**OFFICE OF**
**THE INSPECTOR GENERAL**

**SOCIAL SECURITY ADMINISTRATION**

**SINGLE AUDIT OF THE**
**STATE OF LOUISIANA**
**FOR THE FISCAL YEAR ENDED**
**JUNE 30, 2001**

**December 2002 A-77-03-00004**

# 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 11, 2002

Refer To:

To: Candace Skurnik
Acting Director
Management Analysis and Audit Program Support Staff

From: Assistant Inspector General
for Audit

Subject: Management Advisory Report: Single Audit of the State of Louisiana for the Fiscal Year Ended June 30, 2001 (A-77-03-00004)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Louisiana for the Fiscal Year (FY) ended June 30, 2001. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Louisiana Legislative Auditor 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 Louisiana Legislative Auditor and the reviews performed by HHS.

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 Louisiana 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 Louisiana Department of Social Services (DSS) is the Louisiana DDS' parent agency.

The DSS did not provide sufficient resources for the DDS to efficiently process SSA's disability workload. During State FYs 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 (see Attachment A).

The corrective action plan indicates that during State FYs 2001 and 2002, DSS authorized paid overtime and additional staff resources for the DDS. The DSS also reports the backlog of cases has been significantly reduced.

We recommend SSA ensure the Louisiana DDS has sufficient resources to process its disability workload efficiently.

The single audit also disclosed the following findings that may impact DDS operations, although they were not specifically identified to SSA. We bring these matters to your attention as they represent potentially serious service delivery and financial control problems for the Agency (see Attachment B).

- The Integrated Statewide Information systems to process payroll and personnel data contained several control weaknesses.

- Effective internal audit functions for the State to examine, evaluate, and report on the internal controls (including data processing) were lacking.

- Accounting controls were inadequate over movable property acquisition, disposition, valuation, and location.

- User access to electronic data processing applications was not properly restricted.

Please send copies of the final Audit Clearance Document to Mark Bailey in Kansas City and Paul Wood in Baltimore. If you have questions contact Mark Bailey at (816) 936-5591.

Steven L. Schaeffer

Steven L. Schaeffer

Attachments

**Schedule C**

**STATE OF LOUISIANA**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Federal Award Findings and Questioned Costs (Continued)

## SOCIAL SECURITY ADMINISTRATION

## SOCIAL SERVICES, DEPARTMENT OF

### F-01-SSA-DSS-8 - Social Security Administration - Disability Insurance: Insufficient Level of Effort

| | Questioned Costs |
|---|---|
| **Disability Insurance/SSI Cluster:** | **$0** |
| **96.001 - Social Security - Disability Insurance (2001)** | |

DSS, OFS did not provide a sufficient level of effort for administering the Social Security Administration - Disability Insurance Program (CFDA 96.001). The OFS includes the Disability Determination Services (DDS) Unit, which processes the medical determination component of disability insurance claims for the Social Security Administration (SSA). The Code of Federal Regulations, Title 20, Section 404.1621, requires the state, to the best of its ability, to facilitate the processing of disability claims by avoiding personnel freezes, restrictions against overtime work, and/or the curtailment of facilities or activities. The SSA reimburses DDS for 100% of the costs incurred in making disability determinations.

Audit procedures disclosed the following conditions that caused a large backlog of disability cases:

- In October 1999, Louisiana was one of 10 states selected by the SSA to implement a new prototype method for case processing. The prototype changes resulted in longer case processing time, lost time because of training, and a higher than normal attrition rate. DDS also had its authorized positions cut from 395 in state fiscal year (FY) 1998-1999 to 380 in FY 1999-2000 to 360 in FY 2000-2001.

- During FY 1999-2000 and FY 2000-2001, the DDS program director repeatedly sought management's approval for paid overtime and for authority to fill vacancies to help offset the lost production. The program director pointed out that DDS was 100% federally funded and that the department's actions were contrary to federal regulations governing the program. Management denied the requests, citing the need to comply with the governor's executive orders relating to hiring and spending freezes. However, the governor's executive orders did not apply to DDS since the orders exempted all budget activities not financed by funds from the state General Fund (Direct).

