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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**SINGLE AUDIT OF THE  
STATE OF RHODE ISLAND  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2000**

**December 2001      A-77-02-00005**

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***AUDIT REPORT***

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## **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

Office of the Inspector General

## MEMORANDUM

Date: **DEC 21 2001**

Refer To:

To: Dan Sweeney  
Acting Director  
Management Analysis and Audit Program Support Staff

From: Assistant Inspector General  
for Audit

Subject: Single Audit of the State of Rhode Island for the Fiscal Year Ended June 30, 2000  
(A-77-02-00005)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Rhode Island for the Fiscal Year ended June 30, 2000. The Rhode Island Auditor General performed the audit and its reports on compliance and internal controls are attached (see Appendix A). Results of the desk review conducted by the Department of Health and Human Services (HHS) have not been received. We will notify you when the results are received if HHS determines the audit did not meet Federal requirements.

The Rhode Island Disability Determination Services (DDS) performs disability determinations under SSA's Disability Insurance (DI) and Supplemental Security Income (SSI) programs in accordance with Federal regulations. The DDS is reimbursed for 100 percent of allowable costs. The Rhode Island Department of Human Services (DHS) is the Rhode Island DDS's parent agency.

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

The single audit reported the following findings (see Appendix B):

- The State did not have a statewide inventory system and procedures were not in place to ensure compliance regarding the use, management, and disposition of equipment. The corrective action plan indicates that the State subsequently issued statewide policies and procedures to record and track inventories.
- Funds were not drawn in accordance with the Cash Management Improvement Act (CMIA) agreement. The corrective action plan indicates the State will ensure that the CMIA agreement is reflective of current payment patterns.

- DHS allocated central service costs to various Federal programs, including SSA's disability programs, based on an estimated amount. Once actual amounts were available, DHS adjusted current year charges to account for the overcharge in previous fiscal years. The corrective action plan indicates that the overcharge is being adjusted by excluding quarterly central service costs until all costs have been recouped.

We recommend that SSA ensure that DHS:

1. Established procedures to properly account for equipment purchased with SSA funds.
2. Developed procedures to draw Federal funds in accordance with the terms of the CMIA agreement.
3. Credited the disability programs for the differences between the estimated and actual central services costs.

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

- The State has not accumulated historical information concerning the cost and classification of its investment in fixed assets.
- Password access controls were not in place to restrict access to the Government On-Line Data Entry Network system so that no individual has capability to both initiate and approve transactions. In addition, programmers have access to the system.
- System access controls over the accounting system do not require unique passwords for each user to control and restrict access to the system.
- Federal reports were not accurately prepared.
- DHS did not have certifications to identify and exclude from its procurement process those subcontractors and subrecipients barred from participation in Federal programs.
- The State did not credit checks outstanding more than 180 days to the Federal government as required by Federal regulations, resulting in questioned costs of \$32,801.
- Expenditures were not claimed within the period of availability, resulting in questioned costs of \$20,369.

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

Attachments



ERNEST A. ALMONTE, CPA, CFE  
AUDITOR GENERAL  
EALMONTE@OAG.STATE.RI.US

STATE OF RHODE ISLAND and PROVIDENCE PLANTATIONS  
GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

- + INTEGRITY
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- + ACCOUNTABILITY

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Finance Committee of the House of Representatives and  
Joint Committee on Legislative Services, General Assembly,  
State of Rhode Island and Providence Plantations:

We have audited the general-purpose financial statements of the State of Rhode Island and Providence Plantations (the State) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 22, 2001. Our report was qualified because of the omission of the general fixed assets account group which should be included in order to conform with generally accepted accounting principles. Our opinion expressed therein, insofar as it relates to component units whose financial statements were audited by other auditors, was based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the State's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The reports of other auditors who audited the component units' compliance with laws, regulations, contracts and grants in accordance with *Government Auditing Standards* were furnished to us and this report, insofar as it relates to these component units, was based solely on the reports of the other auditors.

Finance Committee  
Joint Committee on Legislative Services  
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The results of our tests and the reports of the other auditors disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we will report to management of the State in a separate communication. Other auditors also noted certain immaterial instances of noncompliance that they have communicated to management of the component units.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. The reports of the other auditors on the internal control over financial reporting of component units in accordance with *Government Auditing Standards* were furnished to us and this report, insofar as it relates to these component units, was based solely on the reports of the other auditors.

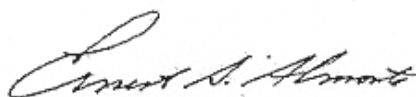
We noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 2000-1, 2000-2, 2000-3, 2000-4, 2000-5, 2000-6, 2000-7, and 2000-8.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting and the reports of the other auditors would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Findings 2000-1, 2000-2, 2000-6, and 2000-7 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that we will report to management of the State in a separate communication. Other auditors also noted other matters involving the internal control over financial reporting that they have communicated to management of the component units.

Finance Committee  
Joint Committee on Legislative Services  
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This report is intended solely for the information and use of the Finance Committee of the House of Representatives, the Joint Committee on Legislative Services, the Governor and management of the State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ernest A. Almonte, CPA, CFE  
Auditor General

January 22, 2001





ERNEST A. ALMONTE, CPA, CFE  
AUDITOR GENERAL  
EALMONTE@OAG.STATE.RI.US

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STATE of RHODE ISLAND and PROVIDENCE PLANTATIONS  
GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

- ♦ INTEGRITY
- ♦ RELIABILITY
- ♦ INDEPENDENCE
- ♦ ACCOUNTABILITY

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Finance Committee of the House of Representatives and  
Joint Committee on Legislative Services, General Assembly,  
State of Rhode Island and Providence Plantations:

Compliance

We have audited, except as described in the next three sentences, the compliance of the State of Rhode Island and Providence Plantations (the State) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. We did not audit the compliance of component units administering major federal programs with the requirements described in the preceding sentence. These major federal programs had combined expenditures of federal awards representing 20% of the reporting entity's total major federal program expenditures of federal awards in fiscal year 2000. Those audits were performed by other auditors whose reports on compliance with requirements applicable to the major federal programs administered by these component units were furnished to us, and this report insofar as it relates to the component units that were audited by other auditors, is based solely on the reports of the other auditors. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of the other auditors

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provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of the State with the Food Stamp Cluster, Employment Services Cluster, Unemployment Insurance, Trade Adjustment Assistance-Workers, JTPA Cluster, Rehabilitation Services -- Vocational Rehabilitation Grants to States, Child Support Enforcement, and the Disability Insurance/SSI Cluster regarding the equipment and real property management requirement, nor were we able to satisfy ourselves as to the State's compliance with this requirement by other auditing procedures.

