
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF OKLAHOMA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2004**

February 2006

A-77-06-00007

**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: February 10, 2006

Refer To:

To: Candace Skurnik
Director
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of Oklahoma for the Fiscal Year Ended June 30, 2004 (A-77-06-00007)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Oklahoma for the Fiscal Year ended June 30, 2004. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Oklahoma State 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 Oklahoma State Auditor and the reviews performed by HHS. We conducted our review in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

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

The Oklahoma 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 Oklahoma Department of Rehabilitation Services (DRS) is the Oklahoma DDS' parent agency.

The single audit reported that:

- Leave hours reported on the Time Report of Personnel Services (SSA-4514) for the quarter ended June 30, 2004, were overstated by 884 hours. The corrective action plan indicated that the DDS will implement new procedures to ensure the accuracy of the SSA-4514 time reports (Attachment A, pages 1 and 2).
- Cash draws were not made in accordance with the Cash Management Improvement Act (CMIA) agreement. Specifically, cash draws were not based on immediate cash needs and were not supported by documentation. The corrective action plan indicated that DRS is making strides to comply with the CMIA agreement including developing the necessary documentation to support cash draws (Attachment A, pages 3 and 4).

We recommend that SSA verify that DRS implemented:

1. Internal control procedures to ensure the accuracy of the SSA-4514 time reports.
2. Procedures to draw cash in accordance with the CMIA agreement.

The single audit also identified that documentation could not be provided to support amounts used to prepare the financial statements (Attachment B, pages 1 and 2). Although this finding was not specifically identified to SSA it may have an impact on DDS operations. I am bringing this matter to your attention as it represents a potentially serious service delivery and financial control problem for the Agency.

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



Patrick P. O'Carroll, Jr.

Attachments

**Schedule of Findings
Federal Award Findings
And Question Costs**

Condition: We selected a sample of eighty-one (81) employees whose payroll costs were charged to the SAPT Block Grant. Fourteen (14) of these employees payroll costs were indirectly (less than 100%) charged to the SAPT Block Grant, while the remaining sixty-seven (67) employees' payroll were charged directly (100%) to the grant.

We spoke with personnel in the Finance Division for documentation supporting the percentages of payroll charged to the grant. According to personnel in the Finance Division, the percentages charged to the SAPT Block Grant are determined judgmentally based upon each employee's job duties and/or a budgetary decision. The Department has a set amount of state and federal funding to support the substance abuse area and budgets are designed to balance out from each source.

In addition, we were informed the EIS system was never used to support SAPT Block Grant payroll expenditures; rather it was used for the Department's categorical grants.

Effect: The Department did not appear to charge payroll costs to the SAPT Block Grant in accordance with internal policies for part of the fiscal year. In addition, unallowable costs may be charged to the federal program.

Recommendation: We recommend the Department establish and implement policies and procedures that will ensure all payroll charges reported under the SAPT Block Grant are adequately supported by written documentation. These policies should address procedures for both direct and indirect payroll costs charged by both the Central Office as well as satellite facilities.

Management's Corrective Action Plan

Contact Person: Melissa Lange

Anticipated Completion Date: July 1, 2005

Corrective Action Planned: The Department agrees with the recommendation to establish and implement policies and procedures that will ensure all payroll charges reported under the SAPT Block Grant are adequately supported by written documentation. The Department will incorporate the following concepts in the new policies and procedures:

- 1) Personnel being 100% Federally funded by a single grant will have their time certified by their supervisors every six months as being related to a specific grant function.
- 2) Personnel being funded less than 100% from Federal grants, or split between grants will be certified by their supervisors with a time allocation attached to bi-weekly timecards.

Payroll charges will be adjusted quarterly based on the results of the previous quarter's time allocations.

Department of Rehabilitation Services

REF NO: 04-805-007

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 96.001

FEDERAL PROGRAM NAME: Social Security – Disability Insurance

FEDERAL AWARD NUMBER: 0304OKDI00, 0404OKDI00

FEDERAL AWARD YEAR: FFY 2003, FFY 2004

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: According to DI 39506.231 "Preparation Instructions for Form SSA-4514":

- A. Description of Form SSA-4514

Schedule of Findings Federal Award Findings And Question Costs

The Form SSA-4514 is used to report the number of hours worked by staffing category and employment status (i.e., full-time, part-time, temporary). This report should reflect all hours worked by personnel engaged in the SSA disability program during the reporting period.

C.2. Procedure – Report Column, Column B (Holiday and Leave Hours)

For each staffing category listed under lines 1-3 (full-time, part-time, and temporary), enter the hours for holidays observed by the State agency and for sick, annual or other paid leave (e.g., lump sum leave, military leave, etc.). The entries in this column should include the proportionate share of holidays and leave time of the regular staff of the agency who worked part-time on the SSA disability program.

