
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

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

October 2002

A-77-03-00001

**MANAGEMENT
ADVISORY REPORT**



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



SOCIAL SECURITY

MEMORANDUM

Date: October 31, 2002

Refer To:

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

From: Assistant Inspector General
for Audit

Subject: Management Advisory Report on the Single Audit of the State of Illinois for the Fiscal Year Ended June 30, 2001 (A-77-03-00001)

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

KPMG LLP 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 LLP and the reviews performed by HHS.

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

The Illinois 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 Illinois Department of Human Services (DHS) is the Illinois DDS' parent agency.

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DHS did not review or re-certify the accuracy of clearance patterns identified in the Cash Management Improvement Act (CMIA) agreement for cash draws related to SSA's disability programs (see Attachment A). DHS's corrective action plan indicates that clearance patterns will be reviewed timely to determine whether they should be re-certified or the CMIA agreement amended to reflect new patterns.

We recommend that SSA ensure that DHS implemented procedures for timely reviews of clearance patterns.

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.

A handwritten signature in black ink, appearing to read "Steven L. Schaeffer". The signature is written in a cursive style with a large, stylized initial "S".

Steven L. Schaeffer

Attachment

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

Current Findings

For the Year Ended June 30, 2001

State Agency:		Illinois Department of Human Services (mHS)
Federal Agency:		US Department of Agriculture (USDA)
	Social Security Administration (SSA)	
Program Name:		State Administrative Matching Grants for Food Stamp Program
	Social Security Disability Insurance	
CFDA # and Program Expenditures:		10.561 (\$ 86,128,000)
	96.001 (\$ 57,331,000)	

Questioned Costs: None

Finding *01-16 Failure to Re-certify-to the Accuracy of Administrative Clearance Patterns*

IDHS has not reviewed or re-certified the accuracy of the clearance patterns specified in the Treasury- State Agreement related to administrative cash draws for the Food Stamps and Social Security Disability Insurance programs.

Annually, the State of Illinois negotiates the Treasury-State Agreement (TSA) with the U.S. Department of the Treasury (the Treasury) which details the funding techniques to be used for the draw down of federal funds. Certain approved funding techniques utilized by the State require the use of a clearance pattern which identifies the average number of days disbursements (warrants) take to clear the State Treasurer's account. The established clearance pattern is then used to determine the date the State should draw down funds from the federal government in order to minimize the time elapsing between the draw down and the State Treasurer's clearance of funds.

In accordance with the TSA in effect for the year ended June 30, 2001, the State is required to maintain a clearance pattern of 2.5 banking days for payroll warrants, adjusted to two days for direct deposit of employee payments, for both programs. The clearance patterns were initially approved for the programs based on a review performed by the Federal Management Service (FMS) branch of the Treasury when the TSA was established in 1993. This clearance pattern has continued to be used in calculating any interest obligation for the year ended June 30, 2001. During our testwork, we noted IDHS did not perform a review of the accuracy of the "outdated" clearance patterns. We also noted an IDHS authorized official has not recertified the accuracy of the clearance pattern within the last seven years.

According to The Money and Finance Treasury Code Regulations (31 CFR 205.8), a State shall ensure that a clearance pattern accurately represents the flow of Federal funds and that a clearance pattern reflects seasonal or other periodic variations in clearance activity. A State shall also ensure that a clearance pattern is auditable. Additionally, an authorized State official shall certify that a clearance pattern corresponds to a program's clearance activity and shall re-certify the accuracy of the clearance pattern at least every five years.

In discussing these conditions with IDHS personnel, they state the failure to re-certify the clearance patterns was due to oversight.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

Current Findings

For the Year Ended June 30, 2001

Failure to evaluate and re-certify a program's clearance pattern violates the requirement of 31 CFR 205.8 and could result in the inaccurate calculation of IDHS' interest obligation to the Treasury. (Finding Code 01-16)

Recommendation:

We recommend IDHS establish procedures to review and certify the accuracy of the clearance pattern for administrative draws at least once every five years. Such procedures should include performing a statistical study to compute the actual clearance pattern of each program.

IDHS Response:

Accepted. Clearance patterns will be reviewed by 6/30/02 to determine if they reflect current conditions. As required, the Department will use the approved sampling methodology applied to data from 3 consecutive months to determine whether the clearance pattern should either be re-certified or the Treasury State Agreement amended to reflect new patterns. This process will be performed at least once every 5 years as required.

Overview of the Office of the Inspector General

Office of Audit

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations and cash flow. Performance audits review the economy, efficiency and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

Office of Executive Operations

The Office of Executive Operations (OEO) supports the Office of the Inspector General (OIG) by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the *Government Performance and Results Act*. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

Office of Investigations

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.