly coded their hours associated with business trips that were unrelated to W-2. These errors were not noted by Maximus reviewers. Therefore, we believe additional training and oversight may be required, particularly for staff with multiple assignments.

As a result of new state expenditure codes that must be used by W-2 agencies working under the contract that runs through 2001, Maximus has begun to provide additional time-reporting training to its staff. In addition, project codes are being provided to Maximus' W-2 staff before they leave on business trips to work on other projects. These procedures may improve the reliability of time reporting; however, other controls may be needed. Therefore, we recommend Maximus officials take additional steps to ensure that employee time and expenses are correctly charged to the appropriate project. Additionally, we recommend the Department of Workforce Development independently verify a sample of these transactions on an annual basis.

MaxStaff Employment Services

Maximus established a temporary employment agency, MaxStaff Employment Services, in May 1998. MaxStaff is one of several projects housed in Maximus' Milwaukee W-2 offices.

Temporary employment agencies generally provide two types of services: they hire their own employees to meet the temporary employment needs of businesses with which they contract, and they assist businesses in finding staff and are paid a fee when their referrals are hired. Of the five private agencies administering W-2 in Milwaukee County, only Maximus reported using temporary employment services under its W-2 contracts. Further, Maximus did not use a temporary employment service until it established Maxstaff. Maximus officials indicate that temporary services were used to address staff turnover and prevent interruption in their delivery of services, to assist with work on short-term projects and projects needing immediate assistance, and for targeted positions requiring highly specialized skills or training.

Because Maximus' W-2 project and Maxstaff are operated by the same entity, questions have been raised about the appropriateness of purchasing services from MaxStaff using W-2 funds. In November 1997, DWD reviewed Maximus' proposal for the creation of Maxstaff and suggested that Maxstaff operations be kept separate to avoid the co-mingling of funds and the potential conflict of interest that would exist if the staff responsible for assisting W-2 participants in finding employment also had a financial interest in placing those participants as contract employees of MaxStaff.

The expenditure of W-2 funds for employment services purchased from MaxStaff is allowable under Maximus' W-2 contract, and the fees charged by MaxStaff for services provided to the W-2 program appear reasonable. However, given the circumstances under which these services were purchased, the use of MaxStaff created the appearance of a conflict of interest and provided Maximus with a limited financial benefit.

From May 1998 through March 2000, funds provided through the W-2 program represented 16.6 percent of Maxstaff's \$2.9 million in total revenues. As shown in Table 1, from May 1998 through March 2000, W-2 funds totaling \$489,000 were paid to MaxStaff for services rendered. That amount includes \$303,800 in temporary staff expenditures for hiring 63 individuals under 97 separate contracts. Temporary staff expenditures include approximately \$235,000 in salary and fringe benefit costs for temporary staff who worked on the W-2 program for Maximus, and \$68,800 to reimburse MaxStaff for its operating costs.

The rates MaxStaff charged the W-2 program for temporary help averaged 156 percent of the hourly rate it paid those who were placed. That rate is consistent with what it charged other organizations for similar services, which averaged 155 percent of the hourly rate paid to those placed. Nineteen individuals who began as employees in temporary placements were ultimately hired for permanent positions at Maximus.

Table 1

W-2 Funds Paid to MaxStaff
May 1998 through March 2000

<u>Type of Expenditure</u>	<u>Expenditure</u>	<u>Percentage of Total</u>
Temporary staff	\$303,800	62.1%
Commissions for staff recruitment	110,800	22.7
Software and training	67,900	13.9
Client skill-assessment testing	<u>6,500</u>	<u>1.3</u>
Total	\$489,000	100.0%

In addition to providing temporary staff, MaxStaff referred a number of individuals to fill vacant positions within Maximus' W-2 operations. MaxStaff received \$110,800 in commissions when 14 individuals were hired by Maximus to work on W-2. The commissions MaxStaff charged for these placements were consistent with its charges to other organizations for similar services. However, not using MaxStaff would have avoided some portion of the \$110,800 in commissions the W-2 program was charged for staff recruitment, because it is likely that Maximus' human resources staff would have recruited candidates themselves, as they had done in the past.

Maximus also used W-2 funds to pay MaxStaff \$67,900 for software and related training, as well as \$6,500 for client skill-assessment services. MaxStaff used Maximus' existing contracts with private vendors to purchase software, software customization, software training, and client skill-assessment testing for its W-2 operations at advantageous rates. MaxStaff does not appear to have financially benefited from these transactions.

We identified no other costs associated with MaxStaff that were incurred by Maximus' W-2 operations. Start-up funding for MaxStaff was provided by corporate accounts, and three W-2 staff who also provided services to MaxStaff appear to have correctly charged their time to MaxStaff rather than W-2. MaxStaff will discontinue operations on July 31, 2000. Maximus officials indicate this decision was based on two factors: MaxStaff failed to generate a profit since it began operating and reported losses of \$260,000 through March 2000; and Maximus believes it will be more successful focusing on its core services, which are government operations and consulting, rather than devoting resources to activities of lower priority.

Personnel Practices

A number of media reports have included allegations of discrimination in hiring, promoting, and retaining employees and have raised concerns about Maximus' personnel practices. Fifteen former W-2 project staff have accused Maximus of employment discrimination based on ethnicity, gender, and age in complaints that have been filed with the United States Equal Employment Opportunity Commission. Because these cases are currently under review by the Commission, we did not attempt to review their merits and cannot offer an opinion on their validity. However, we did compile basic information on the ethnicity, gender, and age of Maximus staff at different points in time. This information, which is presented in Appendix I, shows that overall, the proportions of minorities and women employed in the Milwaukee office have remained fairly consistent over time.

We also reviewed DWD's oversight of nondiscrimination requirements under its W-2 contracts with local agencies. The contracts require all W-2 agencies to develop an Affirmative Action and Civil Rights Compliance Plan within 30 days of signing, unless a similar plan has been approved by DWD or another state agency within the previous two years.

Affirmative Action and Civil Rights Monitoring

A W-2 agency's Affirmative Action and Civil Rights Compliance Plan, which also applies to its subcontractors, is required to include specific information on the agency's policies, procedures, and staffing, including:

- an equal opportunity policy, which is intended to ensure compliance with state and federal nondiscrimination policies in employment and service delivery;
- designation of an equal opportunity coordinator;
- verification of equal access to W-2 services by program participants; and
- appropriate complaint and grievance procedures.

Under the current W-2 contract, these plans were due from agencies on January 31, 2000. DWD records indicate that through July 19, 2000, 22 plans (30.6 percent) had not been submitted, and 23 submitted plans (31.9 percent) had not been reviewed. Maximus submitted its civil rights plan within the time period specified in the current contract and received a letter from DWD, dated April 17, 2000, approving its plan. On June 6, Maximus received another letter from DWD, requesting additional information and noting that DWD would like to address several areas “before we send you an approval letter for your plan,” which DWD had already done on April 17. Maximus complied with the additional information requests but has not received a response from DWD concerning the adequacy of the additional information provided.

In addition to reviewing information submitted by W-2 agencies, DWD has the authority to conduct on-site monitoring for compliance with a W-2 agency’s civil rights plan. To date, no on-site compliance monitoring has been conducted, even though DWD officials indicated in February 2000 that they intended to conduct on-site reviews of seven to ten agencies, including Maximus, in response to concerns that had been raised. They subsequently indicated that these efforts have been postponed pending DWD’s internal review of the most effective ways to fulfill its monitoring responsibilities. Because adequate oversight is needed to ensure that W-2 agencies comply with state and federal civil rights and nondiscrimination laws, we recommend the Department of Workforce Development:

- ensure all 22 W-2 agencies that have not submitted Affirmative Action and Civil Rights Compliance Plans do so by September 1, 2000;
- for all plans that have not been approved, complete a review and respond to the W-2 agencies that submitted these plans; and
- initiate on-site monitoring visits of a sample of W-2 agencies annually.

