SOCIAL SECURITY

MEMORANDUM

Date: September 23, 2003 Refer To:

To: The Commissioner

From: Inspector General

Subject: Summary of Single Audit Oversight Activities May 2002 through April 2003 (A-07-03-13059)

The attached final Management Advisory Report presents a summary of internal control weaknesses at State Disability Determination Services reported in State single audits and identified during our May 2002 through April 2003 single audit oversight activities.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

James G. Huse, Jr.

Attachment

OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

SUMMARY OF SINGLE AUDIT
OVERSIGHT ACTIVITIES
MAY 2002 THROUGH APRIL 2003

September 2003 A-07-03-13059

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.

Executive Summary

OBJECTIVE

Our objective was to summarize categories of internal control weaknesses at State Disability Determination Services (DDS) reported in State single audits and identified during our May 2002 through April 2003 single audit oversight activities.

BACKGROUND

In accordance with Federal regulations, the DDS in each State or other responsible jurisdiction performs disability determinations under the Disability Insurance and Supplemental Security Income programs. In carrying out this function, the DDS is responsible for determining claimants' disabilities and ensuring that adequate evidence is available to support its determinations. The Social Security Administration (SSA) reimburses the DDS for 100 percent of allowable expenditures. There are 54 DDSs located in the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. All DDSs, except the federally administered Virgin Islands DDS, are subject to audit under the Single Audit Act Amendments of 1996.

RESULTS OF REVIEW

We reviewed 50 single audits covering State fiscal year (SFY) operations at 49 DDSs (2 SFY 2000 single audits, and 48 SFY 2001 single audits). We compiled and categorized the audit findings as direct or crosscutting. Direct findings are those specifically identified to the DDS. Crosscutting findings impact more than one Federal program; however, they may not be identified to any one Federal program or may not be identified to all Federal programs. Our review disclosed common direct and crosscutting findings in the categories of cash management, equipment and real property management, and allowable costs. All the findings relate to DDS' noncompliance with Federal requirements because of internal control weaknesses. Of the 50 single audits, 14 reported direct findings and 39 reported crosscutting findings (see Appendix B).

Our review of the 14 single audits with direct findings disclosed:

- non-adherence to Cash Management Improvement Act (CMIA) agreements,
- weaknesses in equipment inventory,
- costs that were not properly authorized and documented, and
- improper accounting and reporting of costs.

A comparison of the Office of the Inspector General's (OIG) administrative cost audits to the single audits of the Alabama, Kansas, Puerto Rico, and California DDSs disclosed significant differences. OIG's administrative cost audits reported findings in the cash management, equipment and real property management, reporting, and allowable cost categories (see Appendix E). The single audits for the Alabama, Kansas, Puerto Rico, and California DDSs did not report these findings. We present this comparison for informational purposes only. We will report our comparison to the Department of Health and Human Services, the Federal agency responsible for oversight of the aforementioned States' single audits, in a separate management letter for any action it deems appropriate.

CONCLUSIONS AND RECOMMENDATIONS

Our three recommendations were presented to SSA in our prior single audit summary report. Therefore, SSA should not consider these new recommendations for its audit recommendation tracking system. We do, however, reaffirm our position that SSA should continue to take corrective action by being proactive in providing internal control guidance to DDSs. To do so, SSA should provide the following instructions to DDSs.

- Adhere to the terms of the CMIA agreement.
- Maintain complete and accurate equipment inventory records and perform periodic physical inventories.
- Ensure that costs charged to SSA benefit its programs and are properly authorized and documented.

AGENCY COMMENTS

In response to our draft report, SSA agreed with our recommendations and stated that corrective actions were taken. SSA also provided technical comments which we addressed as appropriate. See Appendix F for the text of SSA's comments.

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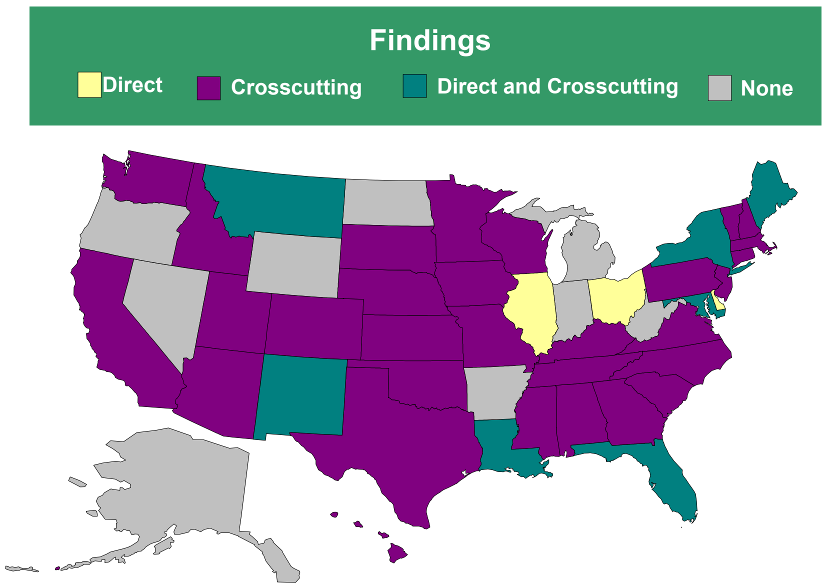
Acronyms

CFR	Code of Federal Regulations
CE	Consultative Examination
CMIA	Cash Management Improvement Act
DDS	Disability Determination Services
DHS	Department of Human Services
DI	Disability Insurance
DoE	Department of Education
DoF	Department of the Family
DoL	Department of Labor
DSS	Department of Social Services
FY	Fiscal Year
MER	Medical Evidence of Record
OFM	Office of Financial Management
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OTDA	Office of Temporary and Disability Assistance
POMS	Program Operations Manual System
SFY	State Fiscal Year
SSA	Social Security Administration
SSA-4513	State Agency Report of Obligations
SSA-4514	Time Report of Personnel Services
SSI	Supplemental Security Income

Introduction

OBJECTIVE

Our objective was to summarize categories of internal control weaknesses at State Disability Determination Services (DDS) reported in State single audits and identified during our single audit oversight activities. To accomplish our objective, we reviewed 50 single audits covering 49 DDSs and categorized findings that were identified as directly affecting DDS operations and crosscutting findings that potentially affect DDS operations. Of the 50 single audits, 14 reported direct findings and 39 reported crosscutting findings. Appendix B lists the 50 single audits reviewed and identifies those with direct and/or crosscutting findings.



