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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 NEW YORK  
FOR THE FISCAL YEAR ENDED  
MARCH 31, 2006**

**February 2008**

**A-77-08-00009**

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**MANAGEMENT  
ADVISORY REPORT**

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## **Mission**

**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, 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**

**We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.**



## SOCIAL SECURITY

### MEMORANDUM

Date: February 13, 2008

Refer To:

To: Candace Skurnik  
Director  
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of New York for the Fiscal Year Ended March 31, 2006 (A-77-08-00009)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of New York for the Fiscal Year (FY) ended March 31, 2006. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The accounting firms of KPMG and Toski, Schaefer & Company 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 KPMG, Toski, Schaefer & Company 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 New York 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 Office of Temporary and Disability Assistance (OTDA) is the DDS' parent agency.

The single audit reported:

1. OTDA had insufficient standards for the documentation of critical systems applications (Attachment, Pages 1 and 2). The corrective action plan indicates OTDA will make several improvements including developing written descriptions of documentation standards (Attachment, Pages 3 through 5).
2. OTDA software developers inappropriately had the ability to update software in the production environment (Attachment, Pages 6 and 7). The corrective action plan indicates OTDA developed policies and procedures to control software developer access to the production environment (Attachment, Pages 8 and 9).
3. OTDA did not have a plan in place for periodic testing of systems data recovery in the event of an interruption, and it had not performed a test to ensure a complete and error-free recovery of systems data (Attachment, Pages 10 and 11). The corrective action plan indicates that recovery testing was successfully performed following the audit and that plans are in place to periodically run similar recovery testing in the future (Attachment, Pages 12 and 13).
4. Indirect costs were charged to OTDA based on State FY 2006 cost allocation plan (CAP) methodologies submitted to HHS' Division of Cost Allocation (DCA) but not yet approved (Attachment, Pages 14 and 15). The Corrective Action Plan correctly reports that indirect costs can be charged based on allocation methodologies that have been submitted to DCA for approval (Attachment, Pages 16 and 17).

We recommend SSA:

1. Ensure OTDA develops policies and procedures to ensure the New York DDS' critical system applications are sufficiently documented.
2. Verify that OTDA develops policies and procedures to control software developer access to the production environment.
3. Ensure OTDA develops procedures for performing periodic data recovery testing of the systems used by the New York DDS.
4. Upon approval of the State FY 2006 CAP by DCA, work with OTDA to ensure the indirect costs charged to the New York DDS are in accordance with the approved methodologies.

Page 3 – Candace Skurnik

Please send copies of the final Audit Clearance Document to Ken Bennett. If you have questions contact Ken Bennett at (816) 936-5593.

A handwritten signature in black ink, appearing to read "Pat P. O'Carroll Jr.", written in a cursive style.

Patrick P. O'Carroll, Jr.

Attachment

**STATE OF NEW YORK**

Schedule of Findings and Questioned Costs

March 31, 2006

**Food Stamps (10.551)**  
**State Administrative Matching Grants for Food Stamp Program (10.561)**  
**Temporary Assistance for Needy Families (93.558)**  
**Child Support Enforcement (93.563)**  
**Low-Income Home Energy Assistance (93.568)**  
**Social Security - Disability Insurance (96.001)**

**Office of Temporary and Disability Assistance**

**Reference: 06-02**

**Requirement**

GAO-03-673G Government Auditing Standards, Section 5.13 states that for all financial audits and Federal grant awards, deficiencies in internal control as defined in AICPA standards are considered to be reportable conditions. The following are examples of matters that may be reportable conditions: evidence of failure to perform tasks that are a significant part of internal control; a weakness in the control environment at an entity such as the absence of a sufficient positive and supportive attitude towards internal control by management within the organization; deficiencies in the design or operation of internal control that could result in violations of laws, regulations, provisions of contracts or grant agreements; fraud; or abuse having a direct and material effect on the financial statements or the audit objectives; and failure to follow up and correct previously identified deficiencies in internal control.