Related Employees

Several individuals who have made complaints of discrimination note the large number of Maximus staff with family or other close personal relationships. This is not unexpected, given that Maximus officials encourage staff to refer family members and friends for position openings. Maximus believes doing so improves recruiting efforts and promotes job retention. In addition, Maximus believes the potentially negative aspects of hiring relatives has been addressed by a policy that does not allow employees to directly supervise family members. Corporate office approval must also be obtained before job offers are tendered to employees’ relatives.

Data supplied by Maximus covering employees hired through December 1999 indicate that in Milwaukee, there were 25 instances of existing employees' relatives being hired by Maximus. Typically, family members worked at similar job levels but had different responsibilities. In no instance did a family member directly supervise a relative, although there were instances in which a family member worked within the chain of command of another. For example, a senior manager, who on occasion was required to approve staff time sheets, approved the time sheet of her spouse. While the approvals were appropriate, the familial relationship created the potential for a conflict of interest.

Indirect Costs Charged to W-2

While Maximus' staff salaries can be directly identified with and charged to W-2, some other costs must be charged indirectly. Most W-2 providers use the State's federally approved method of allocating indirect and administrative costs. However, Maximus developed its own indirect cost allocation methodology for W-2 and its other projects, primarily because its organizational structure differs significantly from those of most W-2 agencies, which are government agencies.

Maximus operates two core business services: consulting, which generally consists of short-term contracts with governments to provide information technology assistance, consulting for health and human services, and financial consulting; and government operations, which includes long-term contracts with governments for the administration of social service programs, including managed health care, child support enforcement, and welfare reform. The organizational structure of its two core business groups is presented in Appendix II. Maximus also owns ten subsidiary companies, which are listed in Appendix III.

Because there is generally a higher degree of concern with how indirect, rather than direct, costs are charged, and because Maximus used its own method to charge indirect costs, we reviewed the basis of its indirect cost allocations. We found that the methods used by Maximus to charge indirect costs to the W-2 program appear reasonable and appear to have been applied consistently. However, indirect cost projections exceeded actual expenditures in the first contract period, requiring Maximus to reimburse the State for the difference.

Indirect Cost Allocations

The allocation of costs that cannot be charged to W-2 directly, such as costs for administrative staff who spend their time on many different projects, is a complex process. Typically, these costs are recorded in categories known as "pools," which are then allocated among Maximus' various projects. A portion of Maximus' costs from four pools is charged to the W-2 program as indirect costs. Three of these pools accumulate costs incurred by the government operations group, to which Maximus' W-2 operations belong, and a fourth pool accumulates costs incurred by the corporate office in Virginia.

As shown in Table 2, the government operations group's fringe benefits cost pool is the largest source of indirect costs charged to W-2. Costs in this pool include employee benefits such as vacation, sick leave, and health insurance, as well as other payroll-related expenses such as social security taxes, unemployment taxes, and workers' compensation insurance. Fringe benefits expenses are allocated within the government operations group based on each project's proportion of total labor costs.

Table 2

Indirect Costs Charged to W-2*

	<u>1997**</u>	<u>1998</u>	<u>1999</u>
Government operations group:			
Fringe benefits	\$329,600	\$1,440,700	\$1,646,700
Administration	179,100	509,800	472,200
Project proposals***	68,300	206,900	211,800
Corporate office:			
Management and support***	<u>132,500</u>	<u>614,400</u>	<u>824,400</u>
Total	\$709,500	\$2,771,800	\$3,155,100

* Data are shown from Maximus' fiscal year, which ends September 30. They exclude \$1.4 million in indirect cost charges that were repaid by Maximus in May 2000.

** 1997 costs do not reflect an entire year of operation.

*** The division of costs between these two categories was estimated.

The cost pool for administration of the government operations group includes indirect costs for its senior management and administrative services staff. These costs are allocated based on each project's proportion of total labor and fringe benefit costs. Because managers in the government operations group oversee projects whose costs are primarily staff-related, this allocation method appears to be reasonable.

The project proposals cost pool for the government operations group is the smallest source of indirect costs charged to W-2. Costs in this category include plan development, marketing, travel, and postage expenses incurred as part of efforts to obtain new contracts. These development costs are allocated proportionately among existing projects, based on the new projects' direct and indirect costs. Such an approach assumes that total indirect costs assessed to a project over time will be similar to the initial project development costs that were funded by other projects.

The final source of indirect costs charged to W-2 comes from the corporate office cost pool. Excluding a portion of corporate costs allocated to subsidiaries, corporate overhead costs—including corporate management, payroll processing, legal services, insurance, and taxes—are allocated among all of Maximus' businesses. The allocation is based on each project's proportion of total costs, which include labor and other direct costs, as well as fringe benefit, administrative, and project proposal costs.

Overestimated Indirect Costs

Initially, Maximus uses estimated rates to charge indirect costs to W-2. After all costs are known, final rates are determined and an adjustment is made to either credit the State or claim additional indirect cost reimbursement. Because its actual indirect costs were lower than what had been projected, Maximus owed the State approximately \$1.4 million at the end of the first implementation contract in December 1999. The \$1.4 million was the result of an unexpected increase in the number of new projects in Maximus' government operations group. Because administrative indirect costs grew more slowly than the number of new projects, a smaller share of indirect costs was allocated to each project, including W-2, resulting in savings to the State.

In May 2000, Maximus reimbursed the State for the \$1.4 million in overestimated indirect costs. The State's W-2 contract does not specifically address the date adjustments should be made, although some W-2 agencies make monthly adjustments. Maximus typically makes adjustments at the end of a contract period to ensure the actual indirect costs are final. Given the size of the discrepancies between projected and actual costs that may occur, the State loses interest earnings if funds it is owed are not collected in a timely manner. Therefore, we recommend the Department of Workforce Development require reconciliation of indirect costs charged to the W-2 program on at least an annual basis.

Questioned Costs Charged to the W-2 Program

In addition to reviewing salaries and indirect costs charged to W-2, we reviewed the appropriateness and reasonableness of the direct costs (other than personnel) that Maximus charged W-2 from 1997 through 1999. We reviewed 811 transactions totaling \$1.6 million, or 11.8 percent of all direct costs that were not related to staffing. Transactions were not selected randomly; rather, they were selected because of the dollar amount or type of vendor involved.

Maximus' financial procedures and controls have improved since 1997; however, the number and value of the questionable expenditures we identified suggest that additional improvement is needed to document the business purpose and vendor for each purchase and to ensure that purchases are appropriately authorized before they are made. In addition, we believe that DWD needs to improve its financial oversight to ensure that expenditures charged to the State by Maximus and other agencies are allowable under the terms of their W-2 contracts.

We used the standards identified in DWD's W-2 Financial Management Manual to test the appropriateness of Maximus' transactions. The manual describes state and federal program and financial compliance requirements; required internal controls, accounting records, and source documentation; and allowable cost criteria. It should be noted, however, that the manual lacks clarity and is confusing on a number of points. For example, a passage that refers to an Office of Management and Budget circular on cost principles related to for-profit organizations does not include a specific citation, and we were unable to identify the specific federal guideline to which it referred. However, for-profit organizations such as Maximus are subject to specific rules for determining the allowability of costs charged to W-2 contracts, which can be found in the Code of Federal Regulations, Chapter 48, Part 31. In addition, DWD's manual and the Code of Federal Regulations are clear that allowable costs are limited to what is reasonable for proper and efficient program administration.

A cost is considered reasonable if it:

- does not exceed the cost that would be incurred by a prudent person;
- is ordinary and necessary to the operation of the agency or the performance of the contract;
- is incurred in accordance with the agency's established procurement policy; and
- is supported by the agency's accounting records and adequate documentation.

Only costs that are directly attributable to specific work under a contract or to the administration of the contract are allowable. Costs that result in personal benefit, donations, and entertainment expenses are not allowable.

