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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**INDEPENDENT LIVING  
RESOURCE CENTER  
OF NORTHEAST FLORIDA**

**August 2005**

**A-15-05-25045**

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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

### MEMORANDUM

Date: August 2, 2005

Refer To:

To: The Commissioner

From: Inspector General

Subject: Independent Living Resource Center of Northeast Florida (A-15-05-25045)

### OBJECTIVE

Our objective was to determine whether the Social Security Administration's (SSA) funds were used in accordance with the terms of its grant (number 16-T-10101-4) with the Independent Living Resource Center of Northeast Florida (Center).

### BACKGROUND

The Ticket to Work program<sup>1</sup> was established to improve access to employment training and placement services for people with disabilities who want to work. Under the Ticket to Work program, eligible beneficiaries can receive employment services, vocational services or other services to help them return to work. The program provides the beneficiary with the opportunity to choose from a variety of employment networks. Employment networks can be a single entity, a partnership or alliance of entities (public or private), or a consortium of organizations collaborating to combine resources to serve ticket holders. Employment networks coordinate and deliver employment, vocational rehabilitation, or other support services.<sup>2</sup>

The Office of Acquisition and Grants' (OAG) mission is to acquire a quality product at a reasonable price, that fully meets the needs of the user and to accomplish the objectives of SSA's research and demonstration programs at a reasonable cost. SSA, OAG uses the terms cooperative agreement and grants interchangeably. Therefore we also use the terms interchangeably. The Grants Administration Manual and Grants Policy Handbook have criteria for both cooperative agreements and grants. As authorized under SSA's Ticket to Work program, OAG awarded cooperative agreements to a variety of community organizations identified as part of the Agency's

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<sup>1</sup> Ticket to Work and Work Incentives Improvement Act of 1999, Pub.L. 106-170, December 17, 1999.

<sup>2</sup> Employment networks are private nonprofit organizations or other government agencies that sign cooperative agreements with SSA.

Benefits Planning, Assistance, and Outreach (BPAO) program.<sup>3</sup> The BPAO program was one of several programs under the Ticket to Work Program. Community organizations that were part of the BPAO program provided benefit planning assistance service. The Office of Disability Income and Security Programs (ODISP) administered SSA's BPAO program and coordinated the Ticket to Work program for SSA's grants among States and nonprofit organizations. The project officers in ODISP's Employment Support Programs worked closely with OAG to ensure the terms of the grants were fulfilled.<sup>4</sup>

In July 2001, at the direction of ODISP, OAG awarded a 5-year BPAO grant to the Center, a nonprofit organization located in Jacksonville, Florida. The grant covered five counties<sup>5</sup> and allowed the Center to claim up to \$236,304 over the first 3 years of the grant, which it did. The Center assisted consumers with disabilities by providing work incentives planning and assistance and outreach programs in meeting the individual's goals and needs for achieving or continuing independent living.

We reviewed costs claimed under the grant from July 2001 through June 2004. Specifically, we reviewed the quarterly progress reports and the required Financial Status Reports (FSR), Standard Forms 269A<sup>6</sup> (SF-269A) submitted to SSA. The SF-269A reports the use of SSA funding.

## RESULTS OF REVIEW

During the course of our audit, we determined the Center's accounting records were inconsistent with the SF-269As submitted to SSA. We also determined there were discrepancies in the Center's accounting records, contributing to unreliable financial reporting. We interviewed Center employees who informed us management directed

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<sup>3</sup> The BPAO program provides all SSA disabled beneficiaries access to benefits planning and assistance service.

<sup>4</sup> ODISP project officers are responsible for implementing the technical, scientific, and programmatic aspects of SSA's cooperative agreements.

<sup>5</sup> The five counties are: Nassau, Baker, Clay, Duval, and St. John.

<sup>6</sup> Office of Management and Budget (OMB) Circular A-110 - *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations (as amended 9/30/99)*, Subpart C, Section .52 states "...each Federal awarding agency shall require recipients to use the SF-269 or SF-269A to report the status of funds for all nonconstruction projects or programs."

increases to SSA program expenses. Additionally, we found employees were not reporting time spent on federally funded projects as required by Federal regulations<sup>7</sup> and the Center's policies and procedures.