BACKGROUND

In accordance with Federal regulations,[1] the DDS in each State or other responsible jurisdiction, performs disability determinations under the Disability Insurance and Supplemental Security Income programs. In carrying out this function, the DDS is responsible for determining claimants' disabilities and ensuring that adequate evidence is available to support its determinations.[2] The Social Security Administration (SSA) reimburses the DDS for 100 percent of allowable expenditures. There are 54 DDSs located in the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. All DDSs, except the federally administered Virgin Islands DDS, are subject to audit under the Single Audit Act Amendments of 1996. Detailed information on the background, scope, and methodology is included in Appendix A.

[1] 20 Code of Federal Regulations (CFR) §§ 404.1601 et seq. and 416.1001 et seq.

[2] 20 CFR §§ 404.1614 and 416.1014.

Results of Review

Our analysis of the findings in 50 single audit reports disclosed direct and crosscutting findings in the cash management, equipment and real property management, and allowable costs categories. All the findings relate to DDS' noncompliance with Federal requirements because of a lack of adequate internal controls. Appendix C summarizes the 14 single audits with direct findings by DDS. Appendix D summarizes the 39 single audits with crosscutting findings by DDS.

A comparison of results of the Office of the Inspector General (OIG) administrative cost audit results to the results of the single audits on the Alabama, Kansas, Puerto Rico, and California DDSs disclosed significant differences. Administrative costs audits reported findings in the cash management, equipment and real property management, reporting, and allowable cost categories (see Appendix E). The single audits for Alabama, Kansas, Puerto Rico, and California did not report these findings. We present this comparison for informational purposes only. We will report our comparison to the cognizant Federal agency, the Department of Health and Human Services, in a separate management letter for any action it deems appropriate.

CASH MANAGEMENT

The Congress enacted the Cash Management Improvement Act of 1990[3] (CMIA) to ensure efficiency, effectiveness, and equity in transferring funds between the States and the Federal Government. The CMIA requires the Government to enter into an agreement with States covering applicable Federal programs and to establish procedures and requirements for transferring Federal funds.[4]

The CMIA requires the States to minimize the time between the receipt and disbursement of Federal funds and generally allows the Federal Government to charge interest when a State receives Federal funds in advance of disbursements.[5] The CMIA also generally allows the States to charge interest when State funds are paid out for Federal programs before Federal funds are made available.[6] The States are supposed to calculate Federal and State interest liabilities for each applicable program[7] and report liabilities to the Federal Government on the Annual Report to the United States Department of the Treasury.[8]

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[3] Pub. Law No. 101-453.

[4] 31 CFR § 205.9.

[5] 31 CFR §§ 205.11 and 205.15.

[6] 31 CFR § 205.14.

[7] 31 CFR § 205.19.

[8] 31 CFR § 205.26.

Without cash management controls, States cannot identify and assess allowable cash needs. Accordingly, DDSs may draw cash in excess of allowable expenditures.

Nine single audits reported direct findings related to States' non-adherence to CMIA agreements.

- The Delaware Department of Labor (DoL) did not draw funds in accordance with the funding techniques specified in the CMIA agreement. Specifically, DoL did not draw funds based on the average clearance method and monitor cash balances.

- The Illinois Department of Human Services (DHS) did not review or re-certify the accuracy of clearance patterns identified in the CMIA agreement for cash draws related to SSA's disability programs.

- The Maryland Department of Education (DoE) did not maintain documentation to support check clearance patterns stated in the CMIA agreement for payroll and vendor payments.

- The Maine DHS was not in compliance with the CMIA agreement because it did not follow the average clearance pattern method to draw Federal funds.

- The New Hampshire DoE did not adhere to the clearance method timetable in the CMIA agreement to draw Federal funds.

- The New Mexico DoE's cash draw records and the State Treasurer's Federal cash draw records were not reconciled, which resulted in an unresolved DDS cash balance of $676.

- The Puerto Rico Department of the Family (DoF) did not have evidence to support the time elapsed between the receipt and disbursement of Federal funds for the DDS program (State Fiscal Years (SFY) 2000 and 2001).

- The Rhode Island DHS did not adhere to draw techniques specified in the CMIA agreement to draw Federal funds.

Similar crosscutting cash management findings were identified in 10 single audits (see Appendix D).

EQUIPMENT AND REAL PROPERTY MANAGEMENT

The DDSs are responsible for maintaining, labeling, and inventorying all property they acquire or that SSA furnishes it to perform the disability determination function.[9]

[9] POMS DI 39530.020.A.

Inventory records of equipment must include: (1) an item description, (2) source of funds used in the purchase, (3) unit cost, (4) inventory or serial number, (5) date purchased, and (6) physical location, including building address and room or floor location.[10] The lack of proper controls over inventory could result in misappropriation or improper disposition of property acquired with Federal funds.

Three single audits identified direct findings related to weaknesses in equipment inventory.

- The Puerto Rico DoF did not maintain accurate records of acquisition dates and costs; physical location; and dispositions of property acquired with Federal funds (SFY 2000 and 2001).

- The Rhode Island DHS did not have a statewide fixed asset inventory system; and therefore, could not identify equipment purchased with Federal funds.

Similar crosscutting property control findings were identified in 19 single audits (see Appendix D).

ALLOWABLE COSTS

To be allowable, costs must be reasonable and necessary for proper and efficient performance and administration of Federal awards.[11] A cost is allocated to a program or department if the goods or services involved are charged or assigned in accordance with benefits received.[12] A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose was allocated to the Federal award as an indirect cost.[13] To recover indirect costs, the organization must prepare cost allocation plans or indirect cost rate proposals in accordance with guidelines provided in Office of Management and Budget (OMB) Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*.[14] Costs must be net of all applicable credits that result from transactions reducing or offsetting direct or indirect costs.[15]

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[10] POMS DI 39530.020.B.

[11] OMB Circular A-87, Attachment A, part C.1.a.

[12] OMB Circular A-87, Attachment A, part C.3.a.

[13] OMB Circular A-87, Attachment A, part C.1.f.

[14] OMB Circular A-87, Attachment A, part C.4. and F.

[15] OMB Circular A-87, Attachment A, part C.4.