C.4. Procedure – For each staffing category listed under lines 1-3 (full-time, part-time, and temporary), enter the overtime hours worked during the report period by all personnel engaged in the SSA disability program.

Also, Circular A-133 states in part that internal controls should provide reasonable assurance that transactions are properly recorded and accounted for to permit the preparation of reliable federal reports and to demonstrate compliance with laws, regulations and other compliance requirements.

Condition: We tested forty-five (45) individuals whose hours were included in the "Time Report of Personnel Services for Disability Determination Services" (Form SSA-4514) for the quarter ending 6/30/04. During our testing we noted one (1) individual who was no longer employed by DDD that had work hours and holiday leave hours reported on the SSA-4514 and one (1) individual whose leave hours did not agree with their timesheet. As a result, the hours reported on the SSA-4514 are misstated. However, because some hours were over reported and some under reported, the net difference in hours was 884 hours overstated.

Effect: Information reported on the quarterly SSA-4514 report may be inaccurate.

Recommendation: We recommend the Department establish and implement internal control procedures to ensure information reported on the SSA-4514 report is accurate. Also, we recommend that the Monthly Time Report be reviewed periodically to ensure only active employees are included on the report.

Management's Corrective Action Plan

Contact Person: Noel Tyler, Division Administrator

Anticipated Completion Date: March 31, 2005

Corrective Action Planned: DDD will continue its monthly review of the leave hours reported on the Unit Time Report to verify that they agree with the leave hours that are reported on the employees Daily Time Worksheets that are submitted to the DRS Payroll Unit. DDD proposes the implementation of two new procedures to insure that only active employees are shown on the Unit Time Report and the SSA-4514. DDD will printout and maintain copies of all emails submitted to the DDD Information Technology Department requesting that a terminated employee's name be removed from the Unit Time Report. DDD will also have our Human Resources Department audit all employees listed on the Unit Time Report at the end of each quarter prior to filing the SSA-4514 to insure that only active employees are listed on the report.

REF NO: 04-805-008

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-030053

FEDERAL AWARD YEAR: 2004

CONTROL CATEGORY: Allowable Costs/Cost Principles

**Schedule of Findings
Federal Award Findings
And Question Costs**

- (1) Fifteenth (or closest working day to the 15th)
- (2) An estimate based on actual payments of the prior month
- (3) Quarterly

Condition: We reviewed an Office of State Finance report of all deposits coded with a CFDA of 84.126 for the time period of July 1, 2003 through June 30, 2004. The report consisted of 8 deposits totaling \$13,500,000. All were for whole amounts (e.g. \$1,000,000). Which indicates the Department is not drawing funds in accordance with the funding techniques prescribed in the Treasury-State Agreement.

Furthermore, documentation to support the individual amounts requested could not be provided to our office.

Management also stated they were not in compliance with the requirements of the Treasury-State Agreement. This is a repeat finding from fiscal years 1999, 2000, 2001, 2002, and 2003.

Effect: By not following the Cash Management Treasury-State Agreement, the Department could have drawn funds earlier than they were entitled, which could cause an interest event, or used State funds when Federal funds were available.

Recommendation: We recommend the Department establish and implement internal control procedures to ensure all applicable personnel are aware of the Treasury-State Agreement requirements and that draws made by the Department are in accordance with the Agreement. Also, if necessary, we further recommend the Department revise the Agreement to better fit the Department's needs.

Management's Corrective Action Plan

Contact Person: Kevin Statham

Anticipated Completion Date: April 2005

Corrective Action Planned: The Department is aware of the need to comply with the agreement. The Department had made strides in developing the necessary documentation to fully comply with all the draw methods. The unanticipated conversion of the Agency's Accounts Payable System, to PeopleSoft, restructured the goals, priorities and available reports. The Agency is back to fully functioning on the Accounts Payable and is able to dedicate resources to resolve other issues resulting from the change. Additional worksheet compilations from existing source documents are accomplishing this correction.

REF NO: 04-805-010

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 96.001

FEDERAL PROGRAM NAME: Social Security - Disability Insurance

FEDERAL AWARD NUMBER: 0304OKD100, 0404OKD100

FEDERAL AWARD YEAR: FFY 2003, FFY 2004

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: S-0-

Criteria: According to the Cash Management Act (31 CFR 205.33)

"a) A State must minimize the time between the draw down of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accordance with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of each funds transfer must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportional share of any allowable indirect costs. . . ."

**Schedule of Findings
Federal Award Findings
And Question Costs**

Condition: We reviewed an Office of State Finance report of all deposits coded with a CFDA of 96.001 for the time period of July 1, 2003 through June 30, 2004. The report consisted of 9 deposits totaling \$63,120,395.76. All draws were for whole amounts (e.g. \$1,000,000) except for one which appeared to be the final draw for the 2002 grant award. Which indicates the Department is not drawing funds in accordance with the Cash Management Act.

Management also stated they were not in compliance with the requirements of the Cash Management Act. This is a repeat finding from fiscal year 2003.