**Finding**

There are insufficient standards for the documentation of new development work or for the maintenance of existing systems. Where such standards exist, they are not always disseminated to OTDA Technical Staff. A familiar relationship has developed between OTDA-Policy and OTDA-Technical such that new developments or updates to existing systems are discussed in advance of the work request being received from OTDA-Policy. Documentation is created specific to the changes requested with the primary intent being a mutual understanding between Policy and Technical of the work to be accomplished. The lack of sufficient standards poses risks for the systems like BICS and budget calculation subsystems like ABEL and MABEL on legacy mainframe systems. Of the systems we reviewed, WRTS was the only one with a single repository of updated documentation. No other systems uses WDOCS at this time.

**STATE OF NEW YORK**  
Schedule of Findings and Questioned Costs  
March 31, 2006

**Recommendation**

We recommend the following to ensure that critical applications are documented such that an interruption in personnel will not severely impact the operation of the program:

1. Develop Office-wide standards for documenting new system development and maintenance and updating of existing systems.
2. Disseminate the developed standards to each employee and each employee should receive sufficient training in the standards to be able to incorporate it into their development/maintenance.
3. Any non-compliance to the standards in existing system documentation should be identified and the necessary documentation should be created to ensure each system is in compliance.
4. Procedures should be put in place to include updated documentation in the system release package.

**Questioned Costs**

None

**Views of Responsible Officials**

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for  
State Fiscal Year Ended March 31, 2006

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Christine Unson

Title: Coordinator for External Audit

Telephone: (518) 402-0128

E-mail: Christine.Unson@otda.state.ny.us

Federal Program(s) CFDA # (s): Food Stamps (10.551)  
State Administrative Matching Grants for Food Stamp Program  
(10.561)  
Temporary Assistance for Needy Families (93.558)  
Child Support Enforcement (93.563)  
Low-Income Home Energy Assistance (93.568)  
Social Security - Disability Insurance (96.001)

Audit Report Referenc: 06-02

I. **Type of Finding:**[Check one to identify the nature of the particular audit finding.]

Internal Control with related noncompliance [ ]  
 Internal Control Only (no noncompliance cited) [ X ]  
 Other reportable noncompliance (Finding Only) [ ]

Questioned Costs: None

II. **Summary of Finding (including any Internal Control Recommendation(s), if applicable):**

There are insufficient standards for the documentation of new development work or for the maintenance of existing systems. Where such standards exist, they are not always disseminated to OTDA Technical Staff. A familiar relationship has developed between OTDA-Policy and OTDA-Technical such that new developments or updates to existing systems are discussed in advance of the work request being received from OTDA-Policy. Documentation is created specific to the changes requested with the primary intent being a mutual understanding between Policy and Technical of the work to be accomplished. The lack of sufficient standards poses risk for the systems like BICS and budget calculation subsystems like ABEL and MABEL on legacy mainframe systems. Of the systems we reviewed, WRTS was the only one with a single repository of updated documentation. No other systems use WDOCS at this time.

The auditors recommend the following to ensure that critical applications are documented such that an interruption in personnel will not severely impact the operation of the program:

- I. Develop an Office-wide standard for documenting new system development and maintenance and updating of existing systems.



## NEW YORK STATE CORRECTIVE ACTION PLAN

### Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2006

2. Disseminate the developed standard to each employee and each employee should receive sufficient training in the standard to be able to incorporate it into their development/maintenance.
3. Any non-compliance to the standard in existing system documentation should be identified and the necessary documentation should be created to ensure each system is in compliance.
4. Procedures should be put in place to include updated documentation in the system release package.

### III. Agency Response:

OTDA provided the following information during the audit:

OTDA-IT categorizes its application repository in two categories: legacy (Unisys 2200 Mainframe-based) and open systems (server based). Documentation standards have evolved for both categories, driven by the processes, toolsets, and organizational structures in place during the application development lifecycle. In addition, there are two categories of documentation involved: requirements documentation; and application code documentation.