### **CHANGED ACCOUNTING RECORDS**

We obtained and reviewed two accounting reports, a summary report and a detailed report, for costs incurred by the Center under the BPAO program for the time period July 1, 2002 through June 30, 2003. We compared the amounts reported on both reports and determined that the financial information was not consistent. One report was the year-end *Profit and Loss* statement dated August 12, 2003, which showed SSA expenses as \$63,739 for the period ended June 30, 2003. The second report was the year-end *Transaction Detail by Account*<sup>8</sup> report dated August 4, 2004, which showed SSA expenses as \$79,199 for the period ended June 30, 2003. There was an increase of \$15,460 in expenses between the two reports. Even though the detailed transaction report was prepared almost 1 year after from the summary report, it showed no additional transactions to support the increased expenses.

We interviewed two employees who had knowledge of the Center's finances. We asked why there was a difference in expenses between the two reports. One employee stated that after year-end reporting, a former Center senior manager requested staff to make increases to SSA's program expenses. The second employee also stated that the records were changed. These actions resulted in an overstatement of expenses in the Center's accounting records for SSA's BPAO program. While we could identify the \$15,460 by category, we could not identify the \$15,460 by individual transaction. Nor could the Center provide support for the increase of \$15,460.

Because of the difference in expenses (\$15,460) between the two reports, SSA should direct the Center to refund to SSA the overstated amount of \$15,460, for the unsupported increases in the accounting records. SSA should also increase its financial oversight of the Center to ensure it is accurately recording expenditures.<sup>9</sup>

### **MISREPRESENTED FINANCIAL REPORTS**

We also compared expenditures in the accounting records for the BPAO program to the amounts reported as expenditures on the SF-269A. For Fiscal Years (FY) 2002 through

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<sup>7</sup> OMB Circular A-122, *Cost Principles for Nonprofit Organizations, Attachment B, Section 7.m.(1)* states "...charges to awards for salaries and wages will be based on documented payrolls approved by a responsible official(s) of the organization." Further, *Attachment B, Section 7.m.(2)* states that "...reports reflecting the distribution of activity of each employee must be maintained for all staff members...."

<sup>8</sup> The *Transaction Detail by Account* report is a detailed listing of the individual transactions entered into the accounting system.

<sup>9</sup> OMB Circular A-122, *Cost Principles for Nonprofit Organizations, Attachment A, Section A.2.g.*, requires for costs to be allowable, they must be adequately documented.

2004, the Center's accounting records contained expenditures of \$224,714. However, the expenditures on the SF-269A were certified as \$236,304.

This was an overstatement of \$11,590 for 3 years of the grant as shown in the table below.

<b>Comparison of Amounts per Accounting Records to Amounts per Financial Status Reports</b>			
<b>Cooperative Agreement Year</b>	<b>Claimed Federal Share of Outlays on the SF-269A *</b>	<b>Amount Stated Per the Center's Accounting Records</b>	<b>Overstated Amount</b>
Year 1 (July 2001-June 2002)	\$ 78,768	\$ 75,514	\$ 3,254
Year 2 (July 2002-June 2003)	\$ 78,768	\$ 79,199	\$ (431) *
Year 3 (July 2003-June 2004)	\$ 78,768	\$ 70,001	\$ 8,767
<b>Total</b>	<b>\$ 236,304</b>	<b>\$ 224,714</b>	<b>\$ 11,590</b>

\*Note: The funding limit provided by SSA was \$78,768 per year. Therefore, any amount over this limit would not be funded. Issues related to the unsupported cost amount reported by the Center in Year 2 are detailed in the first finding on page 3.

By signing the SF-269A the authorizing official of the Center acknowledged and certified that the report was correct and complete and that all Federal outlays and unliquidated obligations were for the purpose set forth in the award documents. Further, the SSA Grants Policy Handbook<sup>10</sup> states at the discretion of the SSA Grants Manager, unobligated funds, if any, will be dealt with in one of the following manners: 1) used to offset funding in the current year, 2) allowed to be spent for approved purposes, or 3) left in the grant account for subsequent utilization.

