OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

SINGLE AUDIT OF
THE STATE OF NEW YORK
FOR THE FISCAL YEAR
ENDED MARCH 31, 2007

March 2009   **A-77-09-00008**

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: March 17, 2009   Refer To:

To: Candace Skurnik
        Director
        Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of New York for the Fiscal Year
        Ended March 31, 2007 (A-77-09-00008)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of New York for the fiscal year ended March 31, 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 accounting firm of Toski, Schaefer & Company, P.C. 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 accounting firm of Toski, Schaefer & Company, P.C., 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 (OMB) 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 York Disability Determination Services (DDS) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The New York DDS is reimbursed for 100 percent of allowable costs. The Office of Temporary and Disability Assistance (OTDA) is the New York DDS' parent agency.

The single audit reported that:

1. OTDA had insufficient standards for the documentation of critical systems applications (Attachment, Pages 1 and 2). The corrective action plan indicates OTDA has undertaken several improvements including developing written descriptions of documentation standards (Attachment, Pages 3 through 6).

2. Software developers inappropriately had the ability to update software in the production environment (Attachment, Pages 7 and 8). The corrective action plan indicates OTDA has a process to control software developer access to the production environment (Attachment, Pages 9 through 11).

3. OTDA did not have a plan in place for periodic testing of systems data recovery in the event of an interruption, and it had not performed a test to ensure a complete and error-free recovery of systems data (Attachment, Pages 12 and 13). The corrective action plan indicates that recovery testing was successfully performed and plans are in place to periodically run similar recovery testing in the future (Attachment, Pages 14 through 15).

4. Contracts reimbursed with Federal funds did not identify the required Federal award information (Attachment, Pages 16 and 17). The corrective action plan indicates the required Federal award information will be included in all future contracts (Attachment, Pages 18 and 19).

5. Indirect costs were charged to various Federal agencies, including SSA, based on cost allocation plan (CAP) methodologies that were pending approval by HHS' Division of Cost Allocation (DCA) (Attachment, Pages 20 and 21). The corrective action plan correctly reports that indirect costs can be charged based on allocation methodologies that have been submitted to DCA for approval (Attachment, Pages 22 and 23).

We recommend that SSA:

1. Verify OTDA policies and procedures are adequate to ensure the New York DDS' critical system applications are sufficiently documented.

2. Ensure that OTDA policies and procedures prevent software developer access to the production environment.

3. Determine whether OTDA developed adequate procedures for performing periodic data recovery testing of the systems used by the New York DDS.

4. Verify that the required Federal award information will be included in all contracts related to the New York DDS's activities.

5. Upon DCA's approval of the CAP, work with OTDA to ensure the indirect costs charged to the New York DDS were in accordance with CAP's approved methodologies.

Please send copies of the final Audit Clearance Document to Ken Bennett. If you have questions contact Ken Bennett at (816) 221-0315 extension 1558.

Patrick P. O'Carroll, Jr.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2007

Food Stamps (10.551)
State Administrative Matching Grants for Food Stamp Program (10.561)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement   (93.563)
Low-Income Home Energy Assistance (93.568)
Social Security - Disability Insurance (96.001)

Office of Temporary and Disability Assistance

Reference: 07-02

Requirement

GAO-07-731G Government Auditing Standards, Section 5.13 states that all significant deficiencies in internal control should be reported and include those deficiencies that represent material weaknesses. If a significant deficiency is remediated before the auditors' report is issued and the auditors obtain sufficient, appropriate evidence supporting the remediation of the significant deficiency, then the auditors should report the significant deficiency and that fact that it was remediated before the auditors' report was issued.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected.