Our evaluation of the reasonableness of Maximus' transactions was complicated by a lack of supporting documentation for 590, or 72.7 percent, of the 811 transactions we reviewed. For example, of the 590 transactions that lacked sufficient supporting documentation:

- 463 (representing \$108,626) did not include a manager's approval for payment or were approved by the individual who made the purchase;
- 463 (representing \$364,022) did not include a stated business purpose for the expenditure;
- 63 (representing \$18,213) did not include an adequate description of the item purchased; and
- 58 (representing \$20,102) were paid without an invoice or receipt.

Although more than three-fourths of the transactions we reviewed lacked adequate support to justify reimbursement, the lack of documentation tended to be associated with smaller purchases. For example, 459 of the unsupported expenditures were for \$250 or less.

Questioned Transactions

Of the 811 transactions and other costs we reviewed, we have identified 42 expenditures, representing \$138,840 in costs charged to W-2, as unallowable. We have also questioned an additional 414 transactions, representing \$276,407 in costs charged to W-2, as potentially unallowable. We have worked with Maximus staff to identify relevant supporting documentation for the transactions we reviewed, and documentation was provided at a number of points during our review. Unallowable and questioned costs are detailed in Appendix IV.

Costs that are unallowable based on the nature of the expenditure represented \$138,840 in W-2 funds. They included:

- an overpayment and a late charge totaling \$40,178, made to a vendor that provided Maximus' telephone system and to an office supply store. It should be noted that overpayments were noted for computer purchases in an earlier audit.

- \$30,006 in entertainment expenditures, including a \$23,000 payment to a nationally known musical performer for a speech to 40 W-2 participants and Maximus employees, and three concerts, two of which benefited a local theatre group;
- \$15,741 in expenditures that benefited Maximus or its employees, including a meeting held at the Interlaken Resort, a holiday party at the Milwaukee Clarion Hotel, hotel rooms in Lake Geneva, corporate memberships, and agency-sanctioned parties and other social events;
- \$12,026 in donations to various groups, including \$11,425 in cash contributions to not-for-profit organizations and public schools; \$451 for the purchase of goods that were donated to individuals and organizations; and a \$150 check payable to a political campaign. This check was never cashed, but a stop-payment order was not issued until July 2000.
- \$3,936 in expenditures charged directly to W-2 that should have been assigned to an account other than W-2;
- \$1,899 in expenditures with a questionable benefit to W-2, including holiday party and other supplies; and
- \$35,054 in expenditures identified from Maximus' accounting records that were not included in our sample, but that are unallowable because they were made for agency-sanctioned social activities.

As a private, for-profit corporation, Maximus may spend its own funds—including any “profits” it earns under its W-2 contracts—as it sees fit. However, federal regulations prohibit the use of W-2 funds for donations, entertainment, expenditures that primarily benefit a contractor or its employees, and expenditures that cannot be shown to directly benefit the W-2 program.

Second, we questioned expenditures that, in whole or in part, do not meet the standard of reasonableness prescribed in the Code of Federal Regulations and in DWD's W-2 Financial Management Manual, primarily because they appear to be either excessive, extraordinary, or unnecessary to agency operations or the performance of the W-2 contract. These expenditures represented \$219,491 in costs charged to W-2 for 296 transactions that included:

- \$195,745 for a range of advertising activities that appear to have been more promotional than informational and whose costs may not justify the benefits accrued, including \$5,000 in sponsorship and tickets for Bastille Days, \$5,000 for the African World Festival, and \$1,111 for the Juneteenth Street Festival, as well as the purchase of a large number of backpack and compact disc cases inscribed with the Maximus logo;
- \$22,248 for restaurants and other food purchases for which there was no documented business purpose, including \$3,789 that was charged by the former head of Maximus' W-2 program in Milwaukee for 90 meals in the Milwaukee area; and
- \$1,498 for flowers for which documentation was inadequate to justify a business purpose and for which both cost and frequency of purchase do not appear reasonable.

It should be noted that Maximus' total expenditures for meals and flowers are substantially greater than those included in our sample. Based on the proportion of these costs in the transactions we reviewed, we estimate that through December 1999, Maximus may have charged an additional \$56,000 to the W-2 program for questionable meals, and an additional \$3,000 for flowers.

Finally, we also questioned costs that were unauthorized or for which there was no record of a payee or an allowable business purpose. These represented 118 transactions that resulted in charges of \$56,916 to W-2 and included:

- \$23,976 for 36 transactions for which the vendor and/or product or service purchased could not be determined. For example, one vendor of low-cost items was recorded on 19 receipts for transactions that ranged in value from \$50 to \$900. The receipts indicate the number of items purchased and a total price, but not what was purchased or its business purpose.
- \$9,170 for 16 transactions to purchase 734 gift certificates at a food and other stores, which ranged in value from \$5 to \$25. Maximus staff indicate the certificates were given to W-2 clients, but recipients' names were not documented and we were unable to determine if Maximus employees also benefited.
- \$1,900 for computer software that was purchased from a vendor quote, and for which no invoice or receipt could be found.

We recommend the Department of Workforce Development require Maximus to repay \$138,840 in unallowable costs charged to the W-2 program and to either repay the \$276,407 in additional questioned costs or provide additional documentation that justifies the expenditure of program funds for those expenses Maximus believes are appropriate.

Advertising Expenditures

Because advertising costs are one of the largest categories we reviewed, we analyzed Maximus' total advertising expenditures more closely. In general, advertising costs that are promotional in nature and whose primary purpose is to promote company interests rather than to provide information to assist prospective participants in accessing services are not allowable for reimbursement. However, we were unable to determine the appropriateness of Maximus' advertising expenditures because informational and promotional advertising were combined in purchases of goods or services, and because of poor documentation of business purposes.

In addition, it is unclear whether the potential benefit derived from some advertising expenditures is sufficient to justify their cost. Maximus officials indicate that DWD expected Maximus and the other W-2 agencies in Milwaukee County to face the most difficult challenges in implementing W-2, particularly in familiarizing potential clients with their services. Maximus also faced a challenge because it was a new service provider in Milwaukee, while the other four agencies were more well-known. Milwaukee's W-2 agencies were encouraged by DWD to be especially innovative in the promotion and delivery of services. In response, we estimate that Maximus spent \$1.1 million on advertising-related activities from 1997 through 1999, including:

- \$396,700 for various public relations services, such as developing public advertising campaigns and coordinating public relations events;
- \$239,300 to produce and air radio and television commercials that were intended to inform those who are eligible for W-2 of where and how to apply for benefits;
- \$104,900 for products such as backpacks, fanny packs, and coffee mugs with imprints of the Maximus name, W-2 locations, and telephone numbers; and
- \$16,000 for informational booths at fairs and festivals, which in addition to those already noted include the Celebrity Waiter Fiesta, the African World Festival, and the Indian Summer Festival's Charlie Lagrew Fiddle and Jig Contest.

Although other W-2 agencies in Milwaukee County also incurred advertising costs, three of those that we have reviewed to date reported spending substantially less on advertising than Maximus did. As shown in Table 3, advertising also represented a greater percentage of Maximus' total expenditures.

Table 3
Advertising Expenditures by W-2 Agencies in Milwaukee County
September 1997 through December 1999

<u>Agency</u>	<u>Advertising Expenditures</u>	<u>Total Expenditures</u>	<u>Advertising as a Percentage of Total Expenditures</u>
Maximus	\$1,132,000	\$ 52,653,000	2.2%
Opportunities Industrialization Center of Greater Milwaukee	492,000	48,657,000	1.0
United Migrant Opportunity Services, Inc.	625,000	41,272,000	1.5
YW Works	<u>119,000</u>	<u>32,246,000</u>	0.4
Total	\$2,638,000	\$174,828,000	1.5

None of the eight county-run W-2 agencies we have reviewed to date incurred substantial advertising expenses, presumably because they were more well-known. Maximus officials justify their spending on advertising by noting that Milwaukee County residents are not likely to be familiar with Maximus as a service provider and that advertising expenditures declined substantially in 1999. Nevertheless, current spending levels, which amounted to \$193,136 in the last six months of Maximus' 1998-99 fiscal year, should be reviewed to assess their benefit for an established program. Moreover, some

advertising that was purchased clearly has promotional components for Maximus. Therefore, we recommend the Department of Workforce Development provide W-2 agencies additional guidance on what constitutes appropriate advertising services that may be paid for with W-2 program funds.