#### Application Code Documentation

For legacy (COBOL) development, PTS is the “living” documentation standard and tool. For our legacy applications, PTS serves as both a migration tool and documentation tool. On the documentation side, each legacy subsystem has an overview description, which can be drilled through to a change history with descriptions of that subsystem’s related programs with code changes. In addition, we can make use of the Relativity Modernization Workbench (MWB) to drill down and mine/extract the program code business rules for each program. PTS documentation is hosted on a Sharepoint site (<http://tdashare1.otda.state.nyenct/sites/dit/>) which all OTDA-IT staff can access. Developers are instructed to maintain the subsystem level and program level change documentation on an ongoing basis. Reports are available from PTS to monitor compliance. Enforcement efforts need to be better managed.

For open systems development, OTDA has recently established Rational Toolset and the Rational Unified Process as standards for the System Development Life Cycle Process and is in the process of implementing these applications. Business requirements, system requirements, and application design will be maintained using the RequisitePro and Rational Rose tools. Application code is maintained in a Rational ClearCase repository and will be readily accessible.

#### Requirements Documentation

Requirements documentation for legacy and open systems has evolved in both areas. On the legacy side, proprietary documentation tools such as HIPO and CHAPIN charts were used initially to document change requests, often authored by a dedicated team of systems analysts/designers who were the liaisons between policy requesters and developers. As staffing of a dedicated design team diminished, requesters from our business side deployed various tools, including flowcharts, structured English, Visio diagrams, et. al. The communication platform and repository for these documented requirements was various proprietary word processing and email platforms, such as ICL’s DTM, Unisys’ DSSP, and currently MS office and Outlook/Exchange. Today, all legacy requests are documented on word templates called Workload Management

## NEW YORK STATE CORRECTIVE ACTION PLAN

### Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2006

forms (WLMs), which are emailed to central WLM unit, assigned a WLM number and saved to a WLM data base and Exchange Public Folder for viewing, and distributed accordingly. The WLMs are negotiated by IT and the Business units as to a software release schedule, which is documented in the Upstate and NYC Release Schedule and Release Notes, and met on monthly to change/update. The future plan is to incorporate both legacy and open systems change requests into a standardized, single Rational process, managed by the OTDA-IT Product Development Support (PDS) team.

We also support a variety of end user documentation tools, such as the System Reference Manual (SRM), Workers Code Guides for legacy documentation, and Sharepoint document repositories for open systems user documentation.

In an effort to minimize risks associated with an interruption in personnel, OTDA initiated Succession Planning and Back-up analysis. Each employee's major functions were identified along with the identification of a back-up for that function in the event of the employee's planned or unplanned absence. These efforts began in 2005 and are currently being updated.

In order to improve how these standards are communicated to staff and to improve on-going monitoring and enforcement activities to ensure that risk to systems resulting from inadequate requirements and code documentation is minimized, OTDA DIT will implement the following corrective actions:

1. Develop written description of all documentation standards.
2. Disseminate the written standards to all applicable staff via the following methods: email distribution, sharepoint posting, unit staff meeting, and individual supervisor/employee conferences.
3. Adherence to the written standards will be incorporated into employee performance standards.
4. Necessary training will be provided to those employees that require it.
5. Supervisory monitoring of adherence to documentation standards will be implemented with measurement mechanisms implemented.
6. A project plan will be developed by May 2007 to ensure full implementation of the Rational Tools within the open systems environment.
7. A project plan will be developed by May 2007 to ensure full implementation of the Rational Tools within the legacy systems.
8. OTDA DIT will continue to monitor and revise the Succession Planning and Backup efforts.

**STATE OF NEW YORK**

Schedule of Findings and Questioned Costs

March 31, 2006

**Food Stamps (10.551)**

**State Administrative Matching Grants for Food Stamp Program (10.561)**

**Temporary Assistance for Needy Families (93.558)**

**Child Support Enforcement (93.563)**

**Low-Income Home Energy Assistance (93.568)**

**Social Security - Disability Insurance (96.001)**

**Office of Temporary and Disability Assistance**

**Reference: 06-06**

**Requirement**

Policies and procedures should be in place to control development staff's access to the production environment and no changes should be made without prior authorization at the appropriate management level. A process should be in place to notify the user and development community of the changes.