As described in Findings 2000-14 and 2000-25 in the accompanying schedule of findings and questioned costs, the State did not comply with the requirement regarding subrecipient monitoring that is applicable to its Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and Special Education Cluster. Compliance with this requirement is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

In our opinion, based on the results of our audit and the reports of the other auditors, and except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the State's compliance with the Food Stamp Cluster, Employment Services Cluster, Unemployment Insurance, Trade Adjustment Assistance-Workers, JTPA Cluster, Rehabilitation Services -- Vocational Rehabilitation Grants to States, Child Support Enforcement, and the Disability Insurance/SSI Cluster programs regarding the equipment and real property management requirement, and except for the noncompliance described in the preceding paragraph, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2000. The results of our auditing procedures and the reports of the other auditors also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2000-15, 2000-17, 2000-21, 2000-22, 2000-23, 2000-26, 2000-27, 2000-30, 2000-36, 2000-37, 2000-38, 2000-40, 2000-50, 2000-54, 2000-56, 2000-57, 2000-58, and 2000-59.

#### Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133. Other auditors have audited certain major federal programs administered by component units which had combined expenditures of federal awards representing 20% of the reporting entity's total major federal program expenditures of federal awards in fiscal year 2000. The other auditors have furnished us their reports on their consideration and testing of

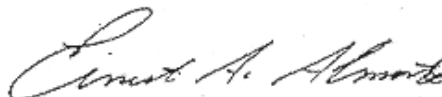
Finance Committee  
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Page 3

the component units' internal control over compliance with requirements that could have a direct and material effect on a major federal program.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. The other auditors also noted certain matters involving the component units' internal control over compliance and its operation that they consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 2000-9, 2000-10, 2000-11, 2000-12, 2000-13, 2000-14, 2000-16, 2000-18, 2000-19, 2000-20, 2000-24, 2000-25, 2000-28, 2000-29, 2000-31, 2000-32, 2000-33, 2000-34, 2000-35, 2000-39, 2000-41, 2000-42, 2000-43, 2000-44, 2000-45, 2000-46, 2000-47, 2000-48, 2000-49, 2000-51, 2000-52, 2000-53, 2000-55 and 2000-60.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration, and the other auditors' consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider, based on our auditing procedures and the reports of other auditors, Findings 2000-9, 2000-14, 2000-25, and 2000-47 to be material weaknesses.

This report is intended solely for the information and use of the Finance Committee of the House of Representatives, the Joint Committee on Legislative Services, the Governor and management of the State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ernest A. Almonte, CPA, CFE  
Auditor General

March 16, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III – Federal Award Findings and Questioned Costs

TABLE OF FINDINGS BY FEDERAL PROGRAM

Program Title	CFDA Number	Applicable Findings
Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grants	84.007	None Reported
Federal Family Education Loans	84.032	00-27
Federal Work-Study Program	84.033	None Reported
Federal Perkins Loan Program – Federal Capital Contributions	84.038	None Reported
Federal Pell Grant Program	84.063	None Reported
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	None Reported
Nursing Student Loans	93.364	None Reported
Title I Grants to Local Educational Agencies	84.010	00-10, 00-24, 00-25
Special Education Cluster:		
Special Education – Grants to States	84.027	00-10, 00-14, 00-24, 00-26
Special Education – Preschool Grants	84.173	00-10, 00-14, 00-24, 00-26
Federal Family Education Loans (Guaranty Agency)	84.032	None Reported
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	00-9, 00-10, 00-28, 00-29, 00-30, 00-31, 00-40
Temporary Assistance for Needy Families	93.558	00-10, 00-32, 00-33, 00-40, 00-60
Child Support Enforcement	93.563	00-9, 00-10, 00-34, 00-35, 00-36, 00-37, 00-38
Low-Income Home Energy Assistance	93.568	00-10, 00-39
Child Care Cluster:		
Child Care and Development Block Grant	93.575	00-10, 00-40
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	00-10
Foster Care – Title IV-E	93.658	00-10, 00-41
Social Services Block Grant	93.667	00-10, 00-42, 00-43
Medicaid Cluster:		
State Medicaid Fraud Control Units	93.775	00-10
State Survey and Certification of Health Care Providers and Suppliers	93.777	00-10
Medical Assistance Program	93.778	00-10, 00-40, 00-41, 00-42, 00-44, 00-45, 00-46, 00-47, 00-48, 00-49, 00-50, 00-51, 00-52, 00-53, 00-54, 00-55, 00-56
Disability Insurance/SSI Cluster:		
Social Security – Disability Insurance	96.001	00-9, 00-10, 00-40
Research and Development Cluster	Various	00-57, 00-58, 00-59

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III – Federal Award Findings and Questioned Costs

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**Finding 2000-9**

VARIOUS PROGRAMS – refer to TABLE OF FINDINGS BY FEDERAL PROGRAM

MANAGEMENT OF EQUIPMENT ACQUIRED WITH FEDERAL FUNDS

As described in Finding 2000-1 (Section II – Financial Statement Findings), the State lacked statewide systems and procedures to adequately control its substantial investment in fixed assets and to prepare its financial statements in conformance with generally accepted accounting principles. This impacted its ability to identify equipment purchased with federal funds and to ensure compliance with its own procedures regarding the use, management and disposition of all equipment.