Improving Accounting Practices and Oversight

In addition to addressing the specific problems identified in our review of Maximus' W-2 expenditures, we believe additional changes are needed to ensure that similar problems are avoided in the future. This will require enhanced controls over Maximus' accounting system and improved oversight by DWD.

Improving Accounting Practices

As noted, accounting practices at Maximus have improved in recent months. However, we believe that additional changes are needed to ensure adequate accountability for the expenditure of public funds. First, improved documentation of expenditures is needed. Of the transactions we reviewed, a total of 590 lacked sufficient supporting documentation.

Second, program expenditures need to be more discretely recorded. Our initial review of Maximus' W-2 expenditures involved a sample of 260 transactions selected from detailed accounting records that include a brief description of each expenditure, the payee, the date of the transaction, and the amount spent. However, we found that a number of the transactions we selected for review consisted of multiple and varied underlying transactions that could have been more accurately classified into other, more appropriate accounts. These problems are clearly identifiable in numerous entries to a "Direct Other" account in Maximus' general ledger, which should only include miscellaneous transactions that cannot be classified into another more discrete account. However, transactions were recorded under the generic vendor name "petty cash," making it difficult to determine who received payment. Transactions identified in this way include:

- one entry for \$19,493 that consisted of 67 transactions, including 33 transactions for meals or grocery items; 17 for workshops, seminars, and similar training activities; 9 for unknown purposes; 5 for awards and gift certificates; and 3 for office supplies;
- a second entry for \$9,737 that consisted of 38 transactions, including 19 for meals or grocery items; 12 for workshops, seminars, and similar training activities; 3 for gift certificates; 2 for contributions or promotional events; and 2 for unknown purposes;
- a third entry for \$5,618 that consisted of 44 transactions, including 25 for meals or grocery items; 11 for workshops, seminars, and similar training activities; 3 for flowers; 3 for gift certificates; and 2 for office supplies; and
- a fourth entry for \$1,279 that consisted of 10 transactions, including 2 for meals, 2 for workshops, 2 adjusting transactions, 2 for unknown purposes, 1 for supplies, and 1 for a political campaign contribution.

Failing to record individual transactions in a more discrete and accurate manner makes it difficult for auditors and other outside reviewers to discern how program funds have been spent. In addition, grouping dissimilar types of costs within a single general ledger entry makes the appropriate categorization of costs difficult and limits the usefulness of DWD's expenditure reporting requirements, which are an attempt to collect more specific information on W-2 expenditures under the current contract. Therefore, we recommend that Maximus immediately modify its accounting practices to:

- provide complete documentation for all W-2 program expenditures, including vendor invoices, receipts, and a written description of the business purpose of purchases that justifies reimbursement under the W-2 contract; and
- provide a more accurate description of each transaction.

Enhancing Program Oversight

To ensure that adequate oversight is provided, we believe DWD will need to take a more active role in monitoring W-2 program expenditures. With the exception of YW Works, Maximus is the only for-profit business that serves as a W-2 administrative agency. Given Maximus' for-profit status and that it had not previously provided similar types of services in Wisconsin, DWD could be expected to have taken steps to ensure that Maximus was provided with adequate guidance and was effectively monitored, especially during the initial contract period.

Although Maximus' W-2 program is subject to annual audit requirements, as are all other W-2 agencies, this requirement has been insufficient to provide effective monitoring and cannot be used as a substitute for adequate guidance. The Private Industry Council of Milwaukee County, which has had contracts totaling \$2.0 million for program coordination and monitoring, was expected to play a role in overseeing program expenditures. However, the Council has not provided this type of oversight during the initial implementation contract and has, to date, provided limited financial oversight under the current contract. The Council's responsibilities and the reasons for its lack of oversight are the subject of some debate and will be discussed in our subsequent reports on W-2 performance.

The Council's lack of involvement during the first contract period heightened the need for oversight. However, until DWD took action to review concerns raised by New York media reports that suggested inappropriate billing of staff time had the potential to affect Wisconsin's W-2 program, DWD made little effort to provide adequate oversight. W-2 agencies also indicate that DWD officials encouraged them to spend money in innovative ways, the meaning of which was unclear to them. To ensure that all private and public agencies administering the W-2 program receive adequate guidance and that sufficient oversight is provided to ensure the appropriate expenditure of public funds under the W-2 program, we recommend the Department of Workforce Development begin to review the appropriateness of W-2 expenditures among a selected number of local W-2 agencies annually, giving priority to those with the greatest likelihood of noncompliance with state and federal rules.

Appendix I

Staff Profiles

As shown in Table I-1, the number of staff employed in Maximus' W-2 operation has varied from a high of 162 in November 1998 to a low of 120 in May 2000.

Table I-1

Maximus' W-2 Staff

<u>Time Period</u>	<u>Number of Staff</u>
May 1998	136
November 1998	162
May 1999	137
May 2000	120

The percentage of staff that are minorities has ranged from a high of 74.7 percent to a low of 72.5 percent during the periods we reviewed. As shown in Table I-2, African-Americans have constituted the largest category of employees in each time period, ranging from a high of 48.5 percent in November 1998 to a low of 42.5 percent in May 2000.

Table I-2

W-2 Staff Ethnicity

<u>Ethnicity</u>	<u>May 1998</u>	<u>November 1998</u>	<u>May 1999</u>	<u>May 2000</u>
African-American	47.1%	48.5%	46.7%	42.5%
White	26.5	24.8	26.3	27.5
Hispanic	22.0	21.7	21.2	21.7
Asian	<u>4.4</u>	<u>5.0</u>	<u>5.8</u>	<u>8.3</u>
Total	100.0%	100.0%	100.0%	100.0%

The proportion of staff that is female remained relatively unchanged over time. As shown in Table I-3, during the periods reviewed the percentage of female staff has varied from a high of 78.7 percent in May 1998 to a low of 75.2 percent in November 1998.

Table I-3

W-2 Staff Gender

<u>Gender</u>	<u>May 1998</u>	<u>November 1998</u>	<u>May 1999</u>	<u>May 2000</u>
Female	78.7%	75.2%	78.1%	77.5%
Male	<u>21.3</u>	<u>24.8</u>	<u>21.9</u>	<u>22.5</u>
Total	100.0%	100.0%	100.0%	100.0%

We identified somewhat greater differences in the proportion of staff of different ages during the time periods reviewed. As shown in Table I-4, the proportion of staff in their twenties has declined at about the same amount as the increase in the proportion of staff in their thirties. The proportion of staff in their forties showed a modest increase.

Table I-4

W-2 Staff Age

<u>Age</u>	<u>May 1998</u>	<u>November 1998</u>	<u>May 1999</u>	<u>May 2000</u>
29 years old or less	37.5%	36.0%	35.8%	30.8%
30 to 39 years old	36.0	39.8	39.4	41.7
40 to 49 years old	15.5	14.3	15.3	16.7
50 years old or more	<u>11.0</u>	<u>9.9</u>	<u>9.5</u>	<u>10.8</u>
Total	100.0%	100.0%	100.0%	100.0%

Appendix II

Maximus' Organizational Structure

Maximus conducts its operations through two main business groups: government operations, and consulting.

