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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 FLORIDA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006**

**November 2007**

**A-77-08-00001**

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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: November 1, 2007

Refer To:

To: Candace Skurnik  
Director  
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of Florida for the Fiscal Year Ended June 30, 2006 (A-77-08-00001)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Florida for the Fiscal Year ended June 30, 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 Florida Auditor General 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 Florida Auditor General 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 Florida 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 Florida Department of Health (FDOH) is the Florida DDS' parent agency.

The single audit reported that FDOH charged payments totaling \$47,065 for unused leave as direct costs to SSA instead of as indirect costs as required by Federal regulations (Attachment A, page 1). The corrective action plan indicated that FDOH is now working to establish specific procedures and accounting codes to properly identify and administer leave payout (Attachment A, page 2).

We recommend SSA:

1. Ensures FDOH developed procedures to properly charge payments for unused leave as indirect costs.
2. Quantify the amount SSA was overcharged for unused leave and seek reimbursement.

The single audit also disclosed that FDOH did not fully implement procedures to allocate employee salaries charged to multiple programs or cost objectives in accordance with Federal regulations (Attachment B, pages 1 and 2). Although this finding was not specifically identified to SSA, it may have an impact on DDS operations. I am bringing this matter to your attention as it represents a potentially serious service delivery and financial control problem for the Agency.

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



Patrick P. O'Carroll, Jr.

Attachments

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REPORT NO. 2007-146

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Finding Number** FA 06-046  
**CFDA Number** Various (See Condition)  
**Program Title** Various (See Condition)  
**Compliance Requirement** Allowable Costs/Cost Principles  
**State Agency** Florida Department of Health (FDOH)  
**Federal Grant/Contract Number and Grant Year** Various (See Condition)  
**Finding Type** Reportable Condition  
 Questioned Costs – \$77,525.29 (CFDA No. 93.268, \$6,016.11; CFDA No. 93.283, \$11,691.38; CFDA No. 93.917, \$12,752.51; CFDA No. 96.001 and 96.006, \$47,065.29)

**Finding** FDOH charged payments for unused leave as direct costs to various Federal programs, contrary to Federal regulations.

**Criteria** 2 CFR 225, Appendix B, Section 8.d., *Fringe benefits*

**Condition** Pursuant to Section 110.219(7), Florida Statutes, each December, a permanent career service employee shall be entitled, subject to available funds, to a payout of 24 hours of unused annual leave. However, no such employee shall receive a payout of greater than 240 hours, including any leave received at the time of separation. An official with the U.S. Office of Management and Budget advised us that these payments would generally be considered indirect costs.

Our review disclosed that payments totaling \$77,525.29 for unused leave, including payments for unused leave of terminated employees and 24-hour leave payouts, were made during the 2005-06 fiscal year and charged as direct costs to four Federal programs as follows:

CFDA Number	CFDA Title	Federal Grant Number	Amount
93.268	Immunization Grants	H23/CCH422511-03	\$1,136.46
		H23/CCH422511-04	\$4,879.65
93.283	Centers for Disease Control – Investigations and Technical Assistance	U90/CCU417006-06	\$10,309.51
		U50/CCU407145-15	\$933.16
		U58/CCU422790-03	\$448.71
93.917	HIV Care Formula Grants	6 X07HA00057-15	\$12,752.51
96.001/96.006	Disability Insurance/ Supplemental Security Income (SSI) Cluster	04-0504FLD100	\$1,247.55
		04-0604FLD100	\$45,817.74

**Cause** FDOH did not have procedures in place to identify and charge 24-hour leave payouts as indirect costs instead of direct program costs. In addition, accounting errors caused payments for unused leave of terminated employees to be charged as a direct program cost.

**Effect** Federal program funds were used to pay expenses that should have been allocated to all FDOH activities and Federal programs may have been overcharged by directly charging payments for unused leave.

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<b>Recommendation</b>	<p>We recommend that FDOH establish procedures to charge 24-hour leave payouts as a general administrative expense allocated to all activities of FDOH. FDOH should also ensure that unused leave payments are properly coded in the accounting system.</p>
<b>State Agency Response and Corrective Action Plan</b>	<p>Do not concur with the 24-hour leave payouts; concur with error related to termination leave payout. FDOH, along with Department of Children and Families and Agency for Workforce Innovation, have worked together and solicited input from U.S. Department of Health and Human Services to establish specific procedures and accounting codes to properly identify and administer Leave Payout activities as outlined in the Office of Management &amp; Budget (OMB) Circular A-87, Attachment B, Paragraph 8 (d) 3 and the Code of Federal Regulations (CFR) Title 2 part 225. At the receipt of this finding, the departments once again solicited each Federal cognizant agency for guidance on the above interpretation from the Auditor General's Office, and the responses were:</p> <p>U.S. HHS Division of Cost Allocation - "We are in agreement with the state's justification pertaining to the procedure for the claiming of 24 hour leave payout as worded in OMB Circular A-87, Attachment B, paragraph 8 (d) 3. When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for".</p> <p>"Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component".</p> <p>U.S. Department of Labor/Regional Workforce Boards - "I concur with your stance that the "24 hour leave payouts" are treatable as direct costs at the time of incurrence, which is not upon termination. The fact that the policy is in accord with Florida statute and the fact that the policy reduces contingent terminal leave payments, demonstrates the legality and fairness of the policy".</p> <p>"Furthermore, it seems logical that if a person is working on one or more directly charged programs, and that person invokes, or elects, the "24 hour leave payout" then the program(s) the person is working on should pick up the cost of this "self-determined" fringe benefit. I believe the election is not a "severance payment" at all".</p> <ol style="list-style-type: none"><li>1. Correct error.</li><li>2. Monitor quarterly the leave payout object codes to ensure that the leave payout is being properly charged in accordance with Federal regulations.</li></ol>
<b>Agency Contact and Telephone Number</b>	<p>Gary Mahoney, Division of Administration (850) 245-4149</p>
<b>Estimated Corrective Action Date</b>	<p>December 18, 2006</p>
<b>Auditor's Remarks</b>	<p>The criteria for this audit finding is 2 CFR 225, Appendix B, Section 8.d.(3), which provides that "when a governmental agency uses the cash basis of accounting, the cost of leave is recognized in the period the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component." Based on guidance provided by officials with the U.S. Office of Management and Budget and Florida's cognizant agency for audit, we have included finding Nos. FA 06-005, 06-021, 06-045, 06-046, and 06-070 for audit resolution.</p>