Because of the lack of a statewide inventory system and related controls over fixed assets, we were unable to test the State's compliance with the equipment management requirement. In most instances, individual departments or agencies vested with responsibility for administering federal programs also lacked controls to ensure compliance with these requirements.

Questioned Costs: None

**Finding 2000-10**

VARIOUS PROGRAMS -- refer to TABLE OF FINDINGS BY FEDERAL PROGRAM

CASH MANAGEMENT

The State did not have adequate controls to ensure compliance with federal cash management requirements in drawing cash for federal programs.

The State is required to draw cash for federal programs in accordance with the federal Cash Management Improvement Act (Act) and related regulations at 31 CFR Part 205. For most larger federal programs, the State is required to follow the specific provisions of an agreement entered into by the State and the US Treasury pursuant to the Act and related regulations. In the event the State does not comply with the provisions of the Treasury/State agreement in drawing cash for federal programs, it must pay interest for the period the funds were on hand prior to disbursement. For federal programs not included in the agreement, the State is required to minimize the time elapsing between the transfer of funds from the US Treasury and their disbursement, generally considered to be no more than a three-day supply of cash on hand.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III – Federal Award Findings and Questioned Costs

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The State developed the Cash Management System (CMS) as part of the State accounting system to provide information enabling its departments and agencies to draw federal funds in compliance with the Treasury/State agreement. Of the programs we tested as major programs that are subject to the Treasury/State agreement, only 8 consistently utilized the information provided by the CMS to draw federal cash while 14 programs did not. In most instances funds were drawn later than permitted; in other instances funds were drawn more quickly than permitted.

Each department is responsible for drawing federal funds for the programs it manages. The State does not have procedures to centrally administer or monitor compliance with federal cash management requirements.

We believe responsibility for drawing federal funds should be vested in the Office of the General Treasurer where compliance with cash management for federal programs should be integrated with other cash management objectives. In instances where funds are now drawn less frequently than permitted, compliance with the agreement will enhance the State's cash management. Further, overall compliance with the agreement will minimize or eliminate any State interest liability payable to the federal government.

Questioned Costs: None

RECOMMENDATIONS

- 00-10a Comply with cash management requirements when drawing funds for federal programs.
- 00-10b Implement a centralized monitoring system to ensure compliance with cash management requirements. Vest responsibility for cash management of federal programs with the Office of the General Treasurer.

**Finding 2000-11**

FOOD DISTRIBUTION – CFDA 10.550  
Administered by: Department of Corrections – State Warehouse  
CHILD NUTRITION CLUSTER:  
School Breakfast Program – CFDA 10.553  
National School Lunch Program – CFDA 10.555  
Special Milk Program for Children – CFDA 10.556  
Summer Food Service Program for Children – CFDA 10.559  
Administered by: Rhode Island Department of Education (RIDE)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III – Federal Award Findings and Questioned Costs

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- LIHEAP personnel review subrecipient audit reports but use a checklist which does not reflect current OMB Circular A-133 requirements. One subrecipient audit report did not meet current OMB A-133 reporting guidelines yet the reporting deficiencies were not noted during the review.
- Program personnel performing the audit report reviews may not have sufficient training in OMB A-133 Single Audit issues and consequently are less effective in performing the review of subrecipient audit reports. One subrecipient audit report noted control weaknesses over financial reporting that could also have affected the administration of federal programs; however, this was not noted during the review.
- Corrective action plans are reviewed as part of the review of audit reports however management decisions are not issued as required by OMB Circular A-133 (subpart D section .400).

LIHEAP needs to improve its subrecipient monitoring procedures to ensure it fully meets its responsibilities as a pass-through entity and also to ensure that subrecipients are complying with program requirements.

Questioned Costs: None

RECOMMENDATIONS

- 00-39a Implement a new audit report review checklist which reflects current OMB A-133 guidelines. Train personnel responsible for review of subrecipient audit reports on relevant Single Audit topics.
- 00-39b Issue management decisions within 6 months of receipts of the audit report on all findings (applicable to LIHEAP) contained in subrecipient audit reports.

**Finding 2000-40**

VARIOUS PROGRAMS – refer to TABLE OF FINDINGS BY FEDERAL PROGRAM  
Administered by: Department of Human Services (DHS)

ALLOWABLE COSTS/COST PRINCIPLES

Allocation of Statewide Central Service Costs

Each year the State and the federal Department of Health and Human Services' Division of Cost Allocation (DCA) execute a statewide cost allocation agreement/plan (SWCAP) which

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III -- Federal Award Findings and Questioned Costs

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quantifies and distributes the State's central service costs applicable to each governmental unit deriving a benefit. These central service costs are approved by the DCA and may be included as part of the costs that each department allocates to federal grants, contracts and other agreements.

DHS allocates one-fourth of the annual central service cost during its quarterly cost allocation process. The Department's cost allocation process then allocates these central service costs along with other direct and indirect department costs to various programs which the Department administers.

Since the SWCAP relating to each fiscal year is not always approved and available prior to or during the state fiscal year, DHS has estimated the amount of statewide central service costs applicable to the department. DHS estimated its share of statewide central service costs at \$2 million for State fiscal years 1998 and 1999. The amount of central service costs subsequently allocated to the Department per the approved cost allocation agreement were less for each of those years. Once the actual amounts for fiscal years 1998 and 1999 per the approved cost allocation agreement were available, the Department adjusted its current charges (fiscal 2000) to account for the overcharge in previous fiscal years.

Once the SWCAPs were approved and available, DHS computed the amount over allocated and immediately began to adjust for the over allocation, starting in the quarter ended December 1999, by excluding eligible central service costs in their quarterly allocation process. The total unadjusted over allocation of central service costs at June 30, 2000, pending final approval of the fiscal 2000 SWCAP, was \$1,744,925.

Table I compares the estimated amounts allocated by DHS to the central service cost totals ultimately approved by the Division of Cost Allocation.