Internal control directives require that non-Federal entities receiving Federal awards maintain effective control and accountability for funds and assets purchased with such funds.[16] Transactions should be properly recorded, accounted for, and executed in compliance with applicable laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program.[17] Also, funds, property, and other assets should be safeguarded against loss from unauthorized use or disposition.[18]

The absence of controls over goods and services charged to Federal awards results in the risk of misappropriation or misuse of funds. In addition, unallowable activities or costs could be charged to a Federal program and not be detected in a timely manner if proper internal controls are not in place to ensure that costs benefit the program and are properly authorized and documented.

Six single audits reported direct findings related to inadequate internal controls over allowable costs.

- The Florida Department of Health did not properly prepare payroll certifications to support DDS employees' salaries of $366,019, as required by OMB Circular A-87.

- The Montana Department of Public Health and Human Services did not have a sound control structure to detect or correct errors in its financial records, allocate costs between State and Federal programs, or prevent discrepancies between the State's primary accounting system and the Department's subsystems. In addition, the automated data processing subsystems were not reconciled to the State's primary accounting system, which could result in possible misstatements in financial records.

- The New Mexico DoE did not: (1) reconcile departmental accounting records and official State accounting records timely; (2) post vouchers to the general ledger timely; and (3) document expenditures related to vocational rehabilitation services in accordance with Federal requirements. In addition, the New Mexico DDS did not encumber $63,692 in year-end medical expenditures.

- The New York Office of Temporary and Disability Assistance (OTDA) did not follow cost allocation procedures set forth in OMB A-87. In addition, OTDA did not record employee salaries correctly in the State's payroll system due to an inadequate accounting and statistical system.

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[16] Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, OMB Common Rule, subpart C, § 20(b)(3).

[17] OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, § 105.

[18] OMB Common Rule, subpart C, § 20(b)(3) and OMB Circular A-133, § 105.

- The Puerto Rico DoF: (1) used the incorrect indirect cost rate to claim costs on the State Agency Report of Obligations (SSA-4513) in SFY 2000; (2) estimated personnel costs on the SSA-4513, resulting in questioned costs of $15,438 in SFY 2000 and $100,144 in SFY 2001; (3) did not have documentation to support DDS expenditures, resulting in questioned costs of $4,527 in SFY 2000, and $548 in SFY 2001; (4) could not locate evidence to support expenditures for contracted professional services in SFY 2000; (5) did not submit the Time Report of Personnel Services (SSA-4514) timely in SFYs 2000 and 2001; and (6) did not maintain complete personnel information in employees' files in SFYs 2000 and 2001.

Crosscutting findings related to allowable costs were disclosed in 28 single audits (see Appendix D). The findings were in the following areas.

- Costs were submitted for reimbursement twice or charged to the wrong Federal program.

- Documentation was not maintained to support costs claimed.

- Accounts were not reconciled accurately and timely.

- Expenditures were not claimed within the period of availability.

- Indirect costs were not properly authorized, included costs charged directly to Federal programs, and were not equitably distributed to Federal programs.

- Internal controls over the revenue and expenditure processes were inadequate.

COMPARISON OF SINGLE AUDIT AND OIG FINDINGS

SSA OIG conducts audits of claims by DDSs for administrative costs based on the frequency of prior audits as well as annual referrals by SSA's Office of Disability. Starting in Fiscal Year (FY) 2002, we increased our audit coverage to provide for a more timely and effective review of administrative costs. We based this schedule on the following factors: (1) past administrative audits, (2) amount of costs, and (3) suggestions made by SSA.

The objectives of the audits are to determine whether (1) expenditures and obligations are properly authorized and disbursed, (2) Federal funds drawn agree with total expenditures, and (3) internal controls over the accounting and reporting of administrative costs are adequate.

We performed administrative cost audits at the Alabama, Kansas, Puerto Rico, and California DDSs covering part of the same time period as the single audits discussed in this report. Our comparison of the direct single audit findings and OIG findings disclosed notable differences. Findings identified in the administrative cost audits are further discussed.

Alabama DDS

Our audit of the Alabama DDS covered the period October 1997 through September 2000 and included any subsequent financial activities that affected those FYs as of June 30, 2001. The audit identified equipment items that were not properly labeled and inventory records that were incomplete and inaccurate (see Appendix E). The single audit did not report any direct findings for the Alabama DDS.

Kansas DDS

Our audit of the Kansas DDS covered the period October 1997 through September 2000. However, the audit was expanded to fully develop the indirect cost finding which affected the costs claimed in FYs 2001 and 2002. The audit identified that obligations were overstated by $2,456,980 because of (1) incorrect indirect cost allocations, (2) excessive consultative examination payments, (3) inappropriate non-SSA work cost charges, and (4) inaccurate other nonpersonnel costs. In addition, $1,106,542 was claimed for reimbursement in the incorrect FY, procedures were not adequate to determine and account for cash draws by FY reporting period, and computer access controls were weak (see Appendix E). The single audit did not report any direct findings for the Kansas DDS.

Puerto Rico DDS

Our audit of the Puerto Rico DDS covered the period October 1997 through September 2000. The audit identified that the DDS (1) overstated obligations reported on the SSA-4513 by $58,102 in direct costs and $8,673 in indirect costs, (2) overstated other unliquidated obligations, totaling $102,820, (3) did not comply with State policy for overtime, (4) had internal control weaknesses involving the accounting for and reporting of administrative costs and was in noncompliance with several regulations and policies, and (5) did not take appropriate corrective action on findings identified in previous single audits (see Appendix E). The single audit identified problems related to cash management, equipment and real property management, and allowable costs (see Appendix C).

California DDS

Our audit of the California DDS covered the period October 1996 through March 2002. The audit identified that the California DSS had overstated its disbursements by $6,872,503.[19] This occurred because DSS charged unallowable medical, nonpersonnel, and indirect costs to SSA. In addition, the DSS overstated its unliquidated obligations by $5,708,314 for FY 1999 and 2000, and lacks control over its cash management practices and computer security (see Appendix E). The single audit did not report any direct findings for the California DDS.

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[19] The questioned costs were not specifically identified by FY. Therefore, we were unable to report the questioned costs for the time period of the single audit.

Conclusions and Recommendations

The three recommendations listed below were presented to SSA in our prior single audit summary report.[20] Therefore, SSA should not consider these new recommendations for its audit recommendation tracking system. We do, however, continue to reaffirm our position that SSA should take corrective action by being proactive in providing internal control guidance to DDSs. To do so, SSA should provide the following instructions to DDSs.