GAO-03-673G Government Auditing Standards, Section 5.13 states that for all financial audits and Federal grant awards, deficiencies in internal control as defined in AICPA standards are considered to be reportable conditions. The following are examples of matters that may be reportable conditions:

- Evidence of failure to perform tasks that are a significant part of internal control;
- A weakness in the control environment at an entity, such as the absence of a sufficient positive and supportive attitude towards internal control by management within the organization;
- Deficiencies in the design or operation of internal control that could result in violations of laws, regulations, provisions of contracts or grant agreements; fraud; or abuse having a direct and material effect on the financial statements or the audit objectives; and failure to follow up and correct previously identified deficiencies in internal control.

**Finding**

The Office of Temporary and Disability Assistance (OTDA) development staff have update capability within the Office for Technology production environment. Although OTDA development staff may be prevented from promoting code through an existing automated configuration management system, they may access production code and make updates directly.

**STATE OF NEW YORK**  
Schedule of Findings and Questioned Costs  
March 31, 2006

We noted that the Office identified these issues and have developed policies and procedures that were implemented after the period covered by our report.

**Recommendation**

Policies and procedures developed by the Office to control OTDA development staff's access to the Office For Technology production environment and ensure that any changes have prior authorization at the appropriate management level should be implemented as intended by the Office and monitored to assess their effectiveness.

**Related Noncompliance**

Based on the above, the Office was not in compliance with the above requirement.

**Questioned Costs**

None

**Views of Responsible Officials**

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

**NEW YORK STATE CORRECTIVE ACTION PLAN**

**Single Audit of Federal Programs for  
State Fiscal Year Ended March 31, 2006**

**State Agency:** Office of Temporary and Disability Assistance

**Single Audit Contact:** Christine Unson

**Title:** Coordinator for External Audit

**Telephone:** (518) 402-0128

**E-mail:** Christine.Unson@otda.state.ny.us

**Federal Program(s) CFDA # (s):** Food Stamps (10.551)  
State Administrative Matching Grants for Food Stamp Program  
(10.561)  
Temporary Assistance for Needy Families (93.558)  
Child Support Enforcement (93.563)  
Low-Income Home Energy Assistance (93.568)  
Social Security - Disability Insurance (96.001)

**Audit Report Reference:** 06-06

**I. Type of Finding: [Check one to identify the nature of the particular audit finding.]**

Internal Control with related noncompliance [ ]

Internal Control Only (no noncompliance cited) [ X ]

Other reportable noncompliance (Finding Only) [ ]

Questioned Costs: None

**II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):**

The Office of Temporary and Disability Assistance (OTDA) development staff have update capability within the Office for Technology production environment. Although OTDA development staff may be prevented from promoting code through an existing automated configuration management system, they may access production code and make updates directly. The auditors noted that the Office identified these issues and have developed policies and procedures that were implemented after the period covered by our report.

The auditors recommend that policies and procedures developed by the Office to control OTDA development staff's access to the Office For Technology production environment and ensure that any changes have prior authorization at the appropriate management level should be implemented as intended by the Office and monitored to assess their effectiveness.

**NEW YORK STATE CORRECTIVE ACTION PLAN**

**Single Audit of Federal Programs for  
State Fiscal Year Ended March 31, 2006**

**III. Agency Response:**

As the auditors stated in the finding, the Office has developed policies and procedures that address the finding; however, they were implemented and became effective after the period covered in their report. Therefore, New York State is now in full compliance. The Office will continue monitoring our policies and procedures to ensure they are implemented as intended and to assess their effectiveness.