**Schedule C**

**STATE OF LOUISIANA**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Federal Award Findings and Questioned Costs (Concluded)

- In October 2000, management authorized DDS to replace 25 disability examiners but continued to refuse approval for paid overtime until May 2001 when the number of unassigned cases had reached 6,974. At the end of FY 2000-2001, the total unassigned cases had decreased by 2,623 to 4,351 cases.

Because DSS did not provide a sufficient level of manpower and administrative support to the DDS Unit, the SSA, as of June 30, 2001, had transferred nearly 3,000 Louisiana disability claims and reviews to other states and other SSA federal components. Furthermore, Louisiana residents with disabilities experienced unnecessary delays in receiving decisions regarding their disability claims. In a letter dated July 26, 2000, to the DSS secretary, the SSA Region VI commissioner stated, "Dollars that appear to be saved through a hiring freeze in the DDS are merely dollars that SSA does not provide. It does not reduce state spending, nor does it free up funding that might be redirected to other programs."

Management should comply' with the requirements of 20 CFR 404.1621 for the DDS Unit by replacing vacant positions, approving paid overtime, and restoring authorized positions, as necessary, to improve the administration of the program. Management concurred with the finding, noting an increase in authorized positions and a reduction in the unassigned case load. See management's response at B-103.

State of Louisiana
Department of Social Services
*OFFICE OF FAMILY SUPPORT*
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*BATON ROUGE, LOUISIANA 70804-4065*

**M.J. "MIKE" FOSTER, JR.**
**GOVERNOR**

**GWENDOLYN P. HAMILTON**
**SECRETARY**

January 30, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana 70804-9397

RE: Draft Legislative Audit Report for State Fiscal Year 2000-2001

Dear Dr. Kyle:

The Disability Determinations Services (DDS) Program, located within the DSS Office of Family Support, has reviewed the finding presented in the draft audit report, as follows:

Social Security Administration - Disability Insurance: Insufficient Level of Effort

OFS concurs that, subsequent to hiring and spending freezes by the administration, a backlog of 6, 974 unassigned disability cases occurred during SFY 00-01.

In October 2000 DDS was allowed to fill 25 vacant disability examiner positions. Paid overtime was approved beginning in May 2001. In SFY 01-02 DDS was authorized to fill 380 positions. Subsequently this authorization was reduced to 375 because of early retirement of DDS staff in accord with Act 844 of the Regular Legislative Session of 2001. In late 2001 DDS completed another overtime project and filled more disability examiner vacancies. By January 28, 2002, the unassigned case total has been reduced to 1,266.

If any other information is needed please advise me or Kay Hoffpauir, DDS Program Manager 3, at 342-2241. Thank you for the opportunity to provide this response.

Sincerely,

Ann S. Williamson

Ann S. Williamson
Assistant Secretary
ASW/lb

AN EQUAL OPPORTUNITY EMPLOYER

**Schedule B**

**STATE OF LOUISIANA**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Financial Statement Findings (Continued)

authorized and approved by the commissioner of administration, have steadily increased. For example, petty cash, travel imprest funds, and seed advances in fiscal year 1996 were approximately $41,000,000. The advances increased to approximately $200,000,000 by fiscal year 2001; however, the Ancillary Appropriations Act still says "more or less estimated at $1,000,000.°

In developing the Ancillary Appropriations Act, the commissioner of administration through the office of Planning and Budget and the Department of the State Treasury should provide the legislature with a realistic estimate of petty cash, travel imprest, and seed advances each year so that the legislature and the public will have full knowledge of the amounts authorized. Management of both the Division of Administration and the Department of the State Treasury did not concur with this finding. The Division contends that this is a long established practice within the state financial program with a justifiable need and purpose which has received legislative approval. In addition, the Division asserts that cash management is a function that it shares with the Department of the State Treasury, not the Legislative Auditor. The Department of the State Treasury contends that it is not a participant in the development of the Ancillary Appropriations Bill but does provide adequate notification to the participants in the development of this appropriation. See management's response at B-32.

**Additional Comments:** While the disbursement of seed funds may be a long established practice, the questions of justifiable need, efficient cash management, and legislative approval still exist, particularly in light of the increase in seed funds disbursed over the past 5 years. Furthermore, the Legislative Auditor does not seek to assume any part of the state's cash management function but reports this finding to inform those legislators and the general public who may not be aware of the recent growth in actual seed amounts.