Government Operations Group

Maximus' Government Operations Group administers and manages government health and human services programs, including disability services, managed health care enrollment, welfare-to-work and job readiness, and child support enforcement. The Government Operations Group has four operational divisions:

- **Child Support Division**—assists state and local government agencies in operating full-service and specialized-service child support projects, such as customer service, paternity and obligation establishment, enforcement, and payment processing, as well as related legal services.
- **Welfare Reform Division**—provides a wide range of welfare-to-work and welfare reform initiatives in ten states, including case management services to TANF recipients, employment-related initiatives, and child care and Supplemental Security Income (SSI) advocacy services.
- **Federal Services Division**—formed to extend Maximus' business into federal government markets, including disability services, substance abuse and mental health services, vocational rehabilitation, justice administration services, veterans services, housing and community development services, and general staffing support services.
- **Managed Care Enrollment Division**—provides individualized case management, outreach, marketing, education, eligibility determination, enrollment, and training to welfare and other health and human service populations. The division is reported to operate the largest managed care enrollment services contracts in the nation and is currently responsible for projects in 11 states.

Consulting Group

Maximus' Consulting Group provides consulting services to state, county, and local government agencies in areas such as health and human services, law enforcement, parks and recreation, taxation, housing, motor vehicles, labor, and education. The Maximus Consulting Group has six operational divisions:

- **System Planning and Integration Division**—provides a range of systems consulting support services to state and local government agencies, with an emphasis on management assistance to health and human services agencies seeking expertise in systems planning, design and integration, quality assurance, and procurement support. The focus is to help states integrate different systems so all services to a single client can be managed more effectively and efficiently.
- **International Division**—is engaged in health care and human services projects in Africa, the Middle East, and South America. The division typically undertakes projects involving the automation of human services agencies and the restructuring of those agencies in anticipation of privatization. The products and systems are provided by United States and foreign national staff.
- **Information Technology Solutions Division**—provides computer system engineering services for state and local government agencies. The division concentrates on recommending systems architectures, communications planning, database and information modeling, capacity planning, business system re-engineering, independent software verification and validation, and systems implementation monitoring.
- **Human Services Division**—provides state and local government agencies with program and financial consulting in the areas of health and human services. Much of the division's work entails identifying and obtaining additional federal funding for state agencies under Medical Assistance and other entitlement-based programs. The division also provides formal program evaluation services which include advising state agencies on policy, program, and operational changes that allow state services to be provided more effectively and efficiently.
- **Spectrum Division**—provides services that focus on helping government agencies better manage their information resources. The division has implemented consulting engagements in all areas of government organization and has extensive knowledge of the fiscal structure of states through work with state auditors, comptrollers, and treasurers. Spectrum also provides quality assurance services for child welfare, healthcare, and financial management systems to state governments.
- **Phoenix Division**—provides services in planning, implementing, and evaluating the use of electronic commerce and card technologies to enhance service delivery. Assistance is provided in electronic funds transfer, electronic benefits transfer, electronic commerce, card technologies, electronic toll collection, and automated fare collections.

Source: Maximus' Employee Handbook, 1999

Appendix III

Subsidiaries of Maximus, Inc.

As part of its growth strategy, Maximus, Inc., combined with four consulting firms during 1998 and one firm during 1999. It also purchased three consulting firms during 1999. Maximus' revenues have increased from \$88.4 million in 1995 to \$319.5 million in 1999. In addition, its profits over this period increased from \$7.9 million to \$27.6 million.

Companies Acquired Through the Exchange of Stock

Spectrum Consulting Group, Inc. and Spectrum Consulting Services, Inc.—assists public sector organizations in solving complex business problems related to automation. Maximus acquired the outstanding capital stock of Spectrum on March 16, 1998, in exchange for 840,000 shares of Maximus common stock.

David M. Griffith & Associates, Ltd. (DMG)—provides a broad range of consulting services to state and local government and other public sector clients that include financial planning, cost management, and various other consulting services aimed at the public sector. DMG prepares indirect cost plans for many county governments in Wisconsin. Maximus acquired all of the outstanding capital stock of DMG on May 12, 1998, in exchange for 1,166,179 shares of Maximus common stock.

Carerra Consulting Group—provides information technology and consulting services to city, county, and state governments. Carerra has implemented large-scale government human resource and financial systems, completed government systems requirements studies, and performed quality assurance projects for government human resource and financial system implementations. On August 31, 1998, Maximus acquired all of the outstanding shares of capital stock of Carerra in exchange for 1,137,420 shares of Maximus common stock.

Phoenix Planning and Evaluation, Ltd.—provides consulting services to public-sector entities by planning, implementing, and evaluating the utilization of various electronic commerce technologies, such as electronic benefits transfer, electronic funds transfer, and electronic card technologies. Maximus acquired the outstanding capital stock of Phoenix on August 31, 1998, in exchange for 254,545 shares of Maximus common stock.

CSI Group, Inc.—provides fleet management software and related services to public service entities. Maximus acquired the outstanding capital stock of CSI on February 26, 1999, in exchange for 700,210 shares of Maximus common stock.

Companies Purchased Through Cash Payments

Norman Roberts & Associates, Inc.—provides executive search services for the public sector. Outstanding capital stock was acquired by Maximus on March 31, 1999, for \$1,930,000.

Unison Consulting Group, Inc. (Unison)—provides financial consulting services for government-owned airports. Outstanding capital stock was acquired by Maximus on June 1, 1999, for \$7,074,000.

Network Design Group, Inc.—also known as the Center for Health Dispute Resolution, which is the sole national provider of external reviews for Medicare beneficiaries enrolled in HMOs. Outstanding capital stock was acquired by Maximus on September 30, 1999, for \$2,070,000.

Appendix IV

**Unallowable and Questioned Costs for Maximus, Inc.
March 1997 through December 1999**

UNALLOWABLE COSTS

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Benefits to Agency and Staff		
Clarion Hotel	Winter holiday party for employees	\$ 6,742
The Cove of Lake Geneva	Hotel rooms for managers' retreat	1,149
Abraham Hernandez	Entertainment for employee retreat in Lake Geneva	150
Interlaken Resort	Room and other charges	4,050
Meurer Bakery	Cake and party supplies--going away party for employee	62
Milwaukee County Parks	Deposit for company picnic	50
Milwaukee County Transit System	Commuter value certificates for employees	525
Milwaukee Minority Chamber of Commerce	Corporate membership	1,000
Project Equality of Wisconsin	Corporate membership	1,700
Toys R Us	Baby toys coded as expenditure for agency-sanctioned employee social event	193
West Allis Rotary Club	Corporate membership	120
Donations		
B.C. Art Gallery	Picture frame and print--"donation" noted on documentation	188
Friends of Womens Studies--UW-Milwaukee	Women's Studies Opportunity Scholarships	500
Granny Shalom House	Donation	500
The Greater Milwaukee Literacy Coalition	Donation	25
Hudson Institute	Contribution to Fatherhood Summit	10,000
K-mart	Gifts to Rotary Club--boys and girls jeans and gift boxes, games, and toys	263
Milwaukee Public Schools	Contribution	200
Minnie Love Scholarships Fund	Donation	200
People for Finley	Political campaign contribution	150
Entertainment		
The Hunter Group	500 tickets for "Roll thru the Zoo" event	1,750
High Roller Bike and Skate Rental	Skate and bike rental--"Roll thru the Zoo"	799
Play It Again Sports	Skate and bike rental--"Roll thru the Zoo"	507
Milwaukee Symphony	Holiday symphony performance	3,000

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Six Flags Great America	30 Great America tickets, including meal tickets	\$ 950
Sykes Communications	Performance by Melba Moore: lodging, airfare, pianist, piano rental, and other expenses	23,000
Fees and Overpayments		
Office Max	Late charge	578
Williams Telecommunications	Vendor overpayment for telephone system	39,600
Overhead or Other Maximus Projects		
Artist and Display Supply	Frame corporate promotional posters	56
Holiday Inn	Telephone and room charges--Chicago Jett Con Conference	193
Jett Con 99 Conference	Should be charged to overhead marketing account	2,160
Maximus employe	Rental Car--Phoenix, Arizona for 1.5 weeks (2/3-2/12/99)	412
Maximus employe	Travel advance--Jett Con Conference	540
Maximus employe	Travel to Jett Con Conference	210
Maximus employe	Travel advance--Jett Con Conference	365
Questionable Benefit to W-2		
Factory Card Outlet	Party goods, cake server, cutlery, and other party supplies	236
Factory Card Outlet	Gift and novelty	42
K-mart	Christmas supplies	270
Tony Kearney, Sr.	Subcontractor travel to SETA Conference in Lexington, KY	1,135
Unknown	Fishing supplies	16
YWCA	Luncheon tickets--Circle of Women Conference	200
Maxclub		
Agency-sanctioned employe social activities	September 1997 through December 1999	<u>35,054</u>
TOTAL UNALLOWABLE COSTS		\$138,840