The Center reported greater amounts of expenditures on the SF-269A than what was recorded in their accounting records. We found no basis for the increased amounts reported for the 3 years of the grant. As a result, SSA should direct the Center to justify the additional \$11,590 which exceeded its accounting records or to refund the overstated \$11,590. SSA should also increase its financial oversight of the Center.

<sup>10</sup> SSA Grants Policy Handbook applies to all grants, including cooperative agreements.

## **EMPLOYEES DID NOT REPORT THEIR TIME SPENT ON FEDERALLY FUNDED PROJECTS**

During our review, we noted that the Center's employees were not in compliance with OMB Circular A-122,<sup>11</sup> which required employees to complete personnel activity sheets to account for the time spent on individual projects. The employees working on the BPAO program also worked on other projects. As a result, we could not determine whether payroll charges of \$159,747, the total for the 3 FYs, made to the BPAO program were accurate or if Federal funds provided by the grant benefited only the BPAO program.

After our testing was completed, we obtained a report<sup>12</sup> issued by the Florida Department of Education/Division of Vocational Rehabilitation Bureau of Compliance and Oversight. The report findings were similar to our findings concerning the nonaccountability of time spent on individual federally funded projects. (See Appendix C for report findings.) The report states:

“...only one of the 13 timesheets reviewed contained the employee's signature. None of the timesheets contained the employee number, department, cost center number, or signature of the staff person's immediate supervisor. As a result, the timesheets reviewed did not show any splits of time between costs charged to centers or grants.”

Employees are required by Federal regulations<sup>13</sup> to accurately report the time they allocate on the various federally funded projects. OMB Circular A-122 states charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible officer of the organization. Also, the distribution of salaries and wages to awards must be supported by personnel activity reports. Reports maintained by nonprofit organizations must meet certain OMB Circular A-122 standards. Reports must: 1) reflect an after-the-fact determination of actual activity of each employee; 2) account for the total activity for which employees are compensated; 3) be signed by individual employees, or by a responsible supervisory official having first-hand knowledge of activities performed; and 4) be prepared at least monthly and must coincide with 1 or more pay periods.

It is the responsibility of the Center's management to implement established Federal regulations and internal policies to ensure the accountability of time spent on federally funded projects such as the BPAO program. SSA should direct the Center to ensure employees complete personnel activity timesheets to accurately report the amount of time spent on each program.

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<sup>11</sup> OMB Circular A-122, *supra* note 7.

<sup>12</sup> The State of Florida's Department of Education/Division of Vocational Rehabilitation Bureau of Compliance and Oversight *A Management Review of The Independent Living Resource Center of Northeast Florida*, Review #0410C dated January 10, 2005.

<sup>13</sup> OMB Circular A-122, *supra* note 7.

## **CONCLUSION AND RECOMMENDATIONS**

Our review disclosed that the Center submitted inaccurate financial information to SSA. As a result, we could not determine whether the BPAO program fully benefited from all of the Federal funds provided in the grant. The changed accounting records, misrepresented financial information, and the noncompliance with the reporting of personnel activity time demonstrate the inadequate financial management by the Center.

We recommend SSA:

1. Direct the Center to refund to SSA the overstated amount of \$15,460 for the unsupported increases in the accounting records.
2. Direct the Center to justify the additional \$11,590 which exceeded its accounting records or to refund to SSA the overstated amount of \$11,590 for the amounts that exceeded the accounting records.
3. Increase its oversight of the Center's financial reports.
4. Direct the Center to comply with Federal regulations and internal policies and procedures to accurately report the time employees spend on the various federally funded projects.

## **SSA COMMENTS**

SSA agreed with our recommendations. The text of SSA's comments is included in Appendix D.