1. Adhere to the terms of the CMIA agreement.

2. Maintain complete and accurate equipment inventory records and perform periodic physical inventories.

3. Ensure that costs charged to SSA benefit its programs and are properly authorized and documented.

AGENCY COMMENTS

In response to our draft report, SSA agreed with our recommendations and stated that corrective actions were taken. SSA also provided technical comments which we addressed as appropriate. See Appendix F for the text of SSA's comments.

[20] *Summary of Fiscal Year 2000 Single Audit Oversight Activities* (A-07-02-32035) issued September 20, 2002.

Appendices

Background, Scope and Methodology

BACKGROUND

Single Audit Act

On July 5, 1996, the President signed the Single Audit Act Amendments of 1996, Public Law No. 104-156. The Amendments extended the statutory audit requirement to nonprofit organizations and revised various provisions of the 1984 Single Audit Act, including raising the Federal financial assistance dollar threshold for requiring an audit from $100,000 to $300,000.[1] On June 30, 1997, the Office of Management and Budget (OMB) issued revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* to implement the 1996 amendments. The revised Circular A-133 was effective July 1,1996, and applies to audits of fiscal years beginning after June 30, 1996. This Circular requires non-Federal entities that expend $300,000 or more per year in Federal awards to have a single or program-specific audit conducted for that year.[2]

State DDSs

The Disability Insurance (DI) program was established in 1954 under Title II of the Social Security Act to provide benefits to disabled wage earners and their families. In 1972, Congress enacted the Supplemental Security Income (SSI) program, to provide income and disability coverage to financially needy individuals who are aged, blind and/or disabled.

The Social Security Administration (SSA) is responsible for the policies on developing disability claims under the DI and SSI programs. According to Federal regulations,[3] the Disability Determination Services (DDS) in each State generally performs disability determinations under the DI and SSI programs. In carrying out this function, the DDS is responsible for determining claimants' disabilities and ensuring that adequate evidence is available to support its determinations.[4] In those limited instances where SSA makes disability determinations, regulations provide that each State agency will obtain and furnish medical or other evidence and provide assistance as may be necessary for SSA to carry out its responsibility for making such determinations.[5] SSA reimburses the DDS

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[1] 31 USC §§ 7501 et seq.

[2] OMB Circular A-133, Subpart B § 200 (b).

[3] 20 CFR §§ 404.1601 et seq. and 416.1001 et seq.

[4] 20 CFR §§ 404.1614 and 416.1014.

[5] Id.

for 100 percent of allowable expenditures.[6] There are 54 DDSs located in the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. All DDSs, except the federally administered Virgin Islands DDS, are subject to audit under the Single Audit Act Amendments of 1996.

Each DDS is managed by a State parent agency, which administers other State and Federal programs. There are also other agencies within the State that administer various aspects of Federal programs, such as cash draws and electronic data processing.

Direct and Crosscutting Findings

In conducting single audits, the auditor uses a risk-based approach to determine which Federal programs will receive audit coverage. The single audit also includes an audit of the State's financial statements. The two parts of the single audit identify direct or crosscutting findings.

Direct findings are specifically identified to the Federal programs they affect. The direct SSA findings are identified in single audits by the Catalog of Federal Domestic Assistance number 96. The single audits also report findings that impact more than one Federal program, referred to as crosscutting. However, crosscutting findings may not be identified to any one Federal program or may not be identified to all Federal programs. Thus, the auditor may not be in a position to identify findings for SSA-funded programs because of the limited scope of the single audit. While crosscutting findings are not specifically identified to SSA, they could impact DDS operations.

SCOPE AND METHODOLOGY

We reviewed 50[7] single audits and the related recommendations and auditee responses. Of the 50 single audits, 14 reported direct findings related to DDSs. These findings, questioned costs, and related recommendations were previously reported on a State-by-State basis to SSA's Management Analysis and Audit Program Support Staff for resolution. In addition, 39 of the 50 single audits reported crosscutting findings that could possibly affect DDS operations. To identify crosscutting issues, we reviewed all findings reported for the State agency that managed the DDS and State agencies that performed functions for the DDS.

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6 POMS DI 39501.020, B.1.

7 The 50 single audits included 2 State fiscal year (SFY) 2000 single audits and 48 SFY 2001 single audits. The SFY 2001 single audits for the District of Columbia and Guam have not been completed. Michigan and North Dakota issue biennial single audits, therefore, SFY 2001 single audit results will be reported in the SFY 2001-2002 single audit. We have not completed our review of the West Virginia SFY 2001 single audit, due to a pending audit by the Office of the Inspector General. The federally administered Virgin Islands DDS is not required to have a single audit.

We also reviewed relevant provisions of the:

- Single Audit Act Amendments of 1996, revised OMB Circular A-133, and OMB Circular A-133, *Compliance Supplement* (March 2001 revision);
- OMB *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (Common Rule);*
- OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments;*
- Title II and Title XVI of the Social Security Act;
- Program Operations Manual System instructions;
- Cash Management Improvement Act of 1990;
- SSA Systems Security Handbook; and
- Office of the Inspector General (OIG) administrative cost audit reports for the Alabama, Kansas, Puerto Rico, and California DDSs.[8]

The Compliance Supplement identifies seven types of compliance requirements auditors should consider for the SSA programs in performing single audits. Our review of the 50 single audits identified common direct findings in 3 of the categories: cash management, equipment and real property management, and allowable costs. In addition to these categories, we identified crosscutting findings in the procurement and reporting categories. This report presents the findings by the related Compliance Supplement category.

We performed fieldwork in Kansas City, Missouri, from May 2002 to April 2003. We conducted our review in accordance with Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.

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[8] OIG audits of the Alabama, Kansas, Puerto Rico, and California DDSs are the only OIG audits covering the same or partial period as the single audits discussed in this report.