QUESTIONED COSTS

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Advertising and Public Relations		
A Branovan Company	Fanny packs & CD cases with Maximus logo, for clients and employees	\$ 8,623
African American State Fair	Sponsorship of International Stage	4,500
African World Festival	Community service booth	5,000
America's Black Holocaust Museum	Advertisement and table for 8	1,000
Black Education Hope Fund	Sponsorship for media reception	2,250
Black Education Hope Fund	Black & White Ball sponsor	1,000
Black Education Hope Fund	25 tickets	625
Black Excellence Awards	10 tickets	500
Campaign for a Sustainable Milwaukee	Full-page ad	500
Christ the King Church	Sponsorship for Praise in the Park	2,501
Clowns Around Town	Clowns for Midwest Express Center open house	1,500
Clowns Around Town	Clowns for African World Festival at the Summerfest grounds	1,125
East Town Association	1998 Bastille Days Festival Milwaukee Street Stage Sponsor	5,000
Express Promotions	5,000 backpacks with Maximus logo	23,637
Fox 6-WITI--Milwaukee	TV commercial--July 18-July 25, 1998	12,495
Hispanic Chamber of Commerce	4 tickets to 8th Annual Banquet	140
Indian Summer Festivals	Title sponsorship of Charlie Lagrew Fiddle & Jig Contest; booth; tickets; advertisement	2,500
Karls Rental Center	Booths--Job Fair at Miller Pavillion	1,457
Kendall Public Relations	Various public relations projects	6,025
La Causa, Inc.	1998 Celebrity Waiter Fiesta benefiting La Causa nursery and family resource center	1,000
Mary Church Terrell Club	One information booth and premium full-page ad	3,350
Milwaukee Urban League	Black & White Ball--Platinum table	2,750
NAACP	Annual Freedom Fund Banquet--Bronze sponsorship	1,000
National Governors Association Annual Meeting	Registration fee for special corporate sponsor	750
Scott Paulus	Purchase of 1999 assignment photos and copyrights, and all future photos	2,623
Shepherd Express	Advertising	665
Sponsorship of Spirit of Truth Worship Center	Sponsorship	2,000
Sykes Communications	Marketing and coordination for the Maximus Career Fair	5,500
Sykes Communications	Coordination for presence at Juneteenth Street Festival, including staffing	1,111
Sykes Communications	Coordination of production for advertising	32,075
Sykes Communications	Radio spot coordination and production costs	11,290
Tri-Marq Communications, Inc.	Production expenses related to creation of television commercial	32,023

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Tri-Marq Communications, Inc.	Production expenses related to creation of television commercial	\$ 15,730
Volunteer Center of Greater Milwaukee	Official Sponsorships of Milwaukee Cares Days--May 15, 1999	2,500
Women's Fund	Sponsorship table at Women in Public Policy luncheon	1,000
Florists		
Alan Preuss Florist--FTD	Flowers	58
Alan Preuss--Brookfield	Gourmet gift basket	59
American Florist	None noted	48
Custom Grown Greenhouse	35 poinsettias	148
Maximus employe	5 charges for flowers	250
House of Flowers	None noted	250
House of Flowers	None noted	100
House of Flowers	None noted	100
House of Flowers	None noted	50
House of Flowers	None noted	50
House of Flowers	None noted	50
House of Flowers	None noted	50
House of Flowers	None noted	50
House of Flowers	None noted	40
House of Flowers	None noted	50
Pioneer Floral and Gift--FTD	None noted	53
Scarvaci Florist	None noted	42
Gift Certificates		
Best Buy	Gift certificates	100
Fleming Company	Gift certificates for region 6 holiday party	5,700
Maximus employe	Gift certificates for focus group--no receipt	500
Pick'n Save	25 \$20 gift certificates	500
Pick'n Save	Gift certificates--6 @ \$10, 8 @ \$25, 12 @ \$20	500
Pick'n Save	Gift certificates--12 @ \$5 and 12 @ \$20	300
Pick'n Save	10 \$25 gift certificates	250
Pick'n Save	Gift certificates	200
Pick'n Save	Gift certificates	100
Pick'n Save	Gift certificate	50
Pick'n Save	Gift certificates	50
Pick'n Save	20 \$25 gift certificates	500

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Pick'n Save	"Gift certificate" noted on copy of check, which is only documentation	\$ 70
T.J. Maxx	Gift certificates	200
T.J. Maxx	Gift certificates	50
Unknown	Mall gift certificate	100
Restaurant Meals and Related Purchases		
Alverno College	Meals--food service	75
Annies Café	Meals--reimburse Maximus employe	18
Applebees	Meals--reimburse Maximus employe	25
Applebees	Meals--reimburse Maximus employe	23
Balistreri's Bluemound Inn	Meals--reimburse Maximus employe	22
Balistreri's Restaurant	Meals--reimburse Maximus employe	72
Balistreri's Restaurant	Meals--reimburse Maximus employe	19
Banquet Food, Hyatt Regency Milwaukee	Meals--Milwaukee	440
Banquet Food, Hyatt Regency Milwaukee	Meals--Milwaukee	265
Bartolotta	Meals--reimburse Maximus employe	119
Bartolotta	Meals--reimburse Maximus employe	46
Bartolotta	Meals--reimburse Maximus employe	73
Begher Bar and Grill	Meals--reimburse Maximus employe	15
Bellissimo Italian Restaurant	Meals--reimburse Maximus employe	91
Big Apple Bagels	Meals--Milwaukee	90
Buca Little Italy	Meals	64
Caterinas Ristorante	Meals--reimburse Maximus employe	98
Caterinas Ristorante	Meals--reimburse Maximus employe	63
Caterinas Ristorante	Meals--reimburse Maximus employe	61
Chancery Restaurant	Meals--reimburse Maximus employe	60
Chancery Restaurant	Meals--reimburse Maximus employe	47
Chancery Restaurant	Meals--reimburse Maximus employe	44
Chancery Restaurant	Meals--reimburse Maximus employe	37
Chancery Restaurant	Meals--reimburse Maximus employe	29
Chancery Restaurant	Meals--reimburse Maximus employe	28
Chancery Restaurant	Meals--reimburse Maximus employe	27
Chancery Restaurant	Meals--reimburse Maximus employe	24
Chancery Restaurant	Meals--reimburse Maximus employe	21
Chancery Restaurant	Meals--reimburse Maximus employe	20
Chancery Restaurant	Meals--reimburse Maximus employe	18
Chancery Restaurant	Meals--reimburse Maximus employe	17

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Chancery Restaurant	Meals-Milwaukee	\$ 15
Chancery Restaurant	Meals--reimburse Maximus employe	15
County Clare	Meals--reimburse Maximus employe	50
Cousins Subs	4 party subs	275
Cousins Subs	Food	169
Cousins Subs	Food	135
Cousins Subs	Food	125
Cousins Subs	Food	103
Cousins Subs	Food	78
Cousins Subs	Food	72
Cousins Subs	Food	70
Cousins Subs	None noted--check only	56
Cousins Subs	Meals--reimburse Maximus employe	24
Cousins Subs	Bottomless Closet--food	17
Cousins Subs	Food	15
Cousins Subs	Meals--reimburse Maximus employe	14
Cousins Subs	Meals--reimburse Maximus employe	10
Crawdaddy's	Meals	206
Deliciously Different	Meals	2,382
Deliciously Different	Meals	536
Deliciously Different	Meals	350
Deliciously Different	Meals	236
Deliciously Different	Meals	220
Deliciously Different	Meals	156
Deliciously Different	Meals	139
Deliciously Different	Meals	98
Deliciously Different	Meals	80
Deliciously Different	Meals	76
Deliciously Different	Meals	69
Deliciously Different	Meals	27
Dunkin' Donuts	66 boxes of donuts	259
Earl's Southern Bar-B-Que	Meals--Milwaukee	99
Einstein Bros. Bagels	Meals--reimburse Maximus employe	16
Gunkers Restaurant	Meals--reimburse Maximus employe	26
Heinemann's Restaurant	Meals--reimburse Maximus employe	30
Heinemann's Restaurant	Meals--reimburse Maximus employe	29
Heinemann's Restaurant	Meals--reimburse Maximus employe	21