	<u>State Fiscal Year 1998</u>	<u>State Fiscal Year 1999</u>	<u>State Fiscal Year 2000</u>	<u>Cumulative Amounts</u>
Total Allocated based on estimate	\$2,000,000	\$2,000,000	\$500,000	\$4,500,000
Total per approved cost allocation agreement	<u>1,584,699</u>	<u>1,602</u>	<u>1,168,774</u>	<u>2,755,075</u>
Over (under) allocated	<u>\$ 415,301</u>	<u>\$1,998,398</u>	<u>(\$ 668,774)</u>	<u>(\$1,744,925)</u>

The Department plans to defer allocating statewide central service costs in the current fiscal year until overcharges in previous years have been offset. The Department should seek approval from the federal Division of Cost Allocation for its planned method of reimbursing the federal government for overcharges in prior years.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III – Federal Award Findings and Questioned Costs

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Unallowable Legal Costs

Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* stipulates that fines, penalties, damages and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal, State, or local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing such payments.

We noted that DHS, based on a court order, paid plaintiff attorney fees and costs totaling \$30,643. The department allocated this expenditure to its federal and state programs as an indirect cost.

The amount of questioned costs by federal program included in the Department's cost allocation plan has not been determined.

Questioned Costs: None

RECOMMENDATIONS

- 00-40a Seek concurrence from the federal Division of Cost Allocation (DHHS) for the method of reimbursing the federal government for central service cost overcharges in prior years.
- 00-40b Reimburse the federal government for questioned costs deemed unallowable.

**Finding 2000-41**

FOSTER CARE – TITLE IV-E – CFDA 93.658  
MEDICAL ASSISTANCE PROGRAM – CFDA 93.778  
Administered by: Department of Children, Youth, and Families (DCYF)

COST ALLOCATION

DCYF uses a cost allocation system, designed and operated by a consultant, to allocate its administrative costs to multiple federal programs including the Foster Care and Medical Assistance Programs. During fiscal year 2000, DCYF charged \$7,920,625 of costs to the Foster Care program and approximately \$1.9 million of administrative costs to the Medical Assistance Program based on data derived from the cost allocation plan.

Corrective Action Plan -  
Findings Included in 2000 Single Audit Report

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**Finding 2000-1**

*Corrective Action:*

The Division of Accounts and Control has issued statewide policies and procedures to record all new fixed asset acquisitions since July 1, 1998. Two staff people have completed physical inventories of existing fixed assets (excluding infrastructure) and the inventory of state owned land and buildings. The state automobile fleet has been brought into the fixed asset reporting system. The accumulation of fixed asset data is planned to be completed in phases: land and buildings; all other fixed assets; infrastructure assets. This effort will be completed by December 31, 2001.

Contact person: Lawrence Franklin, Jr., State Controller  
Telephone: 401-222-6731; Fax: 401-222-6437;  
e-mail: lfrankli@doa.state.ri.us

**Finding 2000-2**

*Corrective Action:*

The Department of Administration has acquired new integrated, accounting software. The software we acquired does not have a module for debt and debt service accounting. We will be researching the functionality of other commercial, off-the-shelf software for this purpose to integrate with our general accounting software. Presently, the implementation of the general accounting software is underway and is planned to be implemented statewide at July 1, 2001. During this implementation, the Division of Accounts and Control will research debt accounting software, prepare a budget request to acquire it, and plan its implementation.

Contact person: Lawrence Franklin, Jr., State Controller  
Telephone: 401-222-6731; Fax: 401-222-6437;  
e-mail: lfrankli@doa.state.ri.us

**Finding 2000-3**

*Corrective Action:*

No corrective action is planned since a new statewide accounting system will be implemented at July 1, 2001.

Contact person: Lawrence Franklin, Jr., State Controller  
Telephone: 401-222-6731; Fax: 401-222-6437;  
e-mail: lfrankli@doa.state.ri.us

Corrective Action Plan -  
Findings Included in 2000 Single Audit Report

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In conjunction with the Federal Highway Administration, instituted a "Quality Financial Management Initiative", the results of which has greatly reduced the time it takes RIDOT and Federal Highway to process and approve Modified Project Agreements, the first step necessary to take a project out of "earned but unbilled" status.

Hired an accountant to primarily monitor and prevent future "earned but unbilled".

Despite these efforts, "earned but unbilled" is a necessary component of the implementation of a federally funded highway program. All efforts possible are being made to reduce the amount of "structural" earned but unbilled and reduce its effect on the Department's cash flow.

Contact person: Brian Peterson, Associate Director for Financial Management  
tel. (401) 222-6590 ext. 4634

**Finding 2000-7**

*Corrective Action:*

See Corrective Action for Finding 2000-47.

**Finding 2000-8**

*Corrective Action:*

See Corrective Action for Finding 2000-51.

**Finding 2000-9**

*Corrective Action:*

See Corrective Action for Finding 2000-1.

**Finding 2000-10**

*Corrective Action:*

2000-10a

The Department of Administration thinks that compliance with cash management requirements will improve for those departments that draw federal funds more quickly than permitted. They will have to use their state-funded program funds to pay any state interest liability under CMIA.

Corrective Action Plan -  
Findings Included in 2000 Single Audit Report

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The Office of Accounts and Control will begin monitoring the cash position of federal program accounts on a daily basis to prevent federal funds from being drawn later than permitted. The Office of Accounts and Control will also work with the agencies to modify draw techniques where necessary to ensure that the State's Treasury/State agreement is reflective of current payment patterns.

A task force was formed during fiscal 2000 with representatives of the Office of Accounts and Control, Treasury and various agencies with the goal of improving CMIA compliance. Treasury will implement quarterly reviews of accounting system data to monitor compliance with cash management requirements.

Contact person: Lawrence Franklin, Jr., State Controller  
Telephone: 401-222-6731; Fax: 401-222-6437;  
e-mail:lfrankli@doa.state.ri.us

2000-10b

The Department of Administration will continue to explore with the General Treasurer the possibility of vesting responsibility for federal cash management within the Office of the General Treasurer.

