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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 ALABAMA  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2006**

**December 2007      A-77-08-00006**

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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: December 21, 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 Alabama for the Fiscal Year Ended September 30, 2006 (A-77-08-00006)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Alabama for the Fiscal Year ended September 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 Department of Examiners of Public Accounts performed the audit. Results of the desk review conducted by the Department of Health and Human Services (HHS) have not been received. We will notify you when the results are received if HHS determines the audit did not meet Federal requirements. In reporting the results of the single audit, we relied entirely on the internal control and compliance work performed by the Department of Examiners of Public Accounts 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 Alabama 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 Alabama DDS' parent agency.

The single audit reported:

1. The Cash Management Improvement Act (CMIA) computer-generated reports contained inaccurate voucher and deposit information as a result of back-up failures in the States' accounting system (Attachment, pages 1-2). The corrective action plan indicates that as of June 2007, complete nightly back-ups of the accounting system occur which preserve CMIA data (Attachment, page 3).
2. Time Reports for Personnel Services (Form SSA-4514) were not accurate and complete. Specifically, the Forms SSA-4514 contained mathematical errors, leave and holiday hours were not supported by traceable documentation, and overtime hours were not consistent with information in the accounting records (Attachment, page 4). The corrective action plan indicates that a program request to automate the collection and reporting of the data for the Form SSA-4514 has been submitted to DOE. Also, procedures were put in place during January 2007, to ensure documentation is maintained in support of the Form SSA-4514 (Attachment, pages 5-6).

The Office of the Inspector General is currently conducting an audit of administrative costs claimed by the Alabama DDS (A-08-07-17151) that covers the same time period as this single audit. The administrative cost audit will review the Alabama DDS' CMIA process and personnel services. Accordingly, we are not making any recommendations.

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.

Attachment

***Schedule of Findings and Questioned Costs***  
***Department of Education***  
***For the Year Ended September 30, 2006***

**Section III – Federal Awards Findings and Questioned Costs**

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
06-4-1	84.010  96.001	U. S. Department of Education; Title I Grants to LEAs  Social Security Administration; Disability Determination	<p><b><u>Finding</u></b> An adequate system of internal controls should ensure that computer generated reports used in the Cash Management Improvement Act (CMIA) drawdown process and interest liability calculation are accurate. During our testing of cash management, we noted that CMIA reports used in calculating the interest liability contained some incorrect deposit and voucher release dates. Also, CMIA reports used to calculate the amount of federal drawdowns included some vouchers more than once, and did not include some other vouchers that should have been included. These errors occurred whenever there was a Budgetary Expenditure Control System (BECS) failure during the nightly cycle and subsequent restoration of the system. BECS is the Department of Education's primary automated accounting system.</p> <p>The interest liability calculation is based upon interest rates, pre-issuance days, clearance days and the amount of drawdowns. Although the total amount of the errors caused by BECS failures is not readily determinable, the date changes, duplicate vouchers, and omitted vouchers on the CMIA reports would have an effect on the drawdown of federal funds and the interest liability calculated.</p>	

**Schedule of Findings and Questioned Costs**  
**Department of Education**  
**For the Year Ended September 30, 2006**

**Section III – Federal Awards Findings and Questioned Costs**

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			<p><b>Recommendation</b> The Department of Education should evaluate the BECS system and implement corrective action to ensure that the system is operating at optimal level and that computer generated reports are accurate.</p>	
06-4-2	84.011	U. S. Department of Education; Migrant Education	<p><b>Finding</b> An adequate system of internal controls over reporting ensures that data used to compile reports is accurate and complete. During testing of the key line items of the annual Consolidated State Performance Report, Part II it was noted that the underlying supporting documentation contained mathematical errors. As a result of mathematical errors, the key line item totals appear to be inaccurate and incomplete. This is a reportable condition in internal controls.</p> <p><b>Recommendation</b> The Department of Education should implement procedures and controls to ensure that accurate and complete information is included in the Consolidated State Performance Report, Part II.</p>	

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***Auditee Responses/Corrective Action Plans***  
***Section III – Federal Awards Findings and Questioned Costs***  
***Department of Education***  
***For the Year Ended September 30, 2006***

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As required by the Office of Management and Budget (OMB) Circular Number A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section \_\_.315(c), the Department of Education has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2006.

**Corrective Action Plan Details**

**Finding 06-4-1 – Title I Grants to LEAs and Disability Determination**

An adequate system of internal controls should ensure that computer generated reports used in the Cash Management Improvement Act (CMIA) drawdown process and interest liability calculation are accurate. During our testing of cash management, we noted that CMIA reports used in calculating the interest liability contained some incorrect deposit and voucher release dates. Also, CMIA reports used to calculate the amount of federal drawdowns included some vouchers more than once, and did not include some other vouchers that should have been included. These errors occurred whenever there was a Budgetary Expenditure Control System (BECS) failure during the nightly cycle and subsequent restoration of the system. BECS is the Department of Education's primary automated accounting system.