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Heinemann's Restaurant	Meals--Milwaukee	\$ 20
Heinemann's Restaurant	Meals--reimburse Maximus employe	18
Heinemann's Restaurant	Meals--reimburse Maximus employe	15
Heinemann's Restaurant	Meals--reimburse Maximus employe	15
Heinemann's Restaurant	Meals--reimburse Maximus employe	14
Heinemann's Restaurant	Meals--reimburse Maximus employe	14
Heinemann's Restaurant	Meals--reimburse Maximus employe	14
Heinemann's Restaurant	Meals--reimburse Maximus employe	13
Heinemann's Restaurant	Meals--reimburse Maximus employe	12
Holiday Inn	Meals--reimburse Maximus employe	33
Holiday Inn	Meals--reimburse Maximus employe	11
Honeydip Donuts	Food	511
Honeydip Donuts	Food	284
Honeydip Donuts	Food	205
Honeydip Donuts	Food	197
Honeydip Donuts	Food	194
Honeydip Donuts	Food	185
Honeydip Donuts	Food	175
Honeydip Donuts	Food	170
Honeydip Donuts	Food	10
Houlihans	Meals--reimburse Maximus employe	21
Kentucky Fried Chicken	Food	406
Kohl's	Food and supplies	79
Kohl's	Soda, plastic silverware, cleaning supplies	49
Kohl's	Food and supplies	42
Kohl's	Lost receipt	35
Kohl's	Food	32
Kohl's	Food and supplies	12
Kohl's	Food and supplies	12
Kohl's	Meals	4
Kohl's	Food	3
Kohl's West Allis	Meals--West Allis	18
Kohl's West Allis	Meals--West Allis	13
Kohl's West Allis	Meals--West Allis	11
M&M Club	Meals--reimburse Maximus employe	29
M&M Club	Meals--reimburse Maximus employe	21
M&M Club	Meals--reimburse Maximus employe	18

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Mama Mia	Meals--West Allis	\$ 212
Mama Mia	Meals--West Allis	396
Mama Mia	Meals--West Allis	218
Mama Mia	Meals	80
Mama Mia	Meals	69
Mama Mia	Meals	35
Mama Mia	Meals--Milwaukee	30
Mama Mia	Meals--West Allis	29
Mama Mia	Meals--reimburse Maximus employe	27
Mama Mia	Meals--reimburse Maximus employe	23
Mama Mia	Meals--reimburse Maximus employe	23
Mama Mia	Meals--reimburse Maximus employe	18
Mangia	Meals--reimburse Maximus employe	40
Meinhardt's Shorewood Inn	Meals--reimburse Maximus employe	83
No vendor name present	Meals--reimburse Maximus employe	43
No vendor name present	Meals--reimburse Maximus employe	29
No vendor name present	Meals--reimburse Maximus employe	25
O&H Danish Bakery	Food	44
Olive Garden	Meals--reimburse Maximus employe	53
Olive Garden	Meals--reimburse Maximus employe	46
Omega	Meals--Milwaukee	62
Omega	Meals--reimburse Maximus employe	38
Omega	Meals--reimburse Maximus employe	28
Omega	Meals--reimburse Maximus employe	27
Omega II	Meals--reimburse Maximus employe	16
Packing House	Meals--reimburse Maximus employe	38
Palomas Restaurant	Meals--reimburse Maximus employe	18
Panda Hut	Meals--reimburse Maximus employe	23
Panda Hut	Meals--reimburse Maximus employe	18
Pick'n Save	Food and supplies	200
Pick'n Save	Food and supplies	103
Pick'n Save	Food and supplies	103
Pick'n Save	Food and supplies	99
Pick'n Save	Food	79
Pick'n Save	Food and supplies	77
Pick'n Save	Food and supplies	75
Pick'n Save	Food and supplies	66

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Pick'n Save	Food and supplies	\$ 65
Pick'n Save	Food and supplies	64
Pick'n Save	Unreadable	55
Pick'n Save	Food	55
Pick'n Save	Food	54
Pick'n Save	Food	53
Pick'n Save	Food and supplies	49
Pick'n Save	Food	42
Pick'n Save	Food and supplies	40
Pick'n Save	Meals--Harvard visit	35
Pick'n Save	Food and supplies	34
Pick'n Save	Food--CSN Meeting	32
Pick'n Save	Food	31
Pick'n Save	Food	30
Pick'n Save	Food	27
Pick'n Save	Food, soda, and plates	25
Pick'n Save	Food	21
Pick'n Save	Food	16
Pick'n Save	Food	16
Pick'n Save	Food--MaxStaff assessment	14
Pick'n Save	Food and supplies	13
Pieces of Eight	Meals--reimburse Maximus employe	126
Pilsner Place--Hyatt Regency	Meals--reimburse Maximus employe	41
Pizza Hut	Meals--West Allis	218
Pizza Hut	Meals--West Allis	206
Pizza Hut	Meals	137
Pizza Hut	Meals--West Allis	107
Pizza Hut	Meals--West Allis	88
Pizza Hut	Meals--West Allis	88
Pizza Hut	Meals--West Allis	76
Pizza Hut	Food for workshop	66
Pizza Hut	Meals	56
Pizza Hut	Meals--West Allis	53
Pizza Hut	Meals--West Allis	50
Pizza Hut	Meals--West Allis	50
Pizza Hut	Meals--West Allis	49
Pizza Hut	Meals--West Allis	48

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Pizza Hut	Meals--West Allis	\$ 47
Pizza Hut	Meals--West Allis	45
Pizza Hut	Meals--West Allis	45
Pizza Hut	Meals--West Allis	45
Pizza Hut	Meals--West Allis	45
Pizza Hut	Meals--West Allis	43
Pizza Hut	Meals--West Allis	43
Pizza Hut	Meals--West Allis	36
Pizza Hut	Meals--reimburse Maximus employe	36
Pizza Hut	Food for lunch meeting	34
Pizza Hut	Meals--West Allis	33
Pizza Hut	Meals--West Allis	30
Pizza Hut	Meals--West Allis	28
Pizza Hut	Meals--West Allis	28
Pizza Hut	Meals--West Allis	28
Pizza Hut	Meals--West Allis	28
Pizza Hut	Meals--West Allis	28
Pizza Hut	Meals--West Allis	27
Pizza Hut	Meals--West Allis	26
Pizza Hut	Meals--West Allis	26
Pizza Hut	Meals--West Allis	20
Plaza Café	Meals--reimburse Maximus employe	18
Pomodoro's	Meals--reimburse Maximus employe	19
River Brook Family Restaurnt	Meals--reimburse Maximus employe	23
River Brook Family Restaurnt	Meals--reimburse Maximus employe	16
Roasters	Catering for 100 people	582
Salvatores III Restaurant	Meals--reimburse Maximus employe	42
Sam's	Food and supplies	304
Sam's	Food and supplies	180
Sam's	Food	165
Sam's	Catering request for 150 people	161
Sam's	Food and supplies	136
Sam's	Crackers and cookies--no receipt	132
Sam's	Food and supplies	126
Sam's	Food	97
Sam's	Food and supplies	91
Sam's	Food	90