Contact person: Lawrence Franklin, Jr., State Controller  
Telephone: 401-222-6731; Fax: 401-222-6437;  
e-mail:lfrankli@doa.state.ri.us

**Finding 2000-11**

*Corrective Action:*

1. The CDC staff will immediately implement a process of monthly physical inventory taken for all USDA commodities. Any discrepancies found in each monthly inventory process will be researched and will be reconciled.
2. A change in packaging by the USDA will necessitate a change in internal warehouse procedures. Beginning in April of 2001, all USDA commodities will be labeled at the warehouse by the commodity code assigned by the USDA. The labels will be placed on each pallet and warehouse workers will be given the commodity code as the item to pick as opposed to the commodity name. This should help to eliminate errors in picking similar buy not the same product (such as selecting diced peaches rather than sliced, or 30 ounce chicken portions vs. 4 ounce portions).

Corrective Action Plan -  
Findings Included in 2000 Single Audit Report

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**Finding 2000-40**

*Corrective Action:*

2000-40a

As this is not the first instance that statewide central service cost has been overestimated, it is DHS's position that this overcharge has become a statewide issue. DHS uses statewide central service cost provided by the Office of Accounts and Control as a basis to determine estimated annual statewide cost. Late submittal of SWAP costs resulted in this overclaim. The federal Division of Cost Allocation is aware of this, as they are the federal agency which approves Rhode Island's statewide plan. Also, Division of Cost Allocation has at present and in the past been contacted regarding DHS resolution to this issue, and it is our position that they have acquiesced to our method of reimbursement.

The overcharge is being adjusted by excluding quarterly Statewide Central Service Costs until all costs have been recouped.

Overage will be recouped and statewide central service cost will resume being claimed in the June, 2001 quarter.

Contact person: Ronald H. Gaskin  
(401) 462-6856

2000-40b

DHS agrees to reimburse the federal government for said costs in the March, 2001 quarter.

The federal share of the unallowable costs of \$5,985.00 (Medical Assistance \$3,934; Foodstamp Program \$1,769; Childcare \$196; Refugee Program \$86) will be credited against indirect cost claimed in the March, 2001 quarter.

Contact person: Ronald H. Gaskin  
(401) 462-6856

**Finding 2000-41**

*Corrective Action:*

We are currently developing a method to calculate the amount of claims made on behalf of children who were ineligible for Medicaid before the system was modified to prevent such claims. When the amount is determined we will reimburse the Medicaid program.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section II – Financial Statement Findings

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**Finding 2000-1**

GENERAL FIXED ASSETS ACCOUNT GROUP

The State has not accumulated historical information concerning the cost and classification of its investment in fixed assets. This information is required by generally accepted accounting principles to be presented in the General-Purpose Financial Statements by inclusion of a General Fixed Assets Account Group. Due to the omission of the General Fixed Assets Account Group, we qualified our opinion on the State's general-purpose financial statements.

A statewide fixed asset inventory system is also needed to provide adequate controls over the State's substantial investment in fixed assets and to prepare financial statements in conformance with generally accepted accounting principles. Further, Office of Management and Budget (OMB) Circular A-102 requires States to use, manage, and dispose of equipment acquired with federal funds in accordance with state laws and procedures. The State's lack of adequate fixed asset inventory records impacted its ability to identify equipment purchased with federal funds and to ensure compliance with its own procedures regarding the use, management and disposition of all equipment.

Policies and procedures have been developed to inventory and accumulate fixed asset information and the process has commenced. The State should continue its efforts to accumulate and record the cost of all new fixed assets purchased and inventory and assign a value to all other assets.

RECOMMENDATION

- 00-1 Continue to implement systems and procedures necessary to accumulate and record the information needed to include the General Fixed Assets Account Group in the State's general-purpose financial statements.

**Finding 2000-2**

CONTROL OVER LONG TERM OBLIGATIONS

The State lacks adequate accounting controls to accumulate all long-term obligations for inclusion in the General Long Term Debt Account Group within the general-purpose financial statements. Controls are also inadequate to ensure all required payments are made when due.

The State's debt service accounting system includes only information for certain general obligation bonds (current-interest bonds), representing approximately one-half of the total obligations reported in the General Long-Term Debt Account Group. Obligations not recorded in the debt service accounting system include capital appreciation bonds, multi-modal rate bonds,

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section II -- Financial Statement Findings

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lease obligations, certificates of participation, compensated absences, and arbitrage rebate liabilities. The debt service accounting system is incapable of accepting data for certain categories of long-term obligations and consequently these obligations are recorded on a variety of independent subsystems without centralized control.

A new accounting system is required to capture all categories of long-term obligations, detail all debt service requirements to maturity and prompt payments on the required dates. This will provide information necessary for financial reporting purposes, and generally improve control over the State's long-term obligations.

RECOMMENDATION

- 00-2 Acquire a new accounting system that will accumulate all long-term general obligations of the State to improve controls over financial reporting and debt service payments.

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**Finding 2000-3**

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PASSWORD ACCESS CONTROLS OVER THE STATE ACCOUNTING SYSTEM

The Government On-Line Data Entry Network (GOLDEN) component of the State accounting system is used to process disbursements to vendors and record receipts. The GOLDEN system allows data entry of vendor payment information at the agency level rather than at the Office of Accounts and Control.

We found the GOLDEN system lacks adequate controls to ensure that user access is necessary, appropriate to their duties, and sufficiently restricted. These controls are important to maintaining adequate security of any computer system application. We found the following instances of individuals with inappropriate system access.

- Certain computer programmers in the Office of Library and Information Services have access to the GOLDEN system which provides them with the ability to prepare and approve disbursements as well as prepare and approve receipt vouchers. Programmers should not have continued access to the system once it is placed in production but instead should only have access to a test system where system modifications are designed and tested before production.
- Certain accounting personnel in the Office of Accounts and Control have access allowing them to both initiate and approve vouchers for payment.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section II – Financial Statement Findings

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Segregation of duties is maintained in the State accounting system by requiring agencies to prepare vouchers on-line but submit a signed and authorized hard-copy voucher, along with supporting documentation, to the pre-audit section within the Office of Accounts and Control. The pre-audit section reviews the voucher and supporting documentation, checks for appropriate authorized signature and approves vouchers for payment. Segregating voucher preparation from the pre-audit approval function is a key internal control in the State accounting system. No individual should have the ability to both initiate and approve the same transactions within the accounting system.