Appendix B

Summary of Single Audit Findings

State	State Fiscal Year	Direct Findings[1]					Crosscutting Findings[2]				
		Cash Management	Procurement[3]	Equipment/Real Property Management[4]	Reporting[5]	Allowable Costs	Cash Management	Procurement[3]	Equipment/Real Property Management[4]	Reporting[5]	Allowable Costs
Alabama	2001								X		
Alaska[7]	2001										
Arizona	2001								X		
Arkansas[6]	2001										
California	2001						X	X		X	
Colorado	2001								X		X
Connecticut	2001						X		X		X
Delaware	2001	X									
District of Columbia[6]	2000										
Florida	2001					X					X
Georgia	2001								X		X
Hawaii[7]	2001								X		X
Idaho	2001										X
Illinois	2001	X									
Indiana[7]	2001										
Iowa	2001						X				X
Kansas	2001										X
Kentucky	2001								X		X
Louisiana	2001					X			X		X
Maine	2001	X					X	X	X		X
Maryland	2001	X								X	

[1] See Appendix C for detailed direct findings.

[2] See Appendix D for detailed crosscutting findings.

[3] There were no direct findings identified in this category.

[4] This category includes crosscutting findings that were identified in the areas of computer controls and/or property controls.

[5] There was only one direct finding identified in this category.

[6] The single audit did not report any findings.

[7] The single audit reported findings, but they did not have a potential affect on the Disability Determination Services.

State	State Fiscal Year	Direct Findings[1]					Crosscutting Findings[2]				
		Cash Management	Procurement[3]	Equipment/Real Property Management[4]	Reporting[5]	Allowable Costs	Cash Management	Procurement[3]	Equipment/Real Property Management[4]	Reporting[5]	Allowable Costs
Massachusetts	2001										X
Minnesota	2001								X		X
Mississippi	2001								X		
Missouri	2001									X	X
Montana	2000/2001					X	X	X	X	X	X
Nebraska	2001										X
Nevada[7]	2001										
New Hampshire	2001	X									
New Jersey	2001										X
New Mexico	2001	X				X				X	X
New York	2001					X				X	X
North Carolina	2001							X	X		X
Ohio	2001				X						
Oklahoma	2001						X				X
Oregon	2001										
Pennsylvania	2001						X	X			X
Puerto Rico	2000/2001	X		X		X	X		X	X	X
Rhode Island	2001	X		X				X			
South Carolina	2001								X		
South Dakota	2001										X
Tennessee	2001								X		
Texas	2001						X				
Utah	2001						X				X
Vermont	2001								X		
Virginia	2001								X		X
Washington	2001							X			
Wisconsin	2001							X	X		X
Wyoming[7]	2001										

Note: See page B-1 for explanation of footnotes 1 through 7.

Direct Findings Reported in 14 Single Audits

STATE	DIRECT FINDINGS	QUESTIONED COSTS
Delaware 2001	1. The parent agency for the Delaware Disability Determination Services (DDS), the Department of Labor (DoL), did not draw funds in accordance with the funding techniques specified in the Cash Management Improvement Act (CMIA) agreement. Specifically, DoL did not draw funds based on the average clearance method, or monitor cash balances.	$0
Florida 2001	1. The parent agency for the Florida DDS, the Department of Health, did not properly prepare payroll certifications to support DDS employees' salaries.	$366,019
Illinois 2001	1. The parent agency for the Illinois DDS, the Department of Human Services (DHS) did not review or re-certify the accuracy of clearance patterns identified in the CMIA agreement for cash draws related to SSA's disability programs.	$0
Louisiana 2001	1. The parent agency for the Louisiana DDS, the Department of Social Services (DSS), did not provide sufficient resources for the DDS to efficiently process SSA's disability workload. During State fiscal years (SFY) 2000 and 2001, DSS denied the DDS' repeated requests for paid overtime and additional staff resources. Its failure to provide sufficient resources resulted in a high backlog of disability claims and delays in claimants' receiving disability decisions.[1]	$0
Maine 2001	1. The parent agency for the Maine DDS, DHS, was not in compliance with the CMIA agreement because it did not follow the average clearance pattern method to draw Federal funds.	$0
Maryland 2001	1. The parent agency for the Maryland DDS, the Department of Education (DoE), did not maintain documentation to support the check clearance patterns stated in the CMIA agreement for payroll and vendor payments.	$0

[1] This finding and related recommendation was previously reported on an individual basis to SSA's Management Analysis and Audit Program Support Staff for resolution. Since it is the only one of this type identified in the single audits further discussion is not included in this report.

STATE	DIRECT FINDINGS	QUESTIONED COSTS
Montana 2001	1. The parent agency for the Montana DDS, the Department of Public Health and Human Services, did not have a sound control structure to detect or correct errors in its financial records, allocate costs between State and Federal programs, or prevent discrepancies between the State's primary accounting system and the Department's subsystems.	$0
	2. In addition, the automated data processing subsystems were not reconciled to the State's primary accounting system, resulting in possible misstatements in financial records.	$0
New Hampshire 2001	1. The parent agency for the New Hampshire DDS, the DoE, did not adhere to the clearance method timetable in the CMIA agreement to draw Federal funds.	$0
New Mexico 2001	1. The parent agency for the New Mexico DDS, DoE, did not reconcile its accounting records to the official State accounting records timely.	$0
	2. DoE cash draw records and the State Treasurer's Federal cash draw records were not reconciled, which resulted in an unresolved DDS cash balance of $676.	$0
	3. DoE vouchers were not posted to the general ledger timely.	$0
	4. The DDS did not encumber $63,692 of its year-end medical expenditures.	$0
	5. Expenditures related to vocational rehabilitation services were not documented in accordance with Federal requirements.	$0
New York 2001	1. The parent agency for the New York DDS, the Office of Temporary and Disability Assistance (OTDA), miscoded payroll expenses in the State's payroll system.	$250,635
	2. OTDA allocated indirect costs based on methodologies that were not approved by the Department of Health and Human Services' Division of Cost Allocation.	$0

STATE	DIRECT FINDINGS	QUESTIONED COSTS
Ohio 2001	1. Medical consultant time was under-reported by 3,590 hours on the Time Report of Personnel Services (SSA-4514) for the quarter ended December 31, 2000.[2]	$0
	2. Hearing officer overtime was under-reported by 510 hours and unpaid leave was over-reported by 865 hours on the SSA-4514 for the quarter ended June 30, 2001.	$0
	3. All other part-time employee overtime and unpaid leave were over-reported by 579 hours and 355 hours, respectively, on the SSA-4514 for the quarter ended June 30, 2001.	$0
Puerto Rico 2000	1. Evidence could not be located to support the time elapsed between the receipt and disbursement of Federal funds for the DDS program.	$0
	2. Complete personnel information was not maintained in the employees files.	$0
	3. The Puerto Rico Department of the Family (DoF) did not maintain accurate records of acquisition dates and costs, physical location, and dispositions of property acquired with Federal funds.	$0
	4. DDS expenditures were not supported by documentation.	$4,527
	5. Evidence to support expenditures for professional services contracted by DoF could not be located.	$0
	6. Estimated personnel costs were used on the State Agency Report of Obligations (SSA-4513).	$15,438
	7. The indirect cost rate used to claim costs on the SSA-4513 was incorrect.	$0
	8. The SSA-4514 was not submitted timely.	$0

[2] These findings and related recommendations were previously reported on an individual basis to SSA's Management Analysis and Audit Program Support Staff for resolution. Since Ohio was the only State with findings of this type identified in the single audits further discussion is not included in this report.