## **THE CENTER'S COMMENTS**

The Center disagreed with our recommendations. Specifically, the Center believes:

- discrepancies in the Center's accounting records were adequately explained;
- the SF-269As submitted to SSA were to merely request grant funds quarterly; and
- it properly reported time spent on federally funded projects.

Additionally, the Center requested any and all information pertaining to a review conducted by the Florida Department of Education/Division of Vocational Rehabilitation Bureau of Compliance and Oversight be removed from our audit report. The Center provided us with a letter prepared by its attorneys taking issue with certain findings presented in the Florida Department of Education's report.

The text of the Center's comments is included in Appendix E. We did not include the appendices the Center submitted due to their volume.



## OIG RESPONSE

We thank SSA and the Center for their responses to our draft report. We reaffirm our conclusions and recommendations. While we appreciate the information provided by the Center, it is our opinion that the additional information generally confirmed the findings in our report.

The Center's response confirmed that the accounting records were changed at the direction of the former Center Director. The changes to the accounting records were instituted by changing the allocation ratios of the expenses charged to SSA and other Center programs. No support was provided to us to justify these changes recorded in the "official audited documents."<sup>14</sup> The Center indicated actual expenses pertaining to the SSA Grant were in "a detailed program expense line item form"<sup>15</sup> which it submitted with its response. However, no support was submitted with the form. Also, although the Center stated it provided official audited documents that supported its position, the Center's independent auditors reported that "...Reports submitted to the government agency detailing the use of funds contained information that was not consistent with the actual expenditures for the reporting period...There is a lack of control and direction regarding the accounting system and overall fiscal management over government contract reporting."<sup>16</sup>

The Center stated that the SF-269A is only used to request grant funds quarterly. Actually, it is a "Financial Status Report," which is used to certify cash receipts and outlays. Therefore it should contain information which correctly and completely identifies all outlays and unliquidated obligations related to this grant.

The Center also stated that this accounting treatment meets the requirements of OMB Circular A-122, Attachment B [8. Compensation for Personal Services] (m). However, the section of Circular A-122 cited by the Center does not address the allocation of personal service costs. The Center stated that it compiles a spreadsheet indicating the actual percentage of salary cost by grant for each employee and that the proper distribution of salaries is supported by a monthly activity report provided to and approved by the Director of Program and Services. We reviewed the Center's bi-weekly salary cost spreadsheets, timesheets, and monthly reports. However, the monthly activity reports provided to the OIG did not provide a break down of the hours each employee worked on each grant or program. Without the hours worked on each program, the Center cannot determine the proper allocation of charges to its specific programs. OMB Circular A-122 requires costs to be adequately documented and that cost be allocable relative to the benefits received.<sup>17</sup>

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<sup>14</sup> See the Centers response in Appendix E page E-2, first full paragraph.

<sup>15</sup> See the Centers response in Appendix E page E-1, paragraph 3.

<sup>16</sup> Haring & Bushnell, P.A. *Report on Compliance and on Internal Controls over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

<sup>17</sup> Attachment A, General Principles, A Basic Considerations, sections (2) and (4).

Our Office of the Chief Counsel to the Inspector General reviewed the Center's attorney's legal opinion dated April 15, 2005, Contracts with the Florida Department of Education, Division of Vocational Rehabilitation. The Chief Counsel found that the statements made in the Center's attorney's letter were not applicable to our audit or to the SSA grant awarded to the Center. Therefore, we have decided to retain our references to the Management Review of ILRC #0410C report, dated January 10, 2005, issued by the Bureau of Compliance and Oversight, Florida Department of Education, Division of Vocational Rehabilitation in our report.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

# *Appendices*

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[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Other Audit Report Findings

[APPENDIX D](#) – Agency Comments

[APPENDIX E](#) – The Center’s Comments

[APPENDIX F](#) – OIG Contacts and Staff Acknowledgments

## Acronyms

BPAO	Benefits Planning, Assistance, and Outreach
Center	Independent Resource Center of Northeast Florida
C.F.R.	Code of Federal Regulations
DVR	Division of Vocational Rehabilitation
DoE	The State of Florida's Department of Education
FY	Independent Resource Center of Northeast Florida's Fiscal Year
SF-269A	Financial Status Report, Standard Form 269A
OAG	Office of Acquisitions and Grants
ODISP	Office of Disability Income and Security Programs
OMB	Office of Management and Budget
SSA	Social Security Administration
Ticket to Work	Ticket to Work and Work Incentive Improvement Act of 1999