During fiscal 2000, the Office of Accounts and Control requested and reviewed a report which listed transactions initiated and approved by the same individual within the Office of Accounts and Control. This was performed as a compensating control procedure since access was not restricted; however, this procedure was not routinely performed during fiscal 2000.

New control procedures will be operational with the implementation of new statewide accounting system which is planned for implementation on July 1, 2001.

RECOMMENDATIONS

- 00-3a Restrict access to the GOLDEN system so that no individual has the capability to both initiate and approve transactions.
- 00-3b Remove programmer access to the GOLDEN system.

**Finding 2000-4**

PASSWORD ACCESS CONTROLS OVER THE PAYROLL ACCOUNTING SYSTEM

Payroll data for the majority of State employees is entered on-line to the payroll accounting system at the department or agency level.

We reviewed the controls over data entry for the State payroll accounting system and found that established procedures do not mandate the assignment of unique passwords for each user to control and restrict access to the system. Computer work stations used to enter payroll data at some larger State agencies were not in secure locations. Further, the existing password control system does not record password information within the data files to identify individuals making specific file changes thereby providing a clear audit trail.

System access controls need to be improved by requiring each user to have a unique password and by utilizing the password to track all transactions initiated by an individual user.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section II – Financial Statement Findings

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RECOMMENDATIONS

- 00-4a Require that each individual have a unique password to appropriately restrict access to the system.
- 00-4b Capture and maintain the employee's unique password within the transaction file to specifically identify transactions by individual user.

**Finding 2000-5**

DISASTER RECOVERY PLAN

The Office of Library and Information Services (OLIS) does not have a formal written disaster recovery/business resumption plan for all computer applications utilizing the State Data Center located in Johnston, as well as its operations located at One Capitol Hill in Providence. Key computer applications utilizing the State Data Center include the State's centralized accounting, tax collection, employee payroll, and pension payroll systems. Such a plan should be designed to allow the continuation of essential data processing and support functions in the event existing data processing facilities are destroyed, impaired or unavailable. Without a formal plan, the State's ability to re-establish key computer applications in a timely manner may be compromised.

RECOMMENDATION

- 00-5 Develop a formal written disaster recovery/business resumption plan for the State Data Center and operations at One Capitol Hill.

**Finding 2000-6**

FINANCIAL REPORTING – INTERMODAL SURFACE TRANSPORTATION EFFICIENCY ACT (ISTEA) FUND

Controls are not adequate to ensure that Intermodal Surface Transportation Efficiency Act (ISTEA) Fund revenues and other financing sources are accurately and consistently identified and recorded to allow preparation of financial statements in accordance with generally accepted accounting principles. Further, the amount of expenditures by funding source, which is needed to prepare comparison of budget to actual results and the Schedule of Expenditures of Federal Awards is not identified. As a result, amounts reported in the financial statements could be materially misstated and the misstatement may not be detected.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III – Federal Award Findings and Questioned Costs

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- Two instances were noted where data match discrepancies existed, however, there was no indication that the discrepancy had been cleared nor evidence that the department's eligibility system generated a caseworker warning message indicating the discrepancy existed.

Failure to promptly investigate and resolve IEVS interface data weakens the Department's controls over the determination of eligibility and benefit levels for the TANF program. Management acknowledged that, due to various factors, IEVS interface discrepancies are not always resolved promptly.

Questioned Costs: None

RECOMMENDATIONS

- 00-32a Strengthen control procedures to ensure that discrepancies resulting from data matches are promptly resolved and utilized to determine recipient eligibility and the amount of assistance.
- 00-32b Maintain documentation supporting the resolution of data match discrepancies. Initiate modifications when discrepancies impact eligibility and/or benefit levels.
- 00-32c Investigate the reasons why certain case records lack evidence of either (1) resolution of the IEVS discrepancy or (2) evidence that the case worker had received electronic notice that the discrepancy existed.

**Finding 2000-33**

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – CFDA 93.558  
Administered by: Department of Human Services (DHS)

FEDERAL REPORTING - PMS-272 REPORTS

Federal regulations require DHS to prepare Federal Cash Transaction Reports each quarter to maintain accountability for federal funds awarded and expended. The *Federal Cash Transactions Report (PMS-272A)* indicates award authorizations and prior cumulative disbursements reported against individual awards. DHS is required to report current net disbursements by award.

Current net disbursements as reported by DHS for the quarter should be consistent with amounts reported on quarterly federal expenditure reports for each program. We were unable to

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III – Federal Award Findings and Questioned Costs

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agree the federal share of cumulative net disbursements that DHS entered on the *PMS-272A* to the total federal TANF expenditures reflected on the *ACF-196* financial report for the quarter ended March 31, 2000. We noted that disbursements recorded on the *PMS-272* report exceeded federal expenditures recorded on the *ACF-196* TANF financial report by approximately \$4.5 million. The overstatement of the federal share of cumulative net disbursements also results in the overstatement of reported cash on hand at the end of the quarter.

Questioned Costs: None

RECOMMENDATION

00-33 Prepare the *PMS-272* report using actual federal expenditures reported on the *ACF-196* financial report for the TANF program.

**Finding 2000-34**

CHILD SUPPORT ENFORCEMENT – CFDA 93.563  
Administered by: Department of Administration – Child Support Enforcement (CSE)

CHILD SUPPORT COLLECTIONS AND DISTRIBUTIONS

CSE does not reconcile child support collections and disbursements recorded in its computer system (INRHODES) with amounts recorded in the State accounting system. This is an important control over program receipts and disbursements which approximate \$62 million annually. Accountability for child support collections is also important because these collections affect awards from the federal government, which reduce the State share of program costs.

At June 30, 2000, the State accounting system reported approximately \$1.1 million more than the amounts reported by the CSE computer system as undistributed collections. All collections and distributions are processed through the CSE computer system; however, because federal CSE reporting guidelines do not require the reporting on non IV-D collections and distributions these amounts are excluded from reports generated by the CSE computer system. Reports are not available from the system that include all collections and distributions and routine reconciliations are not performed between the amounts reported by the two systems. The difference could not be explained at the time of our audit.