Effect: The Department may not be drawing for immediate cash needs.

Recommendation: We recommend the Department establish and implement internal control procedures to ensure all applicable personnel are aware of the Cash Management Act requirements and that draws made by the Department are for immediate cash needs and each draw is supported by accounting records.

Management's Corrective Action Plan

Contact Person: Kevin Statham

Anticipated Completion Date: April 2005

Corrective Action Planned: The Department is aware of the need to comply with the agreement. The Department had made strides in developing the necessary documentation to fully comply with all the draw methods. The unanticipated conversion of the Agency's Accounts Payable System, to PeopleSoft, restructured the goals, priorities and available reports. The Agency is back to fully functioning on the Accounts Payable and is able to dedicate resources to resolve other issues resulting from the change. Additional worksheet compilations from existing source documents are accomplishing this correction.

REF NO: 04-805-012

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Rehabilitation Services -- Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-030053, H126A-040053

FEDERAL AWARD YEAR: FFY 2003, FFY 2004

CONTROL CATEGORY: Activities Allowed / Reporting

QUESTIONED COSTS: \$-0-

Criteria: A component objective of an adequate internal control system is to provide accurate and reliable information.

Condition: During testing of the Department of Rehabilitation Services financial statements, Management was unable to provide use with complete detailed data for fund 35X (Client Services) or Payroll to support the amounts used when preparing the financial statements.

Effect: Information used to prepare the Department's financial statements may not be accurate and reliable.

Recommendation: We recommend the Department retain accurate and reliable information for the financial statements.

Management's Corrective Action Plan

Contact Person: Kevin Statham

Anticipated Completion Date: July 2005

Corrective Action Planned: The Agency recognizes the need to review the electronic formatting of annual data extraction. This finding, as clarified with audit staff, is in reference to the reconciliation

**Schedule of Findings
Federal Award Findings
And Question Costs**

Condition: We reviewed an Office of State Finance report of all deposits coded with a CFDA of 96.001 for the time period of July 1, 2003 through June 30, 2004. The report consisted of 9 deposits totaling \$63,120,395.76. All draws were for whole amounts (e.g. \$1,000,000) except for one which appeared to be the final draw for the 2002 grant award. Which indicates the Department is not drawing funds in accordance with the Cash Management Act.

Management also stated they were not in compliance with the requirements of the Cash Management Act. This is a repeat finding from fiscal year 2003.

Effect: The Department may not be drawing for immediate cash needs.

Recommendation: We recommend the Department establish and implement internal control procedures to ensure all applicable personnel are aware of the Cash Management Act requirements and that draws made by the Department are for immediate cash needs and each draw is supported by accounting records.

Management's Corrective Action Plan

Contact Person: Kevin Statham

Anticipated Completion Date: April 2005

Corrective Action Planned: The Department is aware of the need to comply with the agreement. The Department had made strides in developing the necessary documentation to fully comply with all the draw methods. The unanticipated conversion of the Agency's Accounts Payable System, to PeopleSoft, restructured the goals, priorities and available reports. The Agency is back to fully functioning on the Accounts Payable and is able to dedicate resources to resolve other issues resulting from the change. Additional worksheet compilations from existing source documents are accomplishing this correction.

REF NO: 04-805-012

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Rehabilitation Services -- Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-030053, H126A-040053

FEDERAL AWARD YEAR: FFY 2003, FFY 2004

CONTROL CATEGORY: Activities Allowed / Reporting

QUESTIONED COSTS: \$-0-

Criteria: A component objective of an adequate internal control system is to provide accurate and reliable information.

Condition: During testing of the Department of Rehabilitation Services financial statements, Management was unable to provide use with complete detailed data for fund 35X (Client Services) or Payroll to support the amounts used when preparing the financial statements.

Effect: Information used to prepare the Department's financial statements may not be accurate and reliable.

Recommendation: We recommend the Department retain accurate and reliable information for the financial statements.

Management's Corrective Action Plan

Contact Person: Kevin Statham

Anticipated Completion Date: July 2005

Corrective Action Planned: The Agency recognizes the need to review the electronic formatting of annual data extraction. This finding, as clarified with audit staff, is in reference to the reconciliation

**Schedule of Findings
Federal Award Findings
And Question Costs**

problems encountered when the data was extracted in an electronic format. The electronic data did not reconcile to the Financial Statements. The Agency's business process for reporting does not rely solely on the electronic data format. The Agency is still reliant on hard copy reports with manual reconciliation adjustments to develop the Financial Statements. The Agency is taking steps to isolate monthly reports in cumulative electronic formats to be used by Agency staff for reporting. These same electronic files would be available to satisfy the Auditor's need for electronic files that are reconciled to the Agency's Financial Statements.

Overview of the Office of the Inspector General

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

Office of Audit

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

Office of Investigations

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

Office of the Chief Counsel to the Inspector General

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

Office of Resource Management

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