## EXECUTIVE DEPARTMENT

### FS-01 -CAFR-2 -Weaknesses in Information System Controls

During fiscal year 2001, the Division of Administration, Office of Information Systems (OIS), implemented the Integrated Statewide Information Systems Human Resources system (ISIS/HR) to process payroll and personnel data. During and after implementation, several. control weaknesses were noted as follows:

- OIS did not create a viable test environment separate from the actual production environment, which could cause inaccurate payroll and related benefit payments.

- Because part of the ISIS/HR system was inoperable during the last pay period in June 2001, the banks' receipt of the Electronic File Transfer payroll files and postings to employees' accounts were delayed.

- Excessive downtime existed resulting in periods that ISIS/HR was unavailable and agency users could not perform job functions timely or obtain necessary information.

- Interfaces between ISIS/HR and other systems were not operating properly, which could cause payroll and personnel data to be incomplete and inaccurate.

- No policies or procedures existed that required a periodic reconciliation between ISIS/HR amounts and Advanced Financial System (AFS) amounts to ensure completeness of data.

- Reports necessary for financial reporting and agency monitoring, such as the Employee Costing Detail Report and leave reports, were unavailable at various times or contained incorrect information.

- Proper segregation of duties related to access was not maintained for users associated with at least 63 user IDs.

In addition, for ISIS systems collectively, OIS has formalized a disaster recovery plan. However, the plan has not been fully tested for all key application systems, which could result in delays in processing or loss of critical data.

Good internal control should allow for system changes to be reviewed, tested, and approved in a test environment before placing the changes in production; ensure system downtime is minimized; produce timely and accurate payroll and personnel information; ensure completeness of data; provide for accurate financial reporting and proper monitoring; and ensure system access is assigned based on business need providing for the proper segregation of duties. Furthermore, there should be an overall processing contingency or disaster recovery plan for all systems that will allow for continued operations of critical data processing services.

The Division of Administration placed a high priority on developing and implementing the ISIS/HR system. However, the control structure surrounding that system has some weaknesses that were not addressed in development. The lack of adequate controls may result in system failure or inaccuracies in data and reports.

The Division of Administration should implement policies and procedures for ISIS/HR to ensure that the integrity of the production environment is maintained, system delays are minimized, and data are accurate and timely and are reconciled to AFS. Reports should be accurate and accessible to users. Users' access should be assigned based on business need and should provide for proper segregation of duties. Finally, the disaster recovery plan should be fully tested for all applications. Management of the Division concurred with the majority of the finding (B-35).

**Schedule B**

**STATE OF LOUISIANA**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Financial Statement Findings (Continued)

**FS-01-SW-EXEC-1 - Ineffective Internal Audit Function**

For the nineteenth consecutive year, the State of Louisiana did not have an effective internal audit function for state government to examine, evaluate, and report on its internal control, including data processing, and to evaluate its compliance with the policies and procedures of the control system.

Currently in Louisiana, over 100 internal auditors provide coverage to state agencies, state hospitals, state colleges/universities, and various component units. The governor also established the Office of the State Inspector General (IG) in fiscal year 1988 to provide an internal audit function for state agencies and to provide other valuable services to the state through investigative auditing. However, because of funding limitations, the IG does not have adequate staffing to perform an effective internal audit function. Currently, there are 12 auditors in the IG's office.

Although internal audit resources exist within the agencies noted previously, our study and evaluation of the state's internal control for the year ended June 30, 2001, found that an effective internal audit function did not exist in the following agencies. While the following should not be considered an all-inclusive list, their collective assets and revenues demonstrate the need for an effective internal audit function within Louisiana state government.

| | Assets | General Appropriations/ Revenues |
|---|---|---|
| Department of Agriculture and Forestry | $14,587,616 | $78,374,418 |
| Executive Department | 418,141,921 | 442,356,581 |
| Department of Health and Hospitals | 244,565,442 | 5,160,157,601 |
| Department of Public Safety and Corrections - Corrections Services | 80,822,861 | 636,798,204 |
| Department of Public Safety and Corrections - Public Safety Services | 44,707,871 | 1,080,119,803 |
| Office of Risk Management | 132,955,018 | 121,537,551 |
| Office of Telecommunications Management | 8,632,194 | 48,862,263 |
| Total | $944,412,923 | $7,568,206,421 |