**STATE OF NEW YORK**

Schedule of Findings and Questioned Costs

March 31, 2006

**Food Stamps (10.551)**

**State Administrative Matching Grants for Food Stamp Program (10.561)**

**Temporary Assistance for Needy Families (93.558)**

**Child Support Enforcement (93.563)**

**Low-Income Home Energy Assistance (93.568)**

**Social Security - Disability Insurance (96.001)**

**Office of Temporary and Disability Assistance**

**Reference: 06-07**

**Requirement**

GAO-03-673G Government Auditing Standards, Section 5.13 states that for all financial audits and Federal grant awards, deficiencies in internal control as defined in AICPA standards are considered to be reportable conditions. The following are examples of matters that may be reportable conditions:

- Evidence of failure to perform tasks that are a significant part of internal control;
- A weakness in the control environment at an entity such as the absence of a sufficient positive and supportive attitude towards internal control by management within the organizations;
- Deficiencies in the design or operation of internal control that could result in violations of laws, regulations, provisions of contracts or grant agreements; fraud; or abuse having a direct and material effect on the financial statements or the audit objectives; and failure to follow up and correct previously identified deficiencies in internal control.

General controls are the policies and procedures that apply to an entity's overall computer operations and create the environment in which application controls and certain user controls, which are control activities, operate. General controls include appropriate entity-wide security management programs and service continuity controls (FISCAM sect 295 F .02).

The continual backing up of data and systems can help minimize the severity of threats and a well documented data system backup plan should be in place that includes information on how best to recover data systems that have been damaged. Controls and protections should be in place to ensure that data or systems are not damaged, altered, or destroyed during this recovery process. Practice drills should be conducted periodically to determine how effective the plan is and to determine what changes may be necessary. The Office For Technology should verify these drills are being conducted properly and that problems uncovered during these drills are addressed and procedures designed to deal with any potential deficiencies are implemented and tested to determine their effectiveness.

**STATE OF NEW YORK**  
Schedule of Findings and Questioned Costs  
March 31, 2006

**Finding**

Although individual files are recovered safely and with great frequency, the Office For Technology does not have a plan in place that tests for a complete data system restore. To date, the Office For Technology has never performed a test to ensure that a complete and error free recovery of system data is possible.

The Office of Temporary and Disability Assistance and the Office For Technology perform risk assessment reviews together and individually which form the basis for identifying and prioritizing risks to critical systems and the related potential impacts on business continuity. Based on the internal assessments, they are of the opinion that present policies and practices mitigate the risks of substantial impacts associated with business interruption as the result of the inability to read and recover the WMS system data file set.

**Recommendation**

We recommend the Office develop and document procedures for performing periodic testing for reading and recovering the complete WMS data system file set.

**Related Noncompliance**

Based on the above, the Office was not in compliance with the above requirement.

**Questioned Costs**

None

**Views of Responsible Officials**

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.



NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for  
State Fiscal Year Ended March 31, 2006

**State Agency:** Office of Temporary and Disability Assistance

**Single Audit Contact:** Christine Unson

**Title:** Coordinator for External Audit

**Telephone:** (518) 402-0128

**E-mail:** Christine.Unson@otda.state.ny.us

**Federal Program(s) CFDA # (s):** Food Stamps (10.551)  
State Administrative Matching Grants for Food Stamp Program (10.561)  
Temporary Assistance for Needy Families (93.558)  
Child Support Enforcement (93.563)  
Low-Income Home Energy Assistance (93.568)  
Social Security - Disability Insurance (96.001)

**Audit Report Reference:** 06-07

**I. Type of Finding: [Check one to identify the nature of the particular audit finding.]**

Internal Control with related noncompliance [ ]  
Internal Control Only (no noncompliance cited) [ X ]  
Other reportable noncompliance (Finding Only) [ ]

Questioned Costs: None

**II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):**

Although individual files are recovered safely and with great frequency, the Office For Technology does not have a plan in place that tests for a complete data system restore. To date, the Office For Technology has never performed a test to ensure that a complete and error free recovery of system data is possible.