### Scope and Methodology

We reviewed the financial information reported by the Independent Living Resource Center of Northeast Florida (Center) on the Financial Status Report, Standard Form 269A for Fiscal Years 2002 through 2004 and the quarterly progress reports to determine whether the Center accurately reported financial information to the Social Security Administration (SSA).

We also:

- Interviewed SSA's, Office of Acquisitions and Grants (OAG) and Office of Disability Income and Security Programs, Employment Support Programs staff to obtain an understanding of various processes associated with the grant, including the process for awarding grants and cooperative agreements;
- Reviewed Office of Management and Budget Circulars, and appropriate sections of the Code of Federal Regulations, OAG's Grants Administration Manual and Grants Policy Handbook to determine the requirements relating to grants;
- Interviewed the Center's employees in Jacksonville, Florida to obtain an understanding of various processes associated with maintaining accounting records and the reporting of financial data to SSA;
- Obtained and reviewed the annual report prepared by an independent accounting firm to obtain information concerning the Center's financial statements;
- Obtained accounting records from the Center's accounting system, which we tested, analyzed and traced to supporting documentation; and
- Obtained and reviewed a report issued by the Florida Department of Education/Division of Vocational Rehabilitation titled a Management Review of the Independent Living Resource Center of Northeast Florida, Review #0410C dated January 10, 2005.

We determined the data in the accounting records was not sufficiently reliable given the audit objective and intended use of the data. We base this determination on the unsupported changes made to the accounting records and our tests which resulted in significant (or potentially significant) problems. Because the use of this data could lead to an incorrect or unintentional message, we completed the additional tests as described in the report's findings to arrive at our conclusions and recommendations.

We conducted our audit in accordance with generally accepted government auditing standards. Our fieldwork was performed in Baltimore, Maryland and Jacksonville, Florida, from June 2004 to December 2004.

### Other Audit Report Findings

After we completed the audit, we obtained a report from the Office of Inspector General for the State of Florida's Department of Education (DoE) issued by the State of Florida's DoE, Division of Vocational Rehabilitation (DVR). Its findings were similar to the findings from our audit. The DVR also found the Center did not properly account for contracted funds and did not practice sound fiscal management. The DVR's management report recommended the Office of Inspector General for the State of Florida's DoE perform a thorough financial review of the Center. The specific findings DVR reported are listed below.

#### Findings:

1. The Center had submitted its invoices in compliance with the terms and conditions of its contracts.
2. The DVR's contract section had not effectively ensured the proper accounting for contracted funds.
3. The Center has not practiced sound fiscal management of Federal and State funds.
4. The Center's Fiscal Policy and Financial Management Procedures Manual and Administrative and Personnel Policies and Procedures Manual were incomplete and not in congruence with one another.
5. The Center did not ensure that employees completed leave requests and flex forms according to established policies and procedures.
6. The Center's business relationship with the former Executive Director's husband posed a potential conflict-of-interest.
7. The Center did not ensure that employees completed timesheets in accordance with its own policies and procedures.
8. The Center did not ensure that travel reimbursement forms were completed in accordance with Florida Statutes and the terms and conditions of its contracts.
9. The Center had not ensured property is managed in accordance with the terms and conditions of its contracts and the Rules of the Auditor General.

## Agency Comments





## SOCIAL SECURITY

### MEMORANDUM

**Date:** July 15, 2005 **Refer To:** S1J-3

**To:** Patrick P. O'Carroll, Jr.  
Inspector General

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

**Subject:** Office of the Inspector General (OIG) Draft Report "Independent Living Resource Center of Northeast Florida" (A-15-05-25045)--INFORMATION

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

Let me know if we can be of further assistance. Staff inquiries may be directed to Candace Skurnik, Director, Audit Management and Liaison Staff on extension 54636.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT "INDEPENDENT LIVING RESOURCE CENTER OF NORTHEAST FLORIDA" (A-15-05-25045)**

Thank you for the opportunity to review and comment on the draft report. We agree with the findings and conclusions presented.