As previously reported in our audit reports for fiscal years 1992 through 1999, CSE should report all child support collections and distributions in its accounting system and reconcile these amounts with those recorded in the State accounting system. This would provide further assurances that these collections and distributions are properly controlled and reported.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III – Federal Award Findings and Questioned Costs

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**Finding 2000-53**

MEDICAL ASSISTANCE PROGRAM – CFDA 93.778  
Administered by: Department of Human Services (DHS)

SUSPENSION AND DEBARMENT

DHS utilizes various service providers and contractors for the operation of the Medical Assistance Program. Federal regulations prohibit States from contracting with or making subawards under covered transactions to suspended or debarred parties. Covered transactions include procurement contracts for goods or services equal to or exceeding \$100,000 and all non-procurement transactions (e.g., subawards to subrecipients). Contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred.

The department included provision for suspension and debarment certifications in its standard contracts effective in January 2000, however, most contracts will not be compliant with this provision until renewal.

During fiscal 2000, the department had not required providers of medical services to certify that the organization and its principals are not suspended or debarred from participating in the Medical Assistance Program. Revised provider agreements including the suspension and debarment certifications were mailed to all providers in November 2000.

DHS, as the State Medicaid agency, should require all other departments expending Medicaid funds to include suspension and debarment certifications in contracts with vendors and providers. We found one contract executed by the Department of Mental Health, Retardation and Hospitals that did not contain the required suspension and debarment certification.

Questioned Costs: None

RECOMMENDATION

- 00-53    Require all Departments expending Medicaid funding to include certifications that neither the entity nor its principals are suspended or debarred from participating in the Medical Assistance Program in all contracts.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III – Federal Award Findings and Questioned Costs

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**Finding 2000-54**

MEDICAL ASSISTANCE PROGRAM – CFDA 93.778  
Administered by: Department of Human Services (DHS)

OUTSTANDING PAYMENTS TO PROVIDERS

Federal Regulations (42 CFR 433.40) requires the State to credit the Medical Assistance program for provider payment checks which remain outstanding more than 180 days after issuance. DHS had implemented procedures during fiscal year 1999 to identify checks outstanding more than 180 days and credit the federal government for its share, however, failed to continue the process for fiscal year 2000. At June 30, 2000, such checks amounted to \$60,979; the related federal share was \$32,801.

Questioned Costs: \$32,801

RECOMMENDATION

00-54 Identify checks outstanding for more than 180 days and reimburse the federal government for its share on a semi-annual basis.

**Finding 2000-55**

MEDICAL ASSISTANCE PROGRAM – CFDA 93.778  
Administered by: Department of Human Services (DHS)

DRUG USE REVIEW PROGRAM

Federal regulation (42 CFR 456.712) requires the State to prepare and submit, on an annual basis, a report summarizing specific information regarding the agency's Drug Use Review Program. Examples of the types of information required include a description of the nature and scope of the prospective and retrospective drug review programs, a summary of the educational interventions used, and an outline of the objectives, scope, and goals of the drug use review and surveillance and utilization functions.

DHS has not submitted the required reports for fiscal years 1998 and 1999.

Questioned Costs: None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III – Federal Award Findings and Questioned Costs

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RECOMMENDATION

- 00-55 Prepare and submit the required Medicaid Drug Use Review Agency Report annually.

**Finding 2000-56**

MEDICAL ASSISTANCE PROGRAM – CFDA 93.778  
Administered by: Department of Human Services (DHS)

PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Federal regulation (HCFA Publication 45-2, Section 2560.2(B)) interprets federal funding limitations for adjustments made to prior year Medicaid expenditures claimed on Form HCFA-64. It states that expenditures made on or after October 1, 1979, must be claimed within 2 years after the calendar quarter in which the State agency made the expenditure unless they meet one of four exception criteria.

DHS adjusted expenditures on the HCFA-64 form for the quarter ending June 30, 2000 that were originally claimed during fiscal year 1998 (in excess of the two-year limit). The department adjusted administrative expenditures that were originally claimed at 50% to a 75% federal participation rate. The net effect of the adjustment resulted in an increase of \$20,369 in federal expenditures claimed. Federal regulations regarding Medicaid funding limitations only allow adjustments to be made in excess of the two-year limit if the initial claiming was based on an interim rate. The adjustment made by DHS did not relate to a claim that was originally based on an interim rate; therefore it does not comply with the availability of federal funds requirement for the Medical Assistance program.

Questioned Costs: \$20,369

RECOMMENDATION

- 00-56 Reimburse the federal government for questioned costs deemed unallowable.

Corrective Action Plan -  
Findings Included in 2000 Single Audit Report

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**Finding 2000-1**

*Corrective Action:*

The Division of Accounts and Control has issued statewide policies and procedures to record all new fixed asset acquisitions since July 1, 1998. Two staff people have completed physical inventories of existing fixed assets (excluding infrastructure) and the inventory of state owned land and buildings. The state automobile fleet has been brought into the fixed asset reporting system. The accumulation of fixed asset data is planned to be completed in phases: land and buildings; all other fixed assets; infrastructure assets. This effort will be completed by December 31, 2001.

Contact person: Lawrence Franklin, Jr., State Controller  
Telephone: 401-222-6731; Fax: 401-222-6437;  
e-mail:lfrankli@doa.state.ri.us

**Finding 2000-2**

*Corrective Action:*

The Department of Administration has acquired new integrated, accounting software. The software we acquired does not have a module for debt and debt service accounting. We will be researching the functionality of other commercial, off-the-shelf software for this purpose to integrate with our general accounting software. Presently, the implementation of the general accounting software is underway and is planned to be implemented statewide at July 1, 2001. During this implementation, the Division of Accounts and Control will research debt accounting software, prepare a budget request to acquire it, and plan its implementation.