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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

<b>Finding Number</b>	<b>FA 06-044</b>
<b>CFDA Number</b>	<b>Various (See Condition)</b>
<b>Program Title</b>	<b>Various (See Condition)</b>
<b>Compliance Requirement</b>	<b>Allowable Costs/Cost Principles</b>
<b>State Agency</b>	<b>Florida Department of Health (FDOH)</b>
<b>Federal Grant/Contract Number and Grant Year</b>	<b>Various (See Condition)</b>
<b>Finding Type</b>	Material Noncompliance and Reportable Condition Questioned Costs – \$376,842.42 (CFDA No. 93.283, \$292,164.76; CFDA No. 93.917, \$40,229.24; CFDA No. 93.944, \$44,448.42)
<b>Prior Year Finding</b>	Report No. 2006-152, Finding Nos. FA 05-054 and FA 05-057
<b>Finding</b>	FDOH had not fully implemented procedures to allocate employee salaries charged to multiple programs or cost objectives in accordance with Federal regulations.
<b>Criteria</b>	2 CFR 225, Appendix B.8.h.(4), <i>Support of Salaries and Wages</i>
<b>Condition</b>	<p>We tested 35 salary payments, in total, charged to CFDA Nos. 93.268, Immunization Grants; 93.283, Centers for Disease Control – Investigations and Technical Assistance (CDC-ITA); and 93.917, HIV Care Formula Grants. For 2 of the 3 Programs, we noted instances where time and effort records were not available or did not support the amounts charged to the Programs:</p> <ul style="list-style-type: none"> <li>• Of the salary payments tested, two related to Headquarters’ employees whose salaries were allocated to multiple Federal programs. However, FDOH did not maintain time and effort records that supported the allocation of the employees’ salaries and benefits to the Federal programs. Salaries and benefits for these employees charged to the HIV Care Formula Grants and CFDA No. 93.944, HIV/AIDS Surveillance Program totaled \$40,229.24 and \$44,448.42, respectively.</li> <li>• One salary payment charged to the CDC-ITA Program was for an employee who worked in the Office of Performance Improvement. In reviewing this payment, we noted that this employee and five additional employees worked in the Preparedness Education and Training Section within the Office of Performance Improvement whose salaries and benefits totaling \$289,043.19 were charged to the CDC-ITA Program. While certifications indicating the employees worked solely on the CDC-ITA Program were obtained, the employees were responsible for ensuring the delivery of education and training to key public health professionals. Since these functions benefit numerous programs and cost objectives, FDOH should have allocated the costs based on time and effort records or charged the costs as indirect costs.</li> <li>• Two salary payments were for county health department employees whose time and effort records did not support the amount of the employees’ salaries and benefits charged to the Federal programs or cost objectives. The employees’ entire salaries and benefits were charged to the CDC-ITA Program; however, supporting time and effort records disclosed that the employees worked on the Program 95.6 and 99.1 percent of the time. Salaries and benefits charged to the Program in excess of the amount supported by time and effort records totaled \$3,121.57.</li> </ul>

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The instances noted above pertain to the following Federal grant numbers:

CFDA Number	Program Title	Federal Grant Number	Amount
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	U90/CCU417006-05	\$50,294.34
		U90/CCU417006-06	\$241,240.42
93.917	HIV Care Formula Grants	6 X07HA00057-15	\$27,837.43
		6 X07HA00057-16	\$12,391.81
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	U62/CCU423598-02	\$23,159.07
		U62/CCU423598-03	\$21,289.35

**Cause** FDOH procedures were not sufficient to ensure that salaries and benefits were allocated appropriately based on the actual time worked as documented by appropriate time records. While FDOH had drafted procedures for documenting time and effort worked on multiple Federal program, these procedures had not been finalized.

**Effect** Federal grants were charged in excess of the actual benefits received.

**Recommendation** We recommend that FDOH finalize its procedures to ensure that salaries and benefits allocated to multiple Federal programs or cost objectives are supported by time and effort records that comply with Federal regulations. Additionally, FDOH should charge salaries benefiting multiple activities as indirect costs or, if reasonable to do so without efforts disproportionate to the benefits received, allocate salaries based on time worked on each program or cost objective.

**State Agency Response and Corrective Action Plan** Concur. FDOH reviewed OMB Circular A-87 and written draft procedures regarding this issue as specified in OMB Circular A-87, Attachment B, Paragraph 8, Section h. These procedures were distributed to the program areas and county health departments for review. Based on the comments received from this review, a team was created to determine the best methodology for 100% time keeping documentation for staff working on multiple activities or cost objectives. FDOH already does periodic certifications and random moment sampling, an approved statistical sampling methodology.

1. Finalize procedures based on the workgroup's recommendation.
2. Notify program offices and county health departments of this requirement.

**Agency Contact and Telephone Number** Gary Mahoney, Division of Administration  
(850) 245-4149

**Estimated Corrective Action Date** July 1, 2006



# **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.