Act 11 of the 2000 Second Extraordinary Session of the Louisiana Legislature requires agencies with an appropriation level in excess of $30 million to use existing program resources and table of organization for the purpose of establishing an internal auditor position. Considering the state's reported assets (approximately $47 billion) and its operating revenues (approximately $18 billion) and the number of control and compliance findings contained in this report, an effective internal audit function is needed to ensure that the state's assets are safeguarded and that state policies and procedures are uniformly applied.

**STATE OF LOUISIANA**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Financial Statement Findings (Continued)

The State of Louisiana should take the necessary steps to establish an effective internal audit function by either reallocating or increasing available internal audit resources or by pursuing other alternatives to accomplish this objective. Management concurred in part with the finding and mentioned the lack of financial resources (B-43).

**FS-01-SW-EXEC-2 - Noncompliance With State's Movable Property Regulations**

The State of Louisiana did not ensure that all state agencies, community colleges, hospitals, technical colleges, and component units maintain adequate internal control over movable property as prescribed by the commissioner of administration and Louisiana law. Considering the amount of movable property additions ($121,223,000), deletions ($86,520,000), and ending balance ($855,288,000) for the General Fixed Asset Account Group, and ending balances for enterprise funds ($23,880,000), internal service funds ($8,414,000), trust funds ($11,761,000), and component units ($1,580,047,000), as reported by the Division of Administration, Office of Statewide Reporting and Accounting Policy for the year ended June 30, 2001, the state's policies and procedures should be uniformly applied to ensure that movable property is adequately safeguarded and accurately reported in the financial statements.

Good internal control requires that adequate control procedures be in place to ensure that (1) the acquisition, valuation, and disposition of movable property is accurately reflected in the accounting records; (2) the locations of all movable items are monitored and updated frequently; and (3) the amounts recorded in the financial statements are materially correct. In addition, good internal control should ensure that movable property is properly safeguarded against loss arising from unauthorized use, that movement of items from one location to another is recorded, and that errors in processing transactions are recognized and corrected. Furthermore, R.S. 39:323-325 and 24:515(B)(1) and the Louisiana Administrative Code (LAC) Title 34 Part VII Sections 309(A), 313(A), and 313(F.8, F.10, F.11) require the following:

1. Property managers are responsible for the maintenance of property identification marks as prescribed by the commissioner.

2. The property manager is required to update the master inventory listing on a monthly basis by submitting all property transactions to the commissioner.

3. Equipment records must be maintained and include the date of purchase, initial cost, and disposition information, if any.

4. Each property manager is required to take a complete physical inventory of all property at least once each fiscal year and record the true and actual results of the physical inventory.

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**STATE OF LOUISIANA**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Financial Statement Findings (Continued)

5. Upon completion of the annual inventory, each property manager is required to submit a certified report to the commissioner containing all exceptions or discrepancies found when comparing the results of the physical inventory to the perpetual inventory records.

6. Efforts must be made to locate all movable property for which there are no explanations for their disappearance.

The Louisiana Property Assistance Agency (LPAA) has been designated by the commissioner as the agency that will collect, account for, and maintain the transactions and reports that are required by state law; however, not all state entities are required to report to LPAA. LAC Title 34 Part VII Section 307(A) requires that acquisitions are tagged and information is forwarded to LPAA within 45 days after receipt of these items. In addition, R.S. 39:326(D) provides the commissioner with the authority to invoke sanctions upon an agency that is in noncompliance with movable property regulations, including the restriction of property acquisitions by that agency.

The audit of movable property records throughout the state disclosed collective amounts of $13,422,295 in additions; $9,448,596 in deletions; and $197,189,241 in ending balances of movable property for one state agency, one college system office, two community colleges, two state hospitals, one technical college, and one state board that did not maintain adequate internal control over movable property as follows:

1. For the fourth consecutive year, the Medical Center of Louisiana at New Orleans did not maintain adequate internal control over movable property. The following deficiencies were observed:

    - In its Certification of Annual Property Inventory, the medical center reported that it was unable to locate movable property valued at $3.7 million, with $1.7 million (46%) of that amount consisting of electronic data processing equipment. In addition, movable property valued at $6.8 million was unlocated from the previous three years.