STATE	DIRECT FINDINGS	QUESTIONED COSTS
Puerto Rico 2001	1. Complete personnel information was not maintained in employee files.	$0
	2. Estimated personnel costs were used on the SSA-4513.	$100,144
	3. Evidence could not be located to support the time elapsed between the receipt and disbursement of Federal funds for the DDS program.	$0
	4. DDS expenditures were not supported by documentation.	$548
	5. DoF did not maintain accurate records of acquisition dates and costs, physical location, and dispositions of property acquired with Federal funds.	$0
	6. The SSA-4514 was not submitted timely.	$0
Rhode Island 2001	1. The parent agency for the Rhode Island DDS, DHS, did not adhere to draw techniques specified in the CMIA agreement for draws of Federal funds.	$0
	2. The State does not have a statewide fixed asset inventory system; and therefore, could not identify equipment purchased with Federal funds.	$0
	Total Questioned Costs	**$737,311**

Crosscutting Findings Reported in 39 Single Audits

STATE	CROSSCUTTING FINDINGS	QUESTIONED COSTS[1]
Alabama 2001	1. Policies and procedures for systems access by users and data processing personnel were inadequate.	$0
	2. A formal written contingency plan to be followed in the event of a disaster that adversely affects the operations of the data center was not implemented.	$0
Arizona 2001	1. The State's Information Services Division, which operates the State's computer system, had not implemented a formal contingency plan to be followed in the event of a disaster that adversely affects its operations.	$0
California 2001	1. Certifications of suspended or debarred parties were not obtained.	$0
	2. The time between the receipt and disbursement of Federal funds for two programs reviewed was not minimized.	$0
	3. Limitations in the State's automated accounting systems did not allow it to report expenditures by program on the Schedule of Expenditures of Federal Awards.	$0
Colorado 2001	1. Fixed asset expenditures were not reconciled prior to closing the financial records.	$0
	2. Funds for personal services payments for 1 year where charged to funds spent in a separate year.	$0

[1] These amounts were reported in the single audit reports as questioned costs for various Federal programs. They were not specifically identified to the Social Security Administration's disability programs.

STATE	CROSSCUTTING FINDINGS	QUESTIONED COSTS[1]
Connecticut 2001	1. Federal funds were drawn in advance of needs. 2. Employees' salaries were not properly charged to the benefiting Federal programs. 3. Automatic data processing system security reviews were not performed for the installations that were involved in the administration of programs.	$0 $0 $0
Florida 2001	1. Personnel costs were not properly allocated to benefiting Federal programs.	$57,683
Georgia 2001	1. Bank statements were not reconciled with the accounting records on a timely basis. 2. Procedures were not in place to complete reconciliations appropriately and account balances were not properly cleared at the end of the fiscal year (fy). 3. Internal controls were not in place to ensure that equipment inventories were maintained in accordance with State laws and regulations.	$0 $0 $0
Hawaii 2001	1. Vacation and sick leave records were not properly maintained. 2. State property inventory records were incomplete and inaccurate and fixed asset acquisitions were not recorded timely. 3. Payroll costs were improperly charged to the incorrect grant.	$0 $0 $51,700
Idaho 2001	1. Costs allocated to Federal grants were not always based on actual time spent on the program.	$0

Note: See D-1 for footnote explanation.

STATE	CROSSCUTTING FINDINGS	QUESTIONED COSTS[1]
Iowa 2001	1. Payroll allocations were not entered into the payroll system accurately or timely.	$0
	2. Draw downs of Federal funds were not accurate.	$0
	3. Costs charged to various programs did not agree with supporting documentation, and in other cases documentation was not available to support changes made to the cost allocation system.	$0
Kansas 2001	1. Combined financial statements did not include certain assets and liabilities of the State nor was the information documented in the State's accounting system.	$0
Kentucky 2001	1. Catalog of Federal Domestic Assistance numbers were improperly coded in the system.	$0
	2. Office of Financial Management (OFM) did not have proper security over its primary server.	$0
	3. OFM did not develop and implement formal policies and procedures for controls over program modifications.	$0
	4. Controls were not in place to ensure security over the network servers.	$0
	5. Adequate security controls were not provided for the payroll and personnel system.	$0
Louisiana 2001	1. The Integrated Statewide Information Systems used to process payroll and personnel data contained several control weaknesses.	$0
	2. User access to electronic data processing applications was not properly restricted.	$0
	3. Accounting controls were inadequate over movable property acquisition, disposition, valuation, and location.	$0
	4. Effective internal audit functions for the State to examine, evaluate, and report on internal controls (including data processing) were lacking.	$0

Note: See D-1 for footnote explanation.

STATE	CROSSCUTTING FINDINGS	QUESTIONED COSTS[1]
Maine 2001	1. Costs were submitted for reimbursement twice.	$0
	2. Internal controls were not adequate to ensure complete and accurate recording of fixed assets.	$0
	3. Quarterly financial reports were not reconciled to accounting records.	$0
	4. Controls and procedures were not in place to record and disclose operating lease transactions.	$0
	5. Policies and procedures were inadequate to ensure contracts were not awarded to debarred or suspended parties.	$0
	6. Controls were inadequate to ensure complete and accurate reporting for the Schedules of Expenditures of Federal Awards.	$0
	7. Documentation was not adequate to support salary expenditures.	$0
	8. Controls were not in place to ensure cost allocation plans contained accurate financial information.	$0
	9. Internal controls were inadequate to ensure compliance with the Cash Management Improvement Act (CMIA) agreement.	$0
	10. The time between the receipt and disbursement of Federal funds was not minimized.	$0
	11. Payroll costs were charged to the wrong Federal program.	$0
Maryland 2001	1. Internal control weaknesses existed in recording and reporting cash management activities.	$0
Massachusetts 2001	1. Indirect costs were charged using an outdated rate.	$0
	2. Procedures in the cost allocation plan to establish rates for computer tape and report storage costs were not followed.	$0

Note: See D-1 for footnote explanation.