Our responses to the specific recommendations are provided below.

**Recommendation 1**

Direct the Center to refund to SSA the overstated amount of \$15,460 for the unsupported increases in the accounting records.

**Response**

We agree. Within 30 days after issuance of the final audit report, we propose to contact the Independent Living Resource Center of Northeast Florida (Center) and negotiate a date(s) for repayment of funds in the amount of \$15,460.

**Recommendation 2**

Direct the Center to justify the additional \$11,590 which exceeded its accounting records or to refund to SSA the overstated amount of \$11,590 for the amounts that exceeded the accounting records.

**Response**

We agree. Within 30 days after issuance of the final audit report, we will contact the Center in writing and request justification, if any, for the additional \$11,590 within two months of receipt of our letter on this matter and take further action as warranted.

**Recommendation 3**

Increase its oversight of the Center's financial reports.

### Response

We agree. Within 30 days after issuance of the final audit report, we will require that the Center submit more frequent financial status reports and also have the Center submit invoices through the Grants Management Team (an additional step in reimbursement) before the invoices are forwarded to the Division of Central Reporting and Accounting.

### **Recommendation 4**

Direct the Center to comply with Federal regulations and internal policies and procedures to accurately report the time employees spend on the various federally funded projects.

### Response

We agree. Within 30 days after issuance of the final audit report, we will send correspondence to the Center citing applicable regulations as described in the report.

SSA also provided technical comments, which we incorporated into the report, where appropriate.

## The Center's Comments



Opportunity Development, Inc.  
 Independent Living Resource Center of N.E. Florida  
 2709 Art Museum Drive, Jacksonville, Florida 32207

*"Representing Disability Rights"*

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June 24, 2005

Patrick P. O'Carroll, Jr  
 Inspector General  
 Social Security Administration  
 Baltimore, MD 21235-0001

Mr. O'Carroll, Jr:

Thank you for the opportunity to present views relative to the validity of the facts and reasonableness of the recommendations presented in the Draft Audit dated June 6, 2005 referencing the Independent Living Resource Center of Northeast Florida (A-15-05-25045).

In response to the possible change in accounting records, during the year 2003, a project coordinator was told by the previous Executive Director to obtain any needed financial data from me to complete reporting requirements and for preparation assistance in preparing an annual budget. During a review of those documents, it was noticed by the Executive Director that many expense items were not charged appropriately to the Social Security Grant. At that time, the previous Executive Director sat down with me and reallocated between classes several items said to be classified incorrectly. All changes were made prior to our annual audit as well as our financial reporting on the IRS form 990. For the record, initially those items could have been recorded incorrectly since I was out on Family Medical Leave from May 1, 2002 to mid September 2002. However, I am the only current employee who was privy to this information being that I was the Fiscal Administrator during the years 2001-2003 and any other current employee asked to discuss the possible records being changed prior to our annual audit would not have any knowledge of this.

Looking back at those changes that were made, and having grown in knowledge of the budgeting and allocation process, I am more than confident that those changes were appropriate. As for the verification of those changes, I have included a detailed program expense line item form indicating actual expenses pertaining to the SSA Grant for the period July 2001-June 2004. This information page will show the itemized expense per expense category and will provide the total of expenses for the year according to ILRC's official audited accounting records. (See attachment 1 labeled ODI/ILRC Program Expenses)

Effective November 2003, we have increased our financial controls to include monthly reviews of each allocation prior o the Board Meeting where all financials are approved. Communication has increased at all levels of management and allocated expenses are discussed during monthly management meetings. We have also designed a cost

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 SSA/OIG

allocation plan for all funding sources. In my professional opinion, reallocation of expenses is something that can be done at any time prior to an annual audit. Any draft financial records provided in a staff member's programmatic service book were that of draft only.

