
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF IDAHO
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**

December 2004

A-77-05-00005

**MANAGEMENT
ADVISORY REPORT**



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



SOCIAL SECURITY

MEMORANDUM

Date: December 28, 2004

Refer To:

To: Candace Skurnik
Director
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of Idaho for the Fiscal Year Ended June 30, 2003 (A-77-05-00005)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Idaho for the Fiscal Year ended June 30, 2003. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Idaho Legislative Services Office performed the audit. The Department of Health and Human Services' (HHS) desk review concluded that the audit met Federal requirements. In reporting the results of the single audit, we relied entirely on the internal control and compliance work performed by the Idaho Legislative Services Office and the reviews performed by HHS. We conducted our review in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

For single audit purposes, the Office of Management and Budget assigns Federal programs a Catalog of Federal Domestic Assistance (CFDA) number. SSA's Disability Insurance (DI) and Supplemental Security Income (SSI) programs are identified by CFDA number 96. SSA is responsible for resolving single audit findings reported under this CFDA number.

The Idaho Disability Determination Services (DDS) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The DDS is reimbursed for 100 percent of allowable costs. The Idaho Department of Labor (DoL) is the Idaho DDS' parent agency.¹

¹ Effective July 1, 2003, the parent agency for the DDS changed from the Office of the Governor to the Department of Labor.

The single audit reported that the DDS' inventory was deleted from the statewide fixed asset system (FAS) when the State updated the DDS's agency number to reflect DoL as the new parent agency. The corrective action plan indicated that a complete inventory of DDS equipment would be conducted, replacement costs for capital equipment reviewed, and the property management system updated (Attachment A, pages 1 and 2).

We recommend that SSA ensure that the inventory procedures outlined in the corrective action plan were completed.

Please send copies of the final Audit Clearance Document to Shannon Agee and Rona Rustigian. If you have questions contact Shannon Agee at (816) 936-5590.

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

Patrick P. O'Carroll, Jr.

Attachments

State of Idaho

Federal Findings and Questioned Costs

DISABILITY DETERMINATIONS SERVICE

FINDING 03F-2

CFDA Title: Social Security – Disability Insurance

CFDA#: 96.001

Federal Agency: U.S. Social Security Administration

Compliance Criteria: OMB A-133,

F Equipment and Real Property Management

Questioned Costs: Not Determinable

Disability Determinations Service's (DDS) inventory has been deleted from the statewide fixed asset system (FAS).

The 2020 Blue Ribbon Task Force recommended that DDS be transferred and consolidated within the Idaho Department of Labor to further streamline State government and provide more efficient State services. Executive Order 2003-02 accomplished this merger, effective July 1, 2003.

In August 2003, the Department of Labor requested that the State Controller's Office delete DDS's old agency number from STARS. This would allow all accounting to be done under the Department of Labor's agency number. Eliminating DDS's agency number from STARS also deleted approximately \$960,000 of DDS inventoriable assets from FAS.

The State utilizes FAS to provide control of and accountability for assets, monitor the physical condition of assets, and gather information for the preparation of the *CAFR*. Management at each State agency has the responsibility to record all inventoriable assets. The Department of Labor has an internal inventory system that substitutes for FAS. Labor's information pertaining to assets is remitted to the State Controller's Office at the end of each fiscal year. DDS does maintain a manual list of its assets; however, as of February 2004, these assets had not been entered into Labor's inventory system.

Idaho Code, Section 67-5746, states the property control officer at each State agency is responsible for ensuring the prompt recording of newly acquired property. It further states that an annual inventory of assets shall be completed and a report given to the Department of Administration no later than the first week of March. Without DDS's inventory on Labor's system, it will be difficult to properly complete the inventory.

RECOMMENDATION 03F-2

We recommend that the Department of Labor conduct an inventory of DDS property as required by Idaho Code and ensure that all DDS assets are properly entered in FAS.

CORRECTIVE ACTION PLAN

The Department requested and received from the State Controller's Office a listing of all DDS property that was inactivated on FAS. We have analyzed this list, along with the Excel spreadsheet DDS staff provided to the auditors. We have serious concerns about the validity of the data on this spreadsheet. The spreadsheet contains many records for items that have been disposed, and the replacement values of many items are questionable.

The Department's Capital Property Management System is used to account for all property items costing \$2,000 or more. A complete inventory of DDS equipment will be conducted, replacement costs for capital equipment reviewed, and the Department's property management system updated, following Department policy.

The Department is aware of and will comply with Idaho Code requirements for annual inventory of property.

State of Idaho

Federal Findings and Questioned Costs

To determine the replacement value of equipment for risk management purposes, the Department will utilize a "per workstation cost" for each employee workstation, and "other equipment cost" for equipment not located at an employee's workstation.

In response to the other issues: In addition to the finding and recommendation, we discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency. It is the Department's view that numerous serious weaknesses in DDS internal controls existed. Action has been taken to correct the weaknesses.

CONTACT PERSON

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Idaho Department of Labor
208-332-3570

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Chief Counsel to the Inspector General

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

Office of Executive Operations

OEO supports OIG by providing information resource management and systems security. OEO also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OEO is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.