STATE	CROSSCUTTING FINDINGS	QUESTIONED COSTS[1]
Minnesota 2001	1. Costs were recorded in the wrong fiscal year.	$0
	2. Accounts receivable were not monitored or recorded.	$8,292
	3. Computer controls were not in place for employee access, accounts, and passwords.	$0
Mississippi 2001	1. Physical security controls over network computer equipment and communications equipment were inadequate.	$0
Missouri 2001	1. Controls for the new State accounting system were inadequate.	$0
	2. The Office of Administration did not issue the Comprehensive Annual Financial Report timely.	$0
Montana 2001	1. Cash draws were earlier than allowed by the clearance patterns established in the CMIA agreement.	$0
	2. The Department of Administration was unable to reconcile bank account records to the State's accounting records.	$0
	3. Controls were not in place to ensure that interest calculation spreadsheets were accurate and reconciled with the accounting records.	$0
	4. Procedures were not followed to verify that contractors were not suspended or debarred.	$0
	5. Cash draws were consistently calculated in a manner contrary to the CMIA agreement.	$0
	6. Procedures were not in place to ensure accounting records supported Federal reports.	$0
	7. Federal regulations for the review and analysis of data processing and system security issues were not followed.	$0

Note: See D-1 for footnote explanation.

STATE	CROSSCUTTING FINDINGS	QUESTIONED COSTS[1]
Nebraska 2001	1. Financial reconciliations were not posted accurately or in a timely manner. 2. Findings relating to financial statements were not prepared as required by generally accepted government auditing standards.	$0 $0
New Jersey 2001	1. Expenditures were not reconciled with financial records on the central accounting system.	$0
New Mexico 2001	1. Financial status reports were not submitted timely. 2. Internal Revenue Service form W-4 could not be located for one employee. 3. Staff took annual leave without advance approval.	$0 $0 $0
New York 2001	1. Claims were not submitted timely for Federal reimbursement. 2. Inaccurate information was entered on financial status reports. 3. Pre-settlement reviews were not performed for claims submitted for current expenditures and prior adjustments.	$0 $0 $0
North Carolina 2001	1. Employee access to the accounting system was not limited to areas necessary for their jobs. 2. Contract approval was not obtained prior to receiving services. 3. Procedures were not in place to ensure employee timesheets were accurate. 4. Invoices were not processed timely.	$0 $0 $0 $0
Oklahoma 2001	1. Funds were not drawn in accordance with the CMIA agreement. 2. Costs were not allocated in accordance with the indirect cost proposal and the approved indirect cost rate was not applied to FY 2001 costs.	$0 $0

Note: See D-1 for footnote explanation.

STATE	CROSSCUTTING FINDINGS	QUESTIONED COSTS[1]
Pennsylvania 2001	1. Policies and procedures were inadequate to ensure contracts were not awarded to debarred or suspended parties.	$0
	2. Interest liability was understated on the CMIA annual report.	$83,212
	3. Clearance pattern requirements were not followed.	$0
	4. There was no documentation to support the salary and fringe benefits of an employee and time distribution records were not available for the same employee.	$33,276
Puerto Rico 2000/2001	1. Evidence to support draws of Federal funds could not be located.	$38,222
	2. Expenditures were charged to incorrect grants.	$1,228,274
	3. Financial statements were not prepared in conformity with Generally Accepted Accounting Principles, due to a lack of policies, procedures, and financial reporting practices.	$0
	4. Financial Status Reports did not agree with the General Ledger.	$0
	5. Expenditures charged to Federal funds were not supported.	$13,933,027
	6. Property and equipment management procedures were not adequate.	$2,461,057
	7. The filing system was not effective.	$0
	8. The Cost Allocation Plan was not approved.	$1,361,646
	9. Federal reports were not submitted timely.	$5,270,450

Note: See D-1 for footnote explanation.

STATE	CROSSCUTTING FINDINGS	QUESTIONED COSTS[1]
Rhode Island 2001	1. Certifications to ensure contracts were not awarded to debarred or suspended parties were not maintained. 2. Controls were inadequate over the State Accounting System and the Payroll Accounting System regarding password access to computer systems.	$0 $0
South Carolina 2001	1. Controls were not in place to ensure only authorized personnel have access to network equipment. 2. Controls were not in place to restrict programmer access to data. 3. The new disaster recovery plan had not been tested and a review of the draft copy of the plan showed that it was incomplete.	$0 $0 $0
South Dakota 2001	1. Internal controls over revenue and expenditure processes, cash, and fixed assets were inadequate, and duties were not properly segregated.	$0
Tennessee 2001	1. The Department did not maintain proper accountability nor perform a complete physical inventory over its equipment.	$0
Texas 2001	1. The CMIA agreement was not followed and clearance patterns were not completely developed.	$0
Utah 2001	1. Federal funds were not obligated within the period of availability. 2. Federal draws were not made timely.	$0 $0
Vermont 2001	1. An Automated Data Processing risk analysis and system security review was not performed.	$0

Note: See D-1 for footnote explanation.

STATE	CROSSCUTTING FINDINGS	QUESTIONED COSTS[1]
Virginia 2001	1. Policies and procedures were not established for the check processing function resulting in duplicate checks being issued.	$0
	2. There was insufficient documentation and a lack of procedures for the implementation of program changes to the system.	$0
	3. Monthly reconciliations input into the agency expenditure reimbursement system were not compared to the financial accounting analysis system as required.	$0
Washington 2001	1. Required certifications were not obtained for vendors as required in the suspension and debarment requirements.	$0
Wisconsin 2001	1. Policies and procedures were inadequate to ensure contracts were not awarded to debarred or suspended parties.	$0
	2. Access to the statewide computer system was not limited to the appropriate personnel.	$0
	3. Procedures stated in the Cost Allocation Plan were not followed.	$0
	Total Questioned Costs	**$24,526,839**

Note: See D-1 for footnote explanation.