Contact person: Lawrence Franklin, Jr., State Controller  
Telephone: 401-222-6731; Fax: 401-222-6437;  
e-mail:lfrankli@doa.state.ri.us

**Finding 2000-3**

*Corrective Action:*

No corrective action is planned since a new statewide accounting system will be implemented at July 1, 2001.

Contact person: Lawrence Franklin, Jr., State Controller  
Telephone: 401-222-6731; Fax: 401-222-6437;  
e-mail:lfrankli@doa.state.ri.us

Corrective Action Plan -  
Findings Included in 2000 Single Audit Report

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**Finding 2000-4**

*Corrective Action:*

2000-4a

The State Controller has requested the Office of Library and Information Services (OLIS) to assign unique passwords to users of the on-line payroll accounting system. Action has begun but completion is not expected until June 2001 or later.

2000-4b

This recommendation cannot be completed until #2000-4a is completed. See action plan for #2000-4a.

Contact person: Lawrence Franklin, Jr., State Controller  
Telephone: 401-222-6731; Fax: 401-222-6437;  
e-mail:lfrankli@doa.state.ri.us

**Finding 2000-5**

*Corrective Action:*

The Office of Library and Information Services (OLIS) has established a committee to prepare and write a disaster recovery/business resumption plan for all computer applications that utilize the State Operations Center in Johnston. The committee is still working on its report and a plan will be formulated from the committee's report following integration of the report of the consultant to the evaluation of the Information Technology Operations Center (ITOC). OLIS has taken delivery of a Preliminary Facility Study which is the culmination of phase one of an evaluation in progress by a consultant. The Preliminary Facility Study posits a draft program for the ITOC including the computer center, the central mail facility and the network operations center, identifies the major risks existing in the ITOC facility and makes preliminary recommendations for both short and long term remedial strategies including disaster prevention/business recovery. Part two of the study, expected to be completed at the end of April 2001 will add detail to programmatic, engineering, architectural and technology strategies, including a workshop on disaster prevention/business recovery. The Governor's FY2002 budget includes \$200,000 for design work to begin implementation of the outcome of the evaluation study.



Corrective Action Plan -  
Findings Included in 2000 Single Audit Report

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This review will be conducted immediately and a report of the findings completed by April 15, 2001.

Contact person: Edward P. Sneesby  
(401) 462-2424

Anticipated completion date: April 15, 2001

**Finding 2000-33**

*Corrective Action:*

The PMS-272 report is as a rule prepared using actual federal expenditures reported on the ACF-196 financial report for the TANF program. For the quarter ending March 31, 2000 final data for the 196 report was not received until very late Monday, May 15, 2000 and the amount used for the PMS-272 was estimated. A worksheet delineating the variance is attached. The largest component is an estimate for DCYF, which did not materialize as the claim was not received on time and was reported as zero on the ACF-196. The June 30, 2000 and all subsequent PMS-272 reports use actual federal expenditures reported on the ACF-196 report.

Contact person: Kevin McCarthy  
(401) 462-6871

**Finding 2000-34**

*Corrective Action:*

This agency continues to make progress towards correcting the deficiencies cited within this report and in previous reports relative to the reconciliation of child support collections and distributions that are reported by the State's INRHODES automated Child Support Enforcement System and those reported by the State Accounting System. The prime reason that the two systems were not reconcilable is that Non-IVD (non-program) child support collections and distributions were included in the state accounting system's reports while being excluded from the federal report of collections and distributions of the IVD program (OCSE 34A) because they were considered non program income and disbursements.

INRHODES system programming changes were made in late 1999 and early 2000 calendar years to assist in implementing this audit recommendation. The changes were implemented on July 5, 2000, after the period of this audit review. "Unidentified" collections received and posted to INRHODES by the RI Family Court and those collections that were not "disbursed" by the INRHODES system to payees because their addresses were verified as bad are now being reported on the INRHODES system and the program's federal reports. Both of these

Corrective Action Plan -  
Findings Included in 2000 Single Audit Report

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Contact person: John Young  
(401) 462-3575

Anticipated completion date: Continuous

2000-51c

The department controls administrative expenditures through interagency agreements and approved cost allocation plans.

Contact person: John Young  
(401) 462-3575

**Finding 2000-52**

*Corrective Action:*

The department and the voluntary hospitals have developed a schedule for submission and processing of their year-end settlements. We will review the appropriateness of legislative changes.

Contact person: Jim FitzGerald  
(401) 462-1879

Anticipated completion date: June 30, 2001

**Finding 2000-53**

*Corrective Action:*

The department will review the interagency agreements and incorporate this recommendation through that process. All DHS agreements currently comply with this requirement.

Contact person: John Young  
(401) 462-3575

Anticipated completion date: June 30, 2001

Corrective Action Plan -  
Findings Included in 2000 Single Audit Report

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**Finding 2000-54**

*Corrective Action:*

The department will review this recommendation and implement procedures to correct. The federal share will be credited by March 31, 2001.

Contact person: Ronald H. Gaskin  
(401) 462-6856

Anticipated completion date: March 31, 2001

**Finding 2000-55**

*Corrective Action:*

The department will prepare and submit the required report.

Contact person: Paula Avarista  
(401) 462-6390

Anticipated completion date: June 30, 2001

**Finding 2000-56**

*Corrective Action:*

The department's claim for the expenditures in question were based on information received from the Regional office. It is our opinion that these were appropriate and that there is no liability. HCFA has clarified the process for claim in these situations; however, the effective date of the new policy is for expenditures on or after January 1, 2001.

Contact person: Ronald H. Gaskin  
(401) 462-6856

# **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.

## **Office of Executive Operations**

The Office of Executive Operations (OEO) provides four functions for the Office of the Inspector General (OIG) – administrative support, strategic planning, quality assurance, and public affairs. OEO supports the OIG components by providing information resources management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this Office coordinates and is responsible for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. The quality assurance division performs internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from the Agency. This division also conducts employee investigations within OIG. The public affairs team communicates OIG's planned and current activities and the results to the Commissioner and Congress, as well as other entities.

## **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.