
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF MINNESOTA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**

October 2008

A-77-09-00001

**MANAGEMENT
ADVISORY REPORT**



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: October 2, 2008

Refer To:

To: Candace Skurnik
Director
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of Minnesota for the Fiscal Year Ended June 30, 2007 (A-77-09-00001)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Minnesota for the fiscal year (FY) ended June 30, 2007. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Office of the Legislative Auditor performed the audit. We have not received the results of the desk review conducted by the Department of Health and Human Services (HHS). 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 Legislative Auditor 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 Minnesota 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 Employment and Economic Development (DEED) is the Minnesota DDS' parent agency.

The single audit reported that DEED did not properly restrict staff access to the personnel and payroll system. In addition, DEED did not have effective controls to detect errors on employees' timesheets and travel reimbursement claims (Attachment, page 1). The corrective action plan indicated that DEED will eliminate unnecessary access to personnel and payroll functions and implement new processes to improve the review of timesheets and travel reimbursements (Attachment, page 2).

We recommend that SSA:

1. Ensure that DEED implemented procedures to limit inappropriate access to payroll and personnel functions.
2. Verify that DEED implemented controls to ensure timesheets and travel reimbursement claims are accurate.

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

A handwritten signature in black ink, appearing to read "Pat P. O'Carroll Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Attachment

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-11

State Agency: Minnesota Department of Employment and Economic Development

Federal Agencies: U. S. Department of Housing and Urban Development
U. S. Department of Labor
U. S. Department of Education
U. S. Social Security Administration

CFDA Numbers/Program Names:

14.228	Community Development Block Grant
17.207	Employment Services
17.225	Unemployment Insurance
17.258	Workforce Investment Act Adult Program
17.259	Workforce Investment Act Youth Activities
17.260	Workforce Investment Act Dislocated Workers
17.801	Disabled Veterans' Outreach Program
17.804	Local Veterans' Employment Representative Program
84.126	Rehabilitation Services- Vocational Rehabilitation Grants
96.001	Social Security Disability Insurance

Questioned Costs: None – Procedural Finding Only

Finding 08-11-1 *Inadequate security and data integrity controls over payroll and travel*

- 1. The Department of Employment and Economic Development did not effectively control access to personnel functions and accuracy of data supporting payroll and travel transactions charged to its federal programs.⁹**

The department did not adequately restrict incompatible access to update both personnel and payroll functions and allowed some accounting staff unnecessary access to update personnel records. In addition, the department did not detect errors in the data entry of timesheet hours and travel claims in the state's payroll system. The federal government requires adequate controls over costs charged to federal programs.

- The department did not restrict access to the state's personnel/payroll system to allow segregation of duties between the personnel and payroll functions. The department allowed one employee excessive access to update both functions and provided two additional accounting staff unnecessary access to update personnel records. Only department human resources staff have job responsibilities justifying the need for access to update personnel

⁹ These internal control weaknesses affect all federal programs managed by the department, including CFDA's 14.228, 17.207, 17.225, 17.258, 17.259, 17.260, 17.801, 17.804, 84.126, and 96.001.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

data. State policies¹⁰ do not allow incompatible access and require agencies to limit employee access to those who need it to perform their job duties.

- The department did not have effective controls to detect data entry errors of hours reported on employee timesheets or reimbursement of travel claims. The department misrecorded hours worked and leave taken for seven employees tested and misrecorded reimbursement data for two travel reimbursements. To detect these kinds of errors, state policies¹¹ require an independent review of a payroll transaction report for accuracy. The policy allows either a complete review of all employees or the review of a statistical sample of transactions. The department verifies its payroll transactions on a sample basis, but its sample selection is not statistical. The errors identified in the audit suggest that the department's sample selection method does not result in the review of a sufficient number of transactions.

Recommendation

- *The Department of Employment and Economic Development should improve internal control over federal payroll transactions by:*
 - *eliminating incompatible access to update personnel and payroll functions and restricting personnel access to those assigned human resources duties; and*
 - *verifying a statistical sample of timesheet hours and travel reimbursements to ensure the accuracy of data entered into the payroll system.*

Minnesota Department of Employment and Economic Development Response:

We agree with the recommendation. The department will eliminate incompatible and unnecessary access to update personnel and payroll functions by March 31, 2008. In addition, the department will implement new processes to improve its review of timesheet hours and travel reimbursements by June 30, 2008.

Person Responsible:	Cindy Farrell, Chief Financial Officer
Estimated Completion Date:	June 30, 2008

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts 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 reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations 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 liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG 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. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.