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Sam's	Food and supplies	\$ 86
Sam's	Food and supplies	67
Sam's	Food	60
Sam's	Food	43
Sam's	Food	14
Sam's	Food	6
Shakey's Pizza	Meals--West Allis	13
Sheraton Inn Milwaukee North	Meals--Milwaukee banquets	245
Sheraton Inn Milwaukee North	Meals--Milwaukee	59
Stevens Restaurant	Meals--reimburse Maximus employe	25
Stevens Restaurant	Meals--reimburse Maximus employe	25
Supersaver	Food and supplies	106
Supersaver	Food	44
Taqueria Jalisco	Meals--reimburse Maximus employe	25
Trysting Place Pub	Meals--reimburse Maximus employe	19
United Community Center	Catering for 150 people	1,466
Unreadable vendor	Appears to be restaurant check stub--no restaurant name, amount only	77
Unreadable vendor	Meals--reimburse Maximus employe	23
Unreadable vendor	Food	18
Unreadable vendor--charge slip notes "2 dinners"	Meals--reimburse Maximus employe	51
Unreadable vendor--restaurant charge slip	Meals--reimburse Maximus employe	69
Unreadable vendor--restaurant charge slip	Meals--reimburse Maximus employe	23
Unreadable--possibly Heinemann's Restaurant	Meals--reimburse Maximus employe	25
Unreadable--possibly Heinemann's Restaurant	Meals--reimburse Maximus employe	17
Verna DeSilva	3 sheet cakes	90
Woodman's--Kenosha	Soda, balloons, streamers, bakery cake	62
WWBIC Luncheon	Meals--West Allis	500
Other		
Advance Data Solutions	Techworks 16Mb DRAM memory modules	251
AMAI Padgett Thompson	No receipt--copy of check with amount only	417
American	TV/VCR, other electronic equipment	1,482
American	25" television and VCR	496
Bartz's	No receipt--copy of check with amount only	200
Best Buy	Supplies	704
Best Buy	Unknown--receipt only	53
The Boelter Companies	Could not identify purchase by invoice copy--product not specified	584

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Capitol Rubber Stamp	None noted--check only	\$ 40
Children's Service of Wisconsin	Handwritten receipt only, with amount	187
Comp USA	Unreadable	1,156
Constructive Playthings	Children's toys for on-site day care--could not locate receipt	1,647
Dollar Bill\$	Unreadable receipt--only copy of check without amount	Unknown
Dollar Bill\$	Receipt with quantities but no product type listed	900
Dollar Bill\$	Receipt with quantities but no product type listed	768
Dollar Bill\$	No receipt--only copy of check without amount	698
Dollar Bill\$	Receipt with quantities but no product type listed	500
Dollar Bill\$	Receipt with quantities but no product type listed	371
Dollar Bill\$	Receipt with quantities but no product type listed	359
Dollar Bill\$	Receipt with quantities but no product type listed	352
Dollar Bill\$	Receipt with quantities but no product type listed	300
Dollar Bill\$	Receipt with quantities but no product type listed	206
Dollar Bill\$	Receipt with quantities but no product type listed	200
Dollar Bill\$	No receipt--only copy of Maximus check	144
Dollar Bill\$	Receipt with quantities but no product type listed	79
Dollar Bill\$	Receipt with quantities but no product type listed	69
Dollar Bill\$	Receipt with quantities but no product type listed	60
Dollar Bill\$	Receipt with quantities but no product type listed	57
Dollar Bill\$	Receipt with quantities but no product type listed	54
Dollar Bill\$	No receipt--only copy of check with amount	50
Dollar Bill\$	Receipt with quantities but no product type listed	30
Factory Card Outlet	Unreadable receipt	Unknown
Factory Card Outlet	No receipt--only copy of check with amount	300
Factory Card Outlet	Supplies	140
Factory Card Outlet	Unreadable receipt--copy of check without amount	34
ForeFront	MCSE 4.0, CNE 4.11, Micro House Tech Library, data recovery--paid from price quote, Maximus was unable to locate receipt	1,900
Fred Pryor Seminars	None noted--petty cash receipt only	1,365
Harry W. Schwartz Bookstore	Unknown product	66
Harry W. Schwartz Bookstore	Unknown product	41
Hillside Terrance Resource Center	No receipt--copy of check with amount only	318
Horizon Travel Agency Inc.	Fly Maximus employe from Washington to Milwaukee	464
HUD--Resource Center	Petty cash receipt with no vendor receipt	100
Karls Rental Center	Unknown (credit card slip only)	119
K-mart	Unknown	23

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Lelesis Institute	None noted--check only	\$ 204
Los Angeles Black Business	Registration	1,100
MATC	No receipt--copy of check with amount only	100
MATC	No receipt--copy of check with amount only	50
Maximus	Adjusting journal entry--Intercompany A/R Maxstaff	9,740
Maximus employe	Out of town travel, Milwaukee-Madison, no receipts for the trip	253
Maximus employe	Sheraton, Embassy Suites banquet and room charges--March	1,493
Milwaukee Council on Alcoholism	Vendor receipt only--no purpose noted	1,320
Milwaukee Council on Alcoholism	None noted	550
Milwaukee Mental Health	Petty cash receipt with no vendor receipt	45
Milwaukee Transport Services, Inc.	100 sheets of full-fare tickets	1,050
National Baking	Unreadable copy	Unknown
Nola Cross	Legal fees	250
Personnel Evaluation Inc.	Vendor receipt only--no purpose noted	285
Pier 1 Imports	Blank check with hard-to-read receipt	253
Sam's	None noted--blank check only	Unknown
Sam's	TV/VCR and boom box	441
Sam's	No receipt--copy of check with amount only	90
Sam's Club	Print Shop software and coffee	60
Seminar receipt-copy difficult to read	Unknown--receipt only	42
Spic and Span	Drycleaning	36
Stein Garden & Gift	Ribbon wrap cane	55
Unknown	Unknown	5,302
Unknown	No documentation--listed on calculator tape only	826
Unknown	No documentation--listed on calculator tape only	753
Unknown	No documentation--listed on calculator tape only	500
Unknown	No documentation--listed on calculator tape only	350
Unknown	Unknown	300
Unknown	Unknown	235
Unknown	No documentation--listed on calculator tape only	194
Unknown	No documentation--listed on calculator tape only	169
Unknown	No documentation--listed on calculator tape only	140
Unknown	No documentation--listed on calculator tape only	128
Unknown	No documentation--listed on calculator tape only	119
Unknown	No documentation--listed on calculator tape only	106
Unknown	No documentation--listed on calculator tape only	100
Unknown	No documentation--listed on calculator tape only	88

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Unknown	No documentation--listed on calculator tape only	\$ 88
Unknown	No documentation--listed on calculator tape only	51
Unknown	No documentation--listed on calculator tape only	51
Unknown	No documentation--listed on calculator tape only	44
Unknown	No documentation--listed on calculator tape only	40
Unknown	No documentation--listed on calculator tape only	39
Unknown	No documentation--listed on calculator tape only	35
Unknown	Could not identify purchase by invoice copy--product not specified	33
Unknown	No documentation--listed on calculator tape only	32
Unknown	No documentation--listed on calculator tape only	29
Unknown	No documentation--listed on calculator tape only	24
Unknown	Change from check deposited to petty cash	8
Unreadable	2 VHS VCRs, camera, tripod, and VHS tapes	2,154
Unreadable	Unreadable copy--amount from calculator tape	484
Unreadable	Unable to read invoice	211
Unreadable	Unreadable copy--amount from calculator tape	78
Unreadable	Unreadable copy--amount handwritten--possibly restaurant	40
Unreadable	Could not identify purchase by invoice copy--product not specified	32
Unreadable	No documentation--listed on calculator tape only	22
View Sonic	No receipt--copy of check with amount only	60
Wal-mart	Wash cloths and bath towels	180
TOTAL QUESTIONED COSTS		\$276,407
TOTAL UNALLOWABLE COSTS		138,840
TOTAL UNALLOWABLE AND QUESTIONED COSTS		<u>\$415,247</u>