Finding

There are insufficient standards for the documentation of new development work or for the maintenance of existing systems. Where such standards exist, they are not always disseminated to Office of Temporary and Disability Assistance (OTDA) Technical Staff. A familiar relationship has developed between OTDA-Policy and OTDA-Technical such that new developments or updates to existing systems are discussed in advance of the work request being received from OTDA-Policy. Documentation is created specific to the changes requested with the primary intent being a mutual understanding between Policy and Technical of the work to be accomplished. The lack of sufficient standards poses risks for the systems like the Benefit Issuance Control System and budget calculation subsystems like Automated Budget and Eligibility Logic (ABEL) and Medicaid Automated Budget and Eligibility Logic (MABEL) on legacy mainframe systems. Of the systems we reviewed, the Welfare Reporting and Tracking System was the only one with a single repository of updated documentation. No other systems use the Welfare Documentation System (WDOCS) at this time.

A similar finding was included in the prior year Single Audit Report as finding 06-02 on page 34.

Recommendation

In fiscal 2006, we recommended that the Office take the following actions to ensure that critical applications are documented such that an interruption in personnel will not severely impact the operation of the program:

1. Develop Office-wide standards for documenting new system development and maintenance and updating of existing systems.
2. Disseminate the developed standards to each employee and each employee should receive sufficient training in the standards to be able to incorporate it into their development/maintenance.
3. Any non-compliance to the standards in existing system documentation should be identified and the necessary documentation should be created to ensure each system is in compliance.
4. Procedures should be put in place to include updated documentation in the system release package.

During our follow-up of the Office's corrective action plan, we noted that the Office has taken appropriate actions to implement policies and procedures correcting the conditions that resulted in our finding last year. The Office took actions to form a work group to develop, implement, review and enforce documentation standards and the migration of the legacy systems documentation to a more comprehensive enterprise application management suite. Due to the timing of the release of our prior report and the complex nature of the applications and standards, the implementation was still in progress during the State fiscal year ended March 31, 2007 and, therefore, remains a finding in the audit report for the year ended March 31, 2007.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2007

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Christine Unson

Title: Coordinator for External Audit

Telephone: (518) 402-0128

Federal Program(s) (CFDA # [s]): Food Stamps (10.551)
State Administrative Matching Grants for Food Stamp Program (10.561)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Social Security - Disability Insurance (96.001)

Audit Report Reference: 07-02

I. **Type of Finding:** [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]

Questioned Costs   <u>None</u>

II. **Summary of Finding (including any Internal Control Recommendation(s), if applicable):**

There are insufficient standards for the documentation of new development work or for the maintenance of existing systems. Where such standards exist, they are not always disseminated to Office of Temporary and Disability Assistance (OTDA) Technical Staff. A familiar relationship has developed between OTDA-Policy and OTDA-Technical such that new developments or updates to existing systems are discussed in advance of the work request being received from OTDA-Policy. Documentation is created specific to the changes requested with the primary intent being a mutual understanding between Policy and Technical of the work to be accomplished. The lack of sufficient standards poses risks for the systems like the Benefit Issuance Control System and budget calculation subsystems like Automated Budget and Eligibility Logic (ABEL) and Medicaid Automated Budget and Eligibility Logic (MABEL) on legacy mainframe systems. Of the systems reviewed, the Welfare Reporting and Tracking System was the only one with a single repository of updated documentation. No other system uses the Welfare Documentation System (WDOCS) at this time.

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In fiscal 2006, the auditors recommended that the Office take the following actions to ensure that critical applications are documented such that an interruption in personnel will not severely impact the operation of the program:

1. Develop Office-wide standards for documenting new system development and maintenance and updating of existing systems.
2. Disseminate the developed standards to each employee and each employee should receive sufficient training in the standards to be able to incorporate it into their development/maintenance.
3. Any non-compliance to the standards in existing system documentation should be identified and the necessary documentation should be created to ensure each system is in compliance.
4. Procedures should be put in place to include updated documentation in the system release package.

