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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**SINGLE AUDIT OF THE  
COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF THE FAMILY  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2004**

**March 2008**

**A-77-08-00011**

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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: March 28, 2008

Refer To:

To: Candace Skurnik  
Director  
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the Commonwealth of Puerto Rico, Department of the Family, for the Fiscal Year Ended June 30, 2004 (A-77-08-00011)

This report presents the Social Security Administration's (SSA) portion of the single audit of the Commonwealth of Puerto Rico, Department of the Family (PRDF), for the fiscal year (FY) ended June 30, 2004. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

Torres Llompарт, Sanchez Ruiz, LLP performed the audit. Results of the desk review conducted by the United States Department of Agriculture (USDA) have not been received. We will notify you when the results are received if USDA 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 Torres Llompарт, Sanchez Ruiz, LLP, and the reviews performed by USDA. 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 Puerto Rico 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 PRDF is the Puerto Rico DDS' parent agency.

The single audit reported:

1. Documentation was missing from employees' personnel files. Further, controls were inadequate to ensure that employees whose salaries were charged to Federal funds performed duties related to the program charged (Attachment A, Pages 1 through 5). The corrective plan indicates that a taskforce was organized to review all personnel files and ensure documentation was complete (Attachment A, Page 6).
2. The PRDF did not adhere to the requirements for developing and maintaining clearance patterns as specified in the Treasury-State Agreement. Specifically, for SSA programs, request for reimbursement was not made for eight adjustments totaling \$779,984; six transactions totaling \$21,273 were paid with outstanding balances from other grants; and request for reimbursement was not made for three transactions totaling \$11,760 to correct checks cleared (Attachment A, Pages 7 through 15). The corrective action plan indicates a reminder was issued to maintain adequate documentation to support the requests for reimbursement and, improve internal controls over filing and safeguarding documents for requests for reimbursement (Attachment A, Pages 16 and 17).
3. Expenditures totaling \$208,259 were charged to SSA for obligations that were incurred after the end of the period of availability (Attachment A, Pages 18 through 22). The corrective action plan indicates that a new record keeping system was implemented which will help improve accounting for obligations (Attachment A, Pages 23 through 25).
4. Unliquidated obligations reported on the State Agency Report of Obligations for SSA Disability Programs (SSA-4513) did not agree with the PRDF's accounting records. Specifically, the SSA-4513 was understated by \$861,022 (Attachment A, Pages 26 and 27). The corrective action plan indicates that the Finance office should include information from all sources when preparing Federal reports (Attachment A, Page 28).

The Office of the Inspector General conducted an audit of Administrative Costs Claimed by the Commonwealth of Puerto Rico Disability Determination Program that covered the period of this single audit.<sup>1</sup> The administrative cost audit reviewed the areas where the single audit reported findings – personnel, cash management, expenditures, and unliquidated obligations – and made recommendations as appropriate. Therefore, we will not make recommendations on these single audit findings.

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

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<sup>1</sup> Administrative Costs Claimed by the Commonwealth of Puerto Rico Disability Determination Program (A-06-06-16117) March 26, 2007.

- The lack of an overall control and record keeping system, including record retention and filing of required documents, resulted in untimely reports and inaccurate accounting records (Attachment B, Pages 1 through 5).
- PRDF did not (a) have controls and procedures in place to document allowability of expenditures, including administrative costs, (b) did not have the proper reviews and authorizations for processing these expenditures, and (c) did not separate administrative expenses according to the proper program (Attachment B, Pages 6 through 14).
- Internal controls over equipment were inadequate and property records were not provided (Attachment B, Pages 15 through 17).

Please send copies of the final Audit Clearance Document to Shannon Agee. If you have any questions contact Shannon Agee at (816) 936-5590.

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.

Attachment