    - A review of 469 acquisitions revealed that 131 items (28%) totaling $252,377 were not reported to LPAA within 45 days of receipt. The items were reported between 50 and 110 days after receipt.

    - In an effort to physically inspect 30 movable property items, eight items (27%) were not found. Two of these items valued at $7,080 were traced to the unlocated property listing. The locations of the remaining six items (20%, valued at $47,337) are still unknown.

    - Four items out of a separate 18 items sampled (22%) did not have the correct location code.

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**STATE OF LOUISIANA**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Financial Statement Findings (Continued)

2. For the second consecutive year, the Louisiana Community and Technical College System Board of Supervisors did not have adequate procedures in place to ensure that movable property transactions were recorded in an accurate and timely manner. In a test of 59 movable property records, nine router bundles (computer equipment) were originally placed on the movable property listing at the State Purchasing contract price of $9,925 rather than the invoice price of $7,564. The costs of three of the router bundles were subsequently reduced to $1,495 each and the costs of the other six bundles were reduced to $1,295 each. No documentation existed to support the reduction in price. In addition, the equipment was given new property control numbers and placed on the movable property listing at the revised costs without removing the items as originally entered. This equipment remained on the inventory at two different costs, neither of which agreed with the amount paid, for a period of five months. At that time, a decision was made to unbundle the router equipment into separate components. Since each component was now valued at less than $1,000, the equipment was removed from the property listing.

3. For the third consecutive audit, Louisiana Technical College, Delta-Ouachita campus did not have adequate internal control to ensure that movable property is properly and accurately reported to the LPAA in compliance with state movable property regulations. During the examination of movable property, the following deficiencies were noted:

    - A test of 27 property items revealed that six acquisitions (22%) totaling $42,404 were not tagged and entered into the LPAA system within 45 days of receipt. Four of these items were acquired during July 1999 to November 1999, but remained untagged and unreported as of January 2001.

    - The campus reported $215,687 of current year discrepancies in its Certification of Annual Property Inventory submitted on November 3, 2000.

    In addition, an audit performed by the LPAA during April 2000 revealed the following:

    - Thirty property items purchased in 1997, 26 items purchased in 1998, and 21 items purchased in 1999 were not tagged nor was the information entered into the Property Management System within 45 days of receipt.

    - Sixty of 241 (25%) items tested totaling $249,999 could not be located, and four property items did not have property tags.

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**STATE OF LOUISIANA**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Financial Statement Findings (Continued)

4. For the second consecutive year, the State Licensing Board for Contractors did not update the state property master inventory listing and/or notify the LPAA of acquisitions in a timely manner. In addition, the board's property manager did not report discrepancies found during the annual physical inventory. Tests of 34 movable property transactions totaling $160,782 disclosed the following:

   - Fifteen items totaling $67,582 were not reported to LPAA within 45 days of receipt.
   - One item valued at $25,055 was not tagged.
   - One item valued at $1,700 could not be located.

5. Baton Rouge Community College did not maintain adequate internal control over movable property as prescribed by state law. The following deficiencies were noted:

   - Seven of 60 (12%) movable property items tested could not be located. These items consist of five laptop computers and two tower computers with recorded acquisition costs totaling $17,587.
   - Eight of 50 (16%) acquisitions sampled were not reported to LPAA within 45 days of receipt. These items were reported to LPAA between 67 and 229 days after receipt by the college.

6. Delgado Community College did not maintain adequate internal control over movable property as prescribed by state law. Of a sample of 15 acquisitions, nine items (60%) totaling $25,144 were not reported to the LPAA within 45 days of receipt. These items were reported between 54 and 317 days after receipt by the college. The college also did not reconcile additions in its movable property records to acquisitions recorded in the college's general ledger.

7. Earl K. Long Medical Center did not conduct an adequate physical inventory of movable property. The medical center reported that it could not locate 190 items totaling $366,416. Analysis of the unlocated property indicates that 98 items (52%) totaling $224,206 are computers or computer related equipment. Furthermore, 95 of the 98 pieces of missing computer and computer related equipment were added to the unlocated property listing within the past two years.