During the follow-up of the Office's corrective action plan, the auditors noted that the Office has taken appropriate actions to implement policies and procedures correcting the conditions that resulted in the finding last year. The Office took actions to form a work group to develop, implement, review and enforce documentation standards and the migration of the legacy systems documentation to a more comprehensive enterprise application management suite. Due to the timing of the release of the prior report and the complex nature of the applications and standards, the implementation was still in progress during the State fiscal year ended March 31, 2007 and, therefore, remains a finding in the audit report for the year ended March 31, 2007.

III. **Agency Response:**

As noted in the recommendations of the auditors, OTDA-IT undertook important corrective action initiatives during State Fiscal Year 2006-2007 to address issues raised in this finding. Except where noted, the corrective action initiatives documented here were identified in the CAP for the previous year finding (06-02). Because this effort is a large and very complex undertaking, full completion of these initiatives is expected in the 4th quarter of calendar year 2008.

The 2006 OTDA-IT response to the previous year finding noted that a legacy code documentation process already existed but it was not well defined or effectively enforced in some areas. It should also be noted that in addition to comments in our initial audit response, we failed to mention that "in line" comments are routinely added to COBOL code, which identify code modifications linked to specific user requests (via Workload Management-WLM request number and date). A repository of WLM requests is available on line. This pre-existing process minimizes the level of risk identified in the audit finding.

An internal IT Workgroup has been formed and a charter developed to define legacy system documentation standards and implement processes to ensure compliance. An online Sharepoint site hosting the documentation standards library and related content and best practices has been instituted as a document repository for all staff. Also, an electronic newsletter has been created for periodic release to all development staff on updates and best practices in this area. Because of the size and complexity of the legacy code environment, the agency approach is to apply these

standards only to work going forward. OTDA-IT has found that current procedures will suffice for the completed code base. This assumption was not raised as an issue during the review of prior year finding earlier this year. In addition, an extensive WMS System Reference Manual documenting high-level operations of all WMS subsystems comprising Upstate and NYC WMS will be published in December 2007, and made available through our intranet as a .PDF document. Finally, we have instituted periodic e-mailing of a WMS documentation newsletter, apprising staff of new utilities, best practices, process changes and other key information.

For legacy (COBOL) development, PTS is the "living" documentation standard and tool. For our legacy applications, PTS serves as both a migration tool and documentation tool. On the documentation side, each legacy subsystem has an overview description, which can be drilled through to a change history with descriptions of that subsystem's related programs with code changes. PTS documentation is hosted on a Sharepoint site (http://tdashare1.otda.state.nyenet/sites/dit/) which all OTDA-IT staff can access. Developers are instructed to maintain the subsystem level and program level change documentation on an ongoing basis. Reports are available from PTS to monitor compliance. However, enforcement efforts need to be better managed. When needed, OTDA-IT makes use of the Relativity Modernization Workbench (MWB) software tool to allow developers to drill down and mine/extract the ACOB and UCOB COBOL program code business rules for each legacy program.

A new initiative underway that is currently in the pilot proof of concept phase, is establishing an Eclipse framework environment for managing the coding lifecycle for WMS applications. The Eclipse open source environment has tremendous capability and flexibility in maintaining and migrating legacy code, documenting it, and establishing software development lifecycle standards. The intent is to assess its value as a lifecycle tool for both legacy and open systems application development, comparing it to the other tools in place such as PTS and Rational.

For open systems development, OTDA has recently established Rational Toolset and the Rational Unified Process as standards for the System Development Life Cycle Process and is in the process of implementing these applications. Business requirements, system requirements, and application design will be maintained using the RequisitePro and Rational System Architect tools. Application code is maintained in a Rational ClearCase repository and will be readily accessible. Sharepoint-based document repositories are also used for open systems user documentation.

In an effort to minimize risks associated with an interruption in personnel, OTDA initiated Succession Planning and Back-up analysis. Each employee's major functions were identified along with the identification of a back up for that function in the event of the employee's planned or unplanned absence. These efforts began in 2005 and are currently being updated.

