
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF NEW HAMPSHIRE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

February 2004

A-77-04-00006

**MANAGEMENT
ADVISORY REPORT**



Mission

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

Authority

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

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

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

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

Vision

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



SOCIAL SECURITY

MEMORANDUM

Date: February 4, 2004

Refer To:

To: Candace Skurnik
Director
Audit Management and Liaison Staff

From: Assistant Inspector General
for Audit

Subject: Management Advisory Report: Single Audit of the State of New Hampshire for the Fiscal Year Ended June 30, 2002 (A-77-04-00006)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of New Hampshire for the Fiscal Year ended June 30, 2002. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The 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 the 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 New Hampshire 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 Department of Education (DoE) is the New Hampshire DDS' parent agency.

The single audit reported that the State Treasury Department improperly excluded the SSI program from the Cash Management Improvement Act (CMIA) agreement. The corrective action plan indicated that the State makes every effort to ensure that all eligible programs are included in the CMIA agreement (Attachment A).

We recommend that SSA verify that the State Treasury Department implemented procedures that ensure a proper determination of the Federal programs to be included in the State's annual CMIA agreements.

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

- DoE did not always follow purchasing procedures established to ensure services were obtained at the lowest price (Attachment B, page 1).
- DoE did not have a system in place to ensure personnel costs were charged to the appropriate Federal program (Attachment B, page 2).

Please send copies of the final Audit Clearance Document to Shannon Agee in Kansas City and Rona Rustigian in Baltimore. If you have questions contact Mark Bailey at (816) 936-5591.



Steven L. Schaeffer

Attachments

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2002 SINGLE AUDIT

SCHEDULE OF COMPLIANCE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

*NH State Treasury Department
US Department of Treasury*

Finding 2002-32

CFDA # Various

Finding:

Title 31 Code of Federal Regulations Part 205, which implements the Cash Management Improvement Act of 1990 (CMIA), requires States to enter into a CMIA Agreement which prescribes clearance patterns and specific funding techniques of federal funds for selected large programs ("Type A") that meet or exceed the State's threshold of \$3,000,000, unless exclusion criteria is met.

The programs subject to CMIA, are determined annually from the State's most recently completed Single Audit report prior to each anniversary date of the Agreement (31 CFR 205.4). Therefore, all Type A programs from the Single Audit report for fiscal year 2001 should be included in the current CMIA Agreement. The following programs were not included in the CMIA Agreement that went into effect on July 1, 1999 or added in the 2000, 2001, or 2002 amendments to the Agreement. Program numbers 1 through 4 are parts of two clusters and should have been included in the Agreement in prior years as part of the clusters. Similar findings were noted in the 2000 and 2001 Single Audit reports.

<u>PROGRAM DESCRIPTION</u>	<u>CFDA</u>
1. School Breakfast Program	10.553
2. Special Milk Program for Children	10.556
3. Summer Food Service Program for Children	10.559
4. Supplemental Security Income	96.006
5. Workforce Investment Act	17.255
(CFDA 17.255 is now a cluster of 3 programs; 17.258, 17.259, and 17.260)	

Questioned Costs: None

Recommendation:

The New Hampshire Treasury should take steps to ensure all Type A that should be included in the Treasury-State Agreement are and that updates to the Agreement are performed in a timely manner.

Auditee Corrective Action Plan:

Treasury understands the importance of the following solid cash management principles. In accordance with the unique requirements of the CMIA program, Treasury does make every effort to ensure that those programs that should be in the Treasury-State Agreement (and thus covered under the rules governing CMIA) are included. The anticipated completion date is September 30, 2003. The contact person is Rachel Miller, Deputy State Treasurer.

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2002 SINGLE AUDIT

SCHEDULE OF COMPLIANCE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

*NH Department of Education
US Department of Education*

Finding 2002-25

CFDA # 84.027 Special Education – Grants to States
84.173 Special Education – Preschool Grants

Finding:

Office of Management and Budget (OMB) Circular A-133 requires that States shall use the same policies and procedures for procurements from Federal funds as used for procurements from non-Federal funds.

The State of New Hampshire has implemented a statewide procurement process over the purchasing of goods and services exceeding a certain amount. The procurement process ensures that agencies receive the best possible service for the lowest price via a competitive bidding process.

A Request for Proposal (RFP) process is used to help evaluate which service providers are most qualified for the job and are able to deliver the services at the lowest price. We noted one of 29 (3%) projects selected for testwork did not utilize the RFP process. In addition, after discussion with management, we noted a second project that failed to utilize the RFP process. We are questioning the entire cost of both contracts, totaling \$200,000.

Questioned Costs: \$200,000

Recommendation:

We recommend that the Department implement policies and procedures to ensure that all projects utilize the RFP process in accordance with State policy.

Auditee Corrective Action Plan:

We concur with this finding. The Department of Education has instituted a procedure to comply with the State policies in regards to the RFP process. Discretionary funding is held to this procedure during fiscal year 2003. The contact person is Michael Bieniek, Business Administrator. The anticipated completion date is December 31, 2002.

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2002 SINGLE AUDIT

SCHEDULE OF COMPLIANCE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

NH Department of Education
US Department of Education

Finding 2002-28

CFDA # 84.027 Special Education – Grants to States
84.173 Special Education – Preschool Grants

Finding:

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, contracts, and other agreements. Attachment B of the Circular provides principles to be applied in establishing the allowability or unallowability of certain costs. Section 11.h. of Attachment B requires employees who work on multiple activities to prepare personnel activity reports, signed by the employees, that reflects the distribution of their time across all activities at least monthly.

During the audit, we noted that the Department does not maintain an effort reporting payroll system. For the consultants working with the Special Education Program time is charged 100% to the Federal grants, despite the fact that not all time is spent on the Federal grants. To offset the charges to the Federal grants the Department charges 100% of the financial analysts time to the State grants.

Questioned Costs: Not Determinable

Recommendation:

We recommend that the Department institute an effort reporting payroll system. Implementation of this system will allow the program to charge personnel time to the appropriate grants.

Auditee Corrective Action Plan:

In order to allow the charging of personnel time to the appropriate grants, the Bureau of Special Education will implement an “effort reporting payroll system.”

All employees of the Bureau of Special Education will complete a Time Prorations Record (TPR). This TPR will identify (on a daily basis) the number of hours each employee allots to special education activities, non-special education activities, and general activities. The contact person is Michael Bieniek, Business Administrator. The anticipated completion date is December 31, 2002.

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.