Our audit is conducted annually by Ellen Bushnell who provides a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards. Our Audit includes examining by test basis of program activity, evidence supporting the amount and disclosures in the official financial statements. I would consider any report provided from other staff members to be that of a draft form only, as stated above. As I recall, the Profit and Loss statement dated August 12, 2003 was provided by a Program Coordinator who had limited knowledge of financial requirements and was merely trying to assist with questions during your audit. Upon my arrival from Federal Budgeting training I explained to your team the difference in financial data and provided official audited documents for their review.

The following is an overview of recorded expenditures according to our contract for each of the past three fiscal years.

	2001-2002	2002-2003	2003-2004	
Grant Award				
Total Amount	\$78,768.00	\$78,768.00	\$78,768.00	\$236,304.00
Total Amount of Expenses	\$73,808.16	\$79,198.83	\$70,916.36	\$223,923.35
			Balance	\$ 12,380.65

(See attachment 2, transaction detail by account and date for a detail listing of each expense, classification and requester)

As you can see, I show a remaining balance of \$12,380.65 which the Independent Living Resource Center of NE Florida fully intends to spend over the duration of the Project Period ending 4/30/06. Additionally it was our understanding and as referenced in your draft report that the discretion of the SSA Grants Manager, unobligated funds could be left in the grant account for subsequent utilization. We did have some turn over in staff during the referenced Fiscal Years all of which Mr. Dave Allhouse, SSA Grants Manager was aware of according to our prior Executive Director.

In regards to the misrepresented financial reports, it was my understanding that the SF269 was used to merely request grant funds quarterly. I have attached copies of the Independent Living Resource Center of NE Florida annual audit for the past four years. These documents should suffice for any questions pertaining to audit controls. (See attachment 3, Audited Financial Statements referencing specific year)

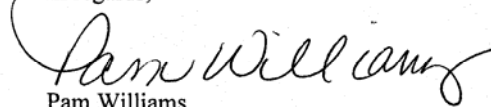
According to OMB Circular A-122, charges to awards for salaries and wages can be based on documented payrolls approved by a responsible official of the organization. Bi-weekly, I compile an excel spreadsheet indicating the actual percentage of salary cost by grant for each employee. The proper distribution of salaries is supported by a monthly activity report provided to and approved by the Director of Program and Services. According to OMB Circular A-122, Attachment B Selected Items of Cost Item M titled Support of salaries and wages section 1 this internal procedure would meet this requirement. In addition, each program staff member is responsible for submitting a monthly report of activities which is reviewed by their immediate supervisor prior to being forwarded to the Director of Program and Services.

For increased accountability and internal controls, since July 2004, the program staff within the SSA/BPAO grant is staffed at 100% time dedication to the project. Since the change in leadership, we have directed all staff members to record time spent on projects related to certain funded programs to record activities on time sheets. However, we are open to any suggestions of improvement in regards to this program.

We are requesting that any and all information pertaining to an Audit conducted by the DoE, Division of Vocational Rehabilitation be removed from this audit. The main finding, that an Inspector General review the Board account to determine how much money should be returned or remain restricted, was reviewed by our auditor and two independent legal counsels and has been found to be without merit. DVR can neither ask for unspent funds back, nor direct the ILRC how to spend the reimbursement due to the nature of the Fee for Service contract. We will be requesting that DVR eliminate this erroneous finding and notify the appropriate funders. I have provided a copy of the legal opinion from the attorney. (See attachment 4, Letter from Holland and Knight)

Thank you for the opportunity to discuss our concerns in detail prior to the draft report being issued. On behalf of Matt Motko and myself, please feel free to contact us to discuss any comment in this memorandum in further detail.

In regards,



Pam Williams  
Director of Administration and Finance

## OIG Contacts and Staff Acknowledgments

### ***OIG Contacts***

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### ***Acknowledgments***

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# **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 Executive Operations (OEO). 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 Executive Operations**

OEO supports OIG by providing information resource management and systems security. OEO also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OEO 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.