In order to improve how these standards are communicated to staff and to improve on-going monitoring and enforcement activities to ensure that risk to systems resulting from inadequate requirements and code documentation is minimized, OTDA DIT continues to implement the following plan, as provided in the 2006 Corrective Action Plan to clarify the importance of documentation and staff adherence with documentation requirements:

1. Develop written description of all documentation standards.

2. Disseminate the written standards to all applicable staff via the following methods: email distribution, Sharepoint posting, unit staff meeting, and individual supervisor/employee conferences.

3. Adherence to the written standards will be incorporated into employee performance standards.

4. Necessary training will be provided to those employees that require it.

5. Supervisory monitoring of adherence to documentation standards will be implemented with measurement mechanisms implemented.

6. A project plan was developed to ensure full implementation of the Rational Tools within the open systems environment.

7. A project plan was developed to ensure full implementation of the Rational Tools within the legacy systems.

8. OTDA DIT will continue to monitor and revise the Succession Planning and Backup efforts.

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Social Security - Disability Insurance (96.001)

Office of Temporary and Disability Assistance

Reference: 07-03

Requirement

GAO-07-731G Government Auditing Standards, Section 5.13 states that all significant deficiencies in internal control should be reported and include those deficiencies that represent material weaknesses. If a significant deficiency is remediated before the auditors' report is issued and the auditors obtain sufficient, appropriate evidence supporting the remediation of the significant deficiency, then the auditors should report the significant deficiency and that fact that it was remediated before the auditors' report was issued.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected.

Policies and procedures should be in place to control development staff's access to the production environment and no changes should be made without prior authorization at the appropriate management level. A process should be in place to notify the user and development community of the changes.

Finding

The Office of Temporary and Disability Assistance (OTDA) development staff have update capability within the Office for Technology production environment. Although OTDA development staff may be prevented from promoting code through an existing automated configuration management system, they may access production code and make updates directly.

We noted that the Office identified these issues and have developed policies and procedures that were implemented after the period covered by our report.

A similar finding was included in the prior year Single Audit Report as finding 06-06 on page 42.

Recommendation

In fiscal 2006, we recommended that policies and procedures be developed by the Office to control OTDA development staff's access to the Office For Technology production environment and ensure that any changes have prior authorization at the appropriate management level should be implemented as intended by the Office and monitored to assess their effectiveness.

As part of our testwork for the State fiscal year ended March 31, 2007, we reviewed the policies and implementation status of our recommendation. We noted that the Office has developed appropriate policies and procedures that address the fiscal 2006 findings and the Office began implementation of the process during the third quarter of the State fiscal year ending March 31, 2008. Accordingly, the issue remains a finding for the purposes of the audit report for the year ended March 31, 2007.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2007

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Christine Unson

Title: Coordinator for External Audit

Telephone: (518) 402-0128

Federal Program(s) (CFDA # [s]):   Food Stamps (10.551)
State Administrative Matching Grants for Food Stamp
Program (10.561)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Social Security - Disability Insurance (96.001)

Audit Report Reference: 07-03

I.   **Type of Finding:**   [Check one to identify the nature of the particular audit finding]

     Internal Control with related noncompliance   [   ]
     Internal Control Only (no noncompliance cited)   [X]
     Other reportable noncompliance (Finding Only)   [   ]

     Questioned Costs   None

II.   **Summary of Finding (including any Internal Control Recommendation(s), if applicable):**

The Office of Temporary and Disability Assistance (OTDA) development staff has update capability within the Office for Technology production environment. Although OTDA development staff may be prevented from promoting code through an existing automated configuration management system, they may access production code and make updates directly.

The auditors noted that the Office identified these issues and have developed policies and procedures that were implemented after the period covered by the report.

A similar finding was included in the prior year Single Audit Report as finding 06-06 on page 42.