8. The Department of Natural Resources did not perform routine reconciliations of capital outlay expenditures to fixed asset additions. Tests of movable property records revealed errors that would have been detected and corrected timely if routine reconciliations had been performed. The errors included the following:

**Schedule B**

**STATE OF LOUISIANA**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Financial Statement Findings (Continued)

- Twenty-seven acquisitions totaling $185,999 were improperly recorded as computer supplies or maintenance.

- Eight professional service expenditures totaling $203,136 were recorded as acquisitions.

- Twelve acquisitions were not recorded at the historical cost. Nine items were overstated by $3,719 and three items were understated by $574.

- Four (5%) of 81 acquisitions tested were tagged from 77 to 83 days after the items were received. Those four items were valued at $8,566.

The State of Louisiana should take the necessary measures to ensure that all state agencies, community colleges, hospitals, technical colleges, and component units maintain adequate internal accounting control over movable property to comply with state movable property regulations as prescribed by the commissioner of administration and Louisiana Law. Management concurred with the finding and outlined a plan of corrective action (B-45).

**GROUP BENEFITS, OFFICE OF**

**FS-01 -OGB-1 - Deficiencies in Provider Contract Administration**

The Office of Group Benefits (OGB) does not have effective control procedures for processing health care provider contracts and setting up the contract provisions in RIMS, the claims processing system. Adequate control procedures include the verification of the completeness of contracts, review of contract terms for reasonableness, timely execution of contracts, comparison of contract terms to provider setup in RIMS, and a method of safeguarding existing contracts.

- In a test of 40 Preferred Provider Organization (PPO) and 40 Exclusive Provider Organization (EPO) health claim payments, the following deficiencies in the related provider contracts were noted:

- Fifteen contracts were not signed and/or dated by all parties to the contract.

- Ten contracts did not specify defaults although OGB used a defaulted method of payment.

- Two contracts could not be located for the date of the claim.

- Six contracts did not agree to the provider setup in RIMS, in that the fee schedule being used for payment was incorrect.

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**STATE OF LOUISIANA**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Financial Statement Findings (Continued)

A review of the Tax Refunds Payable balance for the fiscal year ended June 30, 2001, revealed overstatements totaling $10,412,560. A summary of the overstatements is as follows:

- The Tax Refunds Payable balance at June 30, 2001, erroneously includes 16 taxpayer accounts totaling $9,903,675. This amount consists of accounts that were held in escrow, accounts that were not properly updated in the computer system, and accounts that Were not offset against other taxpayer liabilities.

- The in-house computer report, *Refunds Payable Estimated to be Denied,* did not include write-offs totaling $508,885. The error resulted from misclassifications of short-term and long-term refunds payable and the incorrect inclusion of taxpayer refunds that were paid by the department before June 30, 2001.

Management has not developed formal written procedures for the compilation of the Tax Refunds Payable balance and has not developed an adequate review process. As a result, the total Tax Refunds Payable balance in the notes of the AFR was materially misstated, which undetected could have caused the state's financial statements to be materially misstated.

Management should develop formal written procedures relating to the calculation of Tax Refunds Payable. In addition, management should develop a review process that involves not only a high-level review, but also a detailed review of supporting data and schedules at various stages throughout the estimation process to ensure that compilation and estimation errors are detected timely. Management concurred with the finding and outlined a plan of corrective action (13-83).

**SOCIAL SERVICES, DEPARTMENT OF**

**FS-01-DSS-1 - Access to Electronic Data Processing Applications Not Properly Restricted**

The Department of Social Services (DSS) does not have sufficient user access controls for the Advantage Financial System (AFS), the Advanced Governmental Purchasing System (AGPS), and the Contract Financial Management System (CFMS). These systems are components of ISIS. Access to these systems is restricted through the use of passwords and user identification (ID) codes; however, this access was not properly restricted to ensure that the integrity of data was maintained. The DSS ISIS USERID Program Policy (Policy 1-13) provides that employees are permitted business-need-only access to data files and functions necessary to perform their duties. The policy also includes written procedures for the issuance and timely deletion of user ID codes.