The interest liability calculation is based upon pre-issuance days, clearance days and the amount of drawdowns. Although the total amount of the errors caused by BECS failures is not readily determinable, the date changes, duplicate vouchers, and omitted vouchers on the CMIA reports would have an effect on the drawdown of federal funds and the interest liability calculated.

Contact person(s): Matt Touhey

Corrective action planned: We have adjusted the process to include a full backup at the beginning of each nightly run. This step will preserve the CMIA data entered each day and will eliminate duplicate deposit and voucher release dates.

Anticipated completion date: Completed as of June 1, 2007

**Schedule of Findings and Questioned Costs**  
**Department of Education**  
**For the Year Ended September 30, 2006**

**Section III – Federal Awards Findings and Questioned Costs**

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
06-4-3	96.001	Social Security Administration; Disability Determination	<p><b><u>Finding</u></b> An adequate system of internal controls over reporting ensures that data used to compile reports is accurate and complete. The Department of Education is required to submit the SSA-4514 report which is a time report of personnel services. The 3<sup>rd</sup> and 4<sup>th</sup> quarter SSA-4514 reports were supported by spreadsheets prepared to compile the leave and holiday hours which contained mathematical errors. Also, the leave and holiday hours were not verifiable because the supporting documentation was not maintained. The overtime hours entered on the 3<sup>rd</sup> quarter report were untraceable to the accounting records. The overtime hours reported were less than the actual overtime hours in the accounting records. Due to the discrepancies noted, some of the data reported on the SSA-4514 reports reviewed is not correct. Therefore, the SSA-4514 reports reviewed are inaccurate and incomplete. This is a reportable condition in internal controls.</p> <p><b><u>Recommendation</u></b> The Department of Education should implement procedures and controls to ensure that accurate and complete information is included on the SSA-4514 reports.</p>	



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***Auditee Responses/Corrective Action Plans***  
***Section III – Federal Awards Findings and Questioned Costs***  
***Department of Education***  
***For the Year Ended September 30, 2006***

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**Finding 06-4-2 – Migrant Education**

An adequate system of internal controls over reporting ensures that data used to compile reports is accurate and complete. During testing of the key line items of the annual Consolidated State Performance Report, Part II it was noted that the underlying supporting documentation contained mathematical errors. As a result of mathematical errors, the key line item totals appear to be inaccurate and incomplete. This is a reportable condition in internal controls.

Contact person(s): Dell McLendon

Corrective action planned: The Migrant Education Program made some organizational changes related to data collection and entry. There are now three regional coordinators who are responsible for collecting and entering data in the migrant data base as opposed to having each migrant program site enter its own data. The data is now entered in a more uniform and consistent manner. We are now in the process of developing procedures for checking the data before it is used in the annual Consolidated State Performance Report, Part II.

Anticipated completion date: November 1, 2007

**Finding 06-4-3 – Disability Determination**

An adequate system of internal controls over reporting ensures that data used to compile reports is accurate and complete. The Department of Education is required to submit the SSA-4514 report which is a time report of personnel services. The 3<sup>rd</sup> and 4<sup>th</sup> quarter SSA-4514 reports were supported by spreadsheets prepared to compile the leave and holiday hours which contained mathematical errors. Also, the leave and holiday hours were not verifiable because the supporting documentation was not maintained. The overtime hours entered on the 3<sup>rd</sup> quarter report were untraceable to the accounting records. The overtime hours reported were less than the actual overtime hours in the accounting records. Due to the discrepancies noted, some of the data reported on the SSA-4514 reports reviewed is not correct. Therefore, the SSA-4514 reports reviewed are inaccurate and incomplete. This is a reportable condition in internal controls.

Contact person(s): Dayle Donaldson

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***Auditee Responses/Corrective Action Plans***  
***Section III – Federal Awards Findings and Questioned Costs***  
***Department of Education***  
***For the Year Ended September 30, 2006***

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Corrective action planned: The Disability Determination Service requested a program to automate the collection and reporting of the data for the SSA-4514 report approximately four years ago and will re-submit this program request to the State Department of Education's Information Systems Services Division. Completion of this program request should eliminate the potential for human error. Steps were taken in January 2007 to ensure that the appropriate documentation used in this report is maintained. The SSA-4514 report is due within 30 days from the conclusion of each quarter and does not always allow adequate time to obtain complete overtime information. The DDS will continue to submit report revisions to SSA when the information submitted on the SSA-4514 changes.

Anticipated completion date: Re-submission of the service request to SDE ISS has already been submitted. Procedures were put in place in January 2007 to ensure that documentation for the SSA-4514 is maintained. Re-submission of the SSA-4514 report for overtime changes/revisions will be ongoing.

# **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.