Appendix E

Findings Identified during the Same Time Frame as the Single Audits Reviewed

OIG AUDIT	OFFICE OF THE INSPECTOR GENERAL (OIG) FINDINGS[1]	QUESTIONED COSTS
Audit of Administrative Costs Claimed by the Alabama Disability Determination Services (A-08-01-11050)	1. Personnel did not label a mailing machine and supporting console, mail scale, and laser facsimile machine located in the Mobile, Alabama DDS office.	$0
	2. Sorting units were misclassified as workstations and were subsequently deleted from the current inventory listing.	$0
Audit of the Administrative Costs Claimed by the Kansas Disability Determination Services (A-07-02-22003)	1. Indirect costs were not allocated to all benefiting components, and information technology costs were not allocated according to the approved cost allocation plan, resulting in unallowable costs of $964,509 in Fiscal Year (FY) 2000 and $1,227,645 in FY 2001.	$2,192,154
	2. Expenditures totaling $1,106,542 were reported on the State Agency Report of Obligations (SSA-4513) in the wrong FYs, although the costs were otherwise acceptable for reimbursement.	$0
	3. Hospitals, clinics, and individual physicians were reimbursed for consultative examinations (CE) at rates that exceeded the highest rate paid by Federal or other agencies in the State.	$173,804
	4. Non-SSA work related costs were charged to SSA and the method used to calculate non-SSA costs was not consistent with the terms of the memorandum of understanding.	$89,174
	5. Unallowable costs were charged for communication services not related to the DDS; Federal, State and local excise taxes; and late fees.	$1,848
	6. Procedures were not adequate to determine and account for cash draws by FY reporting period.	$0
	7. Timekeeping duties were not properly segregated.	$0
	8. Computer access controls were weak.	$0

[1] Only the findings and questioned costs identified for the same period as the single audit are reported.

OIG AUDIT	OFFICE OF THE INSPECTOR GENERAL (OIG) FINDINGS[1]	QUESTIONED COSTS
Audit of the Administrative Costs Claimed by the Commonwealth of Puerto Rico Disability Determination Program (A-06-02-22072)	1. Unallowable payroll costs were claimed due to costs being estimated.	$58,102
	2. Unallowable indirect costs were claimed due to the rate being applied to unallowable direct costs.	$8,673
	3. Accounting records for the disability program did not agree with the parent agency accounting records as a result of different FYs recorded on some vouchers.	$0
	4. Unliquidated obligations on the SSA-4513 reports were not resolved and continued to be reported the next 2 FYs as unliquidated obligations on the reports.	$102,820
	5. Cumulative disbursements consistently exceeded the amount of SSA funds requested.	$0
	6. Employees were paid time and a half for extra hours worked resulting in $53,803 in paid overtime. State policy requires compensatory time off for extra hours worked.	$0
	7. Selected payroll costs were inappropriately reclassified from direct to indirect costs.	$0
	8. Internal controls were not adequate to ensure consultative examinations were properly authorized.	$0
	9. The CE fee schedule was not reviewed and updated annually.	$0
	10. Appropriate corrective action was not taken on some prior years' single audit findings.	$0

Note: See E-1 for footnote explanation.

OIG AUDIT	OFFICE OF THE INSPECTOR GENERAL (OIG) FINDINGS[1]	QUESTIONED COSTS
Administrative Costs Claimed by the California Disability Determination Program (A-09-02-2022)	1. The DSS claimed unallowable medical costs which included (a) excessive fees for specialty examinations, x-rays, laboratory tests, other medical services, and review of medical evidence of record (MER); and (b) duplicate payments for MERs and CEs.	$2,630,449[2]
	2. Unallowable nonpersonnel costs were charged to SSA for (a) excessive rental costs and (b) costs related to non-SSA programs.	$2,362,730[2]
	3. Unallowable costs were charged to SSA for indirect costs that did not benefit SSA's programs. These costs included statewide, departmental, and special administrative indirect costs.	$1,708,097[2]
	4. Cash management practices were lacking regarding the collection of funds from unnegotiated warrants, the use of SSA funds to replenish State funds, and proper draw down of Federal funds.	$171,227[2]
	5. Unliquidated obligations in excess of supporting expenditures were reported in the areas of medical, nonpersonnel, and indirect costs.	$0
	6. Access controls over computer security were lacking. These controls included the monitoring of MIDAS transactions and safeguards over employee workstations.	$0
	Total Questioned Costs	**$9,499,078**

Note: See E-1 for footnote 1 explanation.

[2] The questioned costs were not specifically identified by FY. Therefore, we were unable to report the questioned costs for the time period of the single audit.

Agency Comments

SOCIAL SECURITY

MEMORANDUM 55-24-1039

Date: September 15, 2003 Refer To: S1J-3

To: James G. Huse, Jr.
Inspector General

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Management Advisory Report, "Summary of Single Audit Oversight Activities" (A-07-03-13059)--INFORMATION

We appreciate the OIG's effort in conducting this review. Our comments on the draft report content are attached.

Staff questions may be referred to Gail Scruggs at extension 5-4259.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT MANAGEMENT ADVISORY REPORT, "SUMMARY OF SINGLE AUDIT OVERSIGHT ACTIVITIES" (A-07-03-13059)

Thank you for the opportunity to comment on this draft report. In this report, OIG repeated three recommendations that were included in a previous audit, "Summary of Single Audit Oversight Activities October 2000 through April 2002" dated September 2002 (A-07-02-32035). We are pleased to report that corrective action has been taken to implement these recommendations. However, OIG reaffirmed its position that the Agency should continue to provide guidance to the State Disability Determination Services (DDS) and cited three specific areas that remain a concern. They are: 1) cash management; 2) equipment and real property management; and 3) allowable costs. Acknowledging the importance of accounting for funds provided to the DDSs to perform SSA work, we, on an ongoing basis, send out reminders to the State DDSs on proper reporting procedures. We also provide guidance to the DDSs via the DDS Security Document (DSD) whose purpose is providing guidance to the DDSs in the area of physical and systems security. A revised DSD is expected to be released to all DDSs by September 30, 2003.

OIG Contacts and Staff Acknowledgments

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Acknowledgments

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For additional copies of this report, please visit our web site at www.ssa.gov/oig or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-07-03-13059.

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Social Security Advisory Board

Overview of the Office of the Inspector General

Office of Audit

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations and cash flow. Performance audits review the economy, efficiency and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

Office of Executive Operations

The Office of Executive Operations (OEO) supports the Office of the Inspector General (OIG) by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the *Government Performance and Results Act*. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

Office of Investigations

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.