DSS Bureau of Audit Services issued an audit report dated October 23, 2000. This audit identified the following weaknesses:

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**STATE OF LOUISIANA**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Financial Statement Findings (Continued)

1. User IDs were not disabled when employees transferred or terminated from the department.

2. The security administrator issued duplicate user IDs because the existence of pre-existing user IDs was not determined.

3. No controls are in place to ensure that access to ISIS is "disabled" when the individual no longer requires ISIS access to perform job responsibilities.

4. Departmental policy regarding ISIS user IDs is not clear.

Audit procedures performed during the financial audit supported the findings of the DSS Bureau of Audit Services and disclosed the following for the Office of Family Support:

1. Thirty-six (10.4%) of 345 AFS user IDs were assigned to individuals who had not been employed by the department for periods up to 40 months. As of July 2001, no action had been taken to delete the IDs from AFS, although 16 of the 36 user IDs had been listed as exceptions in the internal auditor's report.

2. Fifty-five (11.5%) of 478 AGPS/CFMS user IDs were assigned to individuals who had not been employed by the department for periods up to 15 months. As of July 2001, no action had been taken to delete the IDs from AFS, although 21 of the 55 user IDs had been listed as exceptions in the internal auditor's report.

3. A new AFS security administrator was named in December 2000; however, the former security administrator's access was not changed until July 2001.

4. In July 2001, only several days after the 55 AGPS/CFMS user IDs were deactivated, a DSS ISIS contact person requested that the DSS security administrator reactivate 10 user IDs of former employees. All were reactivated.

5. Ten employees had the access ability to add vendors. After discussions with the security administrator, access was reduced to three employees.

The employees responsible for the issuance and deletion of user IDs did not comply with departmental policy that requires their review of User ID and Separation reports, deletion of duplicate user ID codes, and deletion of user IDs for terminated employees in a timely manner. Failing to comply with management's policy for on-line data processing system controls could result in the loss of data and the failure to prevent or detect errors or fraud in processing transactions.

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**STATE OF LOUISIANA**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Financial Statement Findings (Continued)

Management should ensure employees comply with existing policy so that access to on-line data systems is restricted to employees with a business-need-only basis and user ID codes are deleted immediately upon the termination and/or transfer of employees. Management concurred with the finding and recommendations and outlined plans of corrective action (B-84).

**SOUTHEASTERN LOUISIANA UNIVERSITY**

**IFS-01-SLU-1 - Unallowable Use of University Supplies and Equipment**

Southeastern Louisiana University reported that a university employee confessed to using university supplies and equipment to complete print jobs for his personal benefit over a threeyear period. This resulted from a lack of internal control, to include supervisory review, over the (Print Shop supplies and equipment. R.S. 14:67 defines theft as the misappropriation or taking of anything of value that belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. The employee confessed to using university supplies and equipment with an estimated cost of $6,400 to perform the print jobs and to accepting funds in payment for the jobs for his personal benefit. The university terminated the employee and reported this matter to the district attorney.

(Management of the university should implement procedures to strengthen internal control over the Print Shop to prevent and or timely detect unallowable use of university supplies and equipment. Management concurred with the finding and recommendation and outlined a plan of corrective action (B-110).

**SOUTHERN UNIVERSITY AND A81M COLLEGE**
**(BATON ROUGE)**

**FS-01 -SUBR-1 - Lack of Effective Contract Monitoring**

Southern University and A&M College - Baton Rouge campus did not adequately monitor two university contracts that allowed Wallace's Bookstore, Incorporated, to operate on the campus. Good internal control and prudent business practices require that the university monitor compliance with contract terms and conditions and take prompt action when amounts owed to the university are not received on a timely basis. The fiscal year 2000 and 2001 bookstore operating contracts required the contractor to pay a guaranteed (base) amount or a commission based on a percentage of sales, whichever was greater, to the university in 12 equal monthly payments within 30 days after the end of each calendar month. Both contracts provided that if the contractor defaulted on any obligations the university would notify the contractor by certified mail. If not corrected within 10 calendar days of receipt of notice, the university had the right to terminate the contract with 30 days' written notice.

# 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.