The Office of Temporary and Disability Assistance and the Office For Technology perform risk assessment reviews together and individually which form the basis for identifying and prioritizing risks to critical systems and the related potential impacts on business continuity. Based on the internal assessments, they are of the opinion that present policies and practices mitigate the risks of substantial impacts associated with business interruption as the result of the inability to read and recover the WMS system data file set.

The auditors recommend the Office develop and document procedures for performing periodic testing for reading and recovering the complete WMS data system file set.

## NEW YORK STATE CORRECTIVE ACTION PLAN

### Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2006

#### III. Agency Response:

WMS mainframe disk data is fully replicated between a disk cabinet located at the 40 North Pearl St. site and a disk cabinet located at the Executive Park Plaza (EPP) site. Any modifications to the WMS disk data at one location is synchronously replicated to the alternate location via EMC's SRDF data replication software. The preferred method for a complete system restore would be to use the replicated disk data as opposed to a full system restoration from tape (backup tapes are still created in order to provide an alternative recovery source, if needed). Over the last several months, "test" OTDA partitions at EPP using the replicated copy of disk data have been successfully created. In preparation for running OTDA's EU partition on the mainframe at EPP, OFT has performed the normal steps of creating a "test" EU partition at EPP using the disk copy of EU's replicated data. OTDA has just successfully completed running a series of database verification/validation runs, which prove the replicated databases are intact. OFT will periodically (quarterly, semi-annually), run similar verification/validation tests at the alternate site for all 3 of OTDA's partitions as part of ongoing disaster recovery testing plans with OTDA.

**STATE OF NEW YORK**

Schedule of Findings and Questioned Costs

March 31, 2006

**State Administrative Matching Grants for Food Stamp Program (10.561)**  
**Temporary Assistance for Needy Families (93.558)**  
**Child Support Enforcement (93.563)**  
**Low-Income Home Energy Assistance (93.568)**  
**Child Care and Development Block Grant (93.575)**  
**Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)**  
**Foster Care - Title IV-E (93.658)**  
**Adoption Assistance (93.659)**  
**Social Services Block Grant (93.667)**  
**Medical Assistance Program (93.778)**  
**Social Security - Disability Insurance (96.001)**

**Office of Temporary and Disability Assistance**  
**Office of Children and Family Services**  
**Department of Health**

**Reference: 06-14**

**Requirement**

The State shall submit a cost allocation plan for the State agency as required below to the Director, Division of Cost Allocation (DCA), in the appropriate HHS Regional Office. The plan shall: (1) Describe the procedures used to identify, measure, and allocate all costs to each of the programs operated by the State agency; (2) Conform to the accounting principles and standards prescribed in Office of Management and Budget Circular A-87, and other pertinent Department regulations and instructions; (3) Be compatible with the State plan for public assistance programs described in 45 CFR Chapters II, III and XIII, and 42 CFR Chapter IV Subchapter C; and (4) Contain sufficient information in such detail to permit the Director, Division of Cost Allocation, after consulting with the Operating Divisions, to make an informed judgment on the correctness and fairness of the State's procedures for identifying, measuring, and allocating all costs to each of the programs operated by the State agency (45 CFR Section 95.207).

**Finding**

The Offices and the Department of Health, on a quarterly basis, create Central Office Cost Allocation Claims (COCACs) which accumulate direct costs and allocated indirect costs through allocation accounts. All central office and certain local district costs are assigned to an accumulator code.

**STATE OF NEW YORK**

Schedule of Findings and Questioned Costs

March 31, 2006

The COCACs contained approximately \$688 million in allocated costs covering 76 separate allocation methodologies during the period April 1, 2005 through March 31, 2006. The methodologies were established to allocate overhead costs related to the programs formerly administered by the Department of Social Services (DSS). Effective October 1, 1996, the Department of Health (DOH) became the Single State Agency for Medicaid, with DSS submitting other State agencies' claims to DOH for Medicaid reimbursement based on the DSS COCACs. Effective with the January 1, 1998 reorganization of DSS to create the Office of Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA), OCFS and OTDA revised and implemented cost allocation methodologies regarding the programs which they then administered to reflect the current organizational structure of the two Human Service agencies.

As part of our testwork, we analyzed the dates that the allocation methodologies were Federally reviewed and noted that there were 21 separate allocation methodologies with \$73 million in allocated costs related to the Office of Children and Family Services and \$107 million related to the Office of Temporary and Disability Assistance that had not yet been approved by the Federal government as of the State fiscal year ended March 31, 2006. Federal regulation allows the Offices to submit claims derived from cost allocation methodologies that have been submitted to the Federal government but are pending approval.

A similar finding was included in the prior year single audit report as finding 05-10 on page 38.

**Questioned Costs**

Cannot be determined

**Views of Responsible Officials**

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for  
State Fiscal Year Ended March 31, 2006

**State Agency:** Office of Children and Family Services

**Single Audit Contact:** Gary A. Bulger

**Title:** Outside Audit Liaison

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**E-mail:** Gary.Bulger@OCFS.state.ny.us

**Federal Program(s) CFDA # (s):** State Administrative Matching Grants for Food Stamp Program (10.561)  
Temporary Assistance for Needy Families (93.558)  
Child Support Enforcement (93.563)  
Low-Income Home Energy Assistance (93.568)  
Child Care and Development Block Grant (93.575)  
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)  
Foster Care - Title IV-E (93.658)  
Adoption Assistance (93.659)  
Social Services Block Grant (93.667)  
Medical Assistance Program (93.778)  
Social Security - Disability Insurance (96.001)

**Audit Report Reference:** 06 - 14

**I. Type of Finding: [Check one to identify the nature of the particular audit finding.]**

Internal Control with related noncompliance	[ X ]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]

Questioned Costs: Cannot Be Determined

**II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):**

The Offices and the Department of Health, on a quarterly basis, create Central Office Cost Allocation Claims (COCACs), which accumulate direct costs and allocated indirect costs through allocation accounts. All central office and certain local district costs are assigned to an accumulator code.

The COCACs contained approximately \$688 million in allocated costs covering 76 separate allocation methodologies during the period April 1, 2005 through March 31, 2006. The methodologies were established to allocate overhead costs related to the programs formerly administered by the Department of Social Services (DSS). Effective October 1, 1996, the Department of Health (DOH) became the Single State Agency for Medicaid, with DSS submitting

**NEW YORK STATE CORRECTIVE ACTION PLAN**

**Single Audit of Federal Programs for  
State Fiscal Year Ended March 31, 2006**

other State agencies' claims to DOH for Medicaid reimbursement based on the DSS COCACs. Effective with the January 1, 1998 reorganization of DSS to create the Office of

Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA), OCFS and OTDA revised and implemented cost allocation methodologies regarding the programs which they then administered to reflect the current organizational structure of the two Human Service agencies.

As part of our testwork, we analyzed the dates that the allocation methodologies were Federally reviewed and noted that there were 21 separate allocation methodologies with \$73 million in allocated costs related to the Office of Children and Family Services and \$107 million related to the Office of Temporary and Disability Assistance that had not yet been approved by the Federal government as of the State fiscal year ended March 31, 2006. Federal regulation allows the Offices to submit claims derived from cost allocation methodologies that have been submitted to the Federal government but are pending approval.

A similar finding was included in the prior year single audit report as finding 05-10 on page 38.

**III. Agency Response:**

The Office of Children and Family Services (OCFS) files plans for both OCFS and Office of Temporary and Disability Assistance (OTDA) on a timely basis as required by regulation and works diligently with HHS/Division of Cost Allocation to get those plans approved. As noted in the finding, Federal regulations require the filing of cost allocation plans and then allow states to claim against the filed plans. The regulations do not require the Federal agencies to act within a specific timeframe on those plans. HHS/DCA has stated in the past that this approach is acceptable and that OCFS and OTDA are in compliance with the requirements of 45 CFR.

# **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.