In fiscal 2006, the auditors recommended that policies and procedures be developed by the Office to control OTDA development staff's access to the Office For Technology production environment and ensure that any changes have prior authorization at the appropriate management level should be implemented as intended by the Office and monitored to assess their effectiveness.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2007

As part of the testwork for the State fiscal year ended March 31, 2007, the auditors reviewed the policies and implementation status of the prior recommendation. The auditors noted that the Office has developed appropriate policies and procedures that address the fiscal 2006 findings and the Office began implementation of the process during the third quarter of the State fiscal year ending March 31, 2008. Accordingly, the issue remains a finding for the purposes of the audit report for the year ended March 31, 2007.

III. **Agency Response:**

OTDA-IT completed corrective action and came into substantial compliance with this finding during the 2nd quarter of calendar year 2007 after the close of the single audit period. OTDA-IT expects that this finding will fully be resolved as part of the 2007-2008 Single Audit review. The prior CAP is applicable in full as follows:

In an effort to adhere to agency Information Security policies for least privilege and ensure authorized access to our production Welfare Management System (WMS) systems, an annual process was initiated to coordinate and perform an annual recertification/review of OTDA staff accounts with WMS system access.

To facilitate and organize this recertification effort, the following processes were established:

Task #	Task Status	Task Description
The following activities are performed annually or more often if necessary by the OTDA Information Security Office and OTDA BIT security staff:		
1.	• **Completed for audit year and reviewed annually.**	• Request a Terminal Security report of all OTDA state staff users with production system access on AP and/or NP. *This recertification/review process will focus on state staff users with update function capability on our production WMS systems.* • The Terminal Security report includes the following; UID Date of Last Sign-on Account Status Authorized functions
2.	• **Completed for audit year and reviewed annually or as needed.**	• Agency Security report review and organization of accounts; • Disable and Delete any Active/Separated account found for staff no longer employed by the agency (recently retired etc.) • Remove any active and authorized staff with Inquiry only functions from the report (Inquiry only functions are not part of this recertification process) • Identify supervisors of all staff with Update functions for recertification
The following activities are performed on an ongoing basis by OTDA BIT managers and supervisors:		

Task #	Task Status	Task Description
3.	*To be completed by supervisor.*	• Request supervisor review and recertification of any staff member with Update functions and any of the following characteristics; • Disable and Delete any Active/Separated account found for staff no longer employed by the agency (recently retired etc.) • Remove any active and authorized staff with Inquiry only functions from the report (**Inquiry only** functions are not part of this recertification process).
4.	To be completed by OTDA-IT recertification facilitator	• Collect and consolidate any system account access retractions, modifications and/or access updates from supervisors.
5.	To be completed by OTDA-IT recertification facilitator	• Submit an account update request to Terminal Security for all account access retractions, access updates or modifications
6.	To be completed by OTDA-IT recertification facilitator	• Request an Updated Terminal Security report of all OTDA state staff users with production system access on AP and/or NP for our records.
7.	To be completed by OTDA-IT recertification facilitator	• Document and archive the recertification process and results.
8.	To be coordinated by OTDA-IT recertification facilitator	• Perform annual review in 12 months

Managers received a Terminal Security report of **state staff** under their supervision and performed the review process described above in **task #3**. The following directions were provided:

"Please provide us with a *follow-up e-mail indicating that your recertification process is complete* and *be sure to provide an updated report indicating account status, account updates, retractions and/or deletions so that we may facilitate a bulk update with OFT*. If you prefer, you may also coordinate your TTSS account updates directly with your TTSS coordinator.

This recertification process timeline is 30 days from the date of this request.

Please Note: In addition to the report of state staff that we've identified as working in your Office/Bureau/Division, we've attached a report labelled "unknown". We are requesting that *you review the unknown report* for any staff that we were unable to identify as yours."

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2007

Food Stamps (10.551)
State Administrative Matching Grants for Food Stamp Program (10.561)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Social Security - Disability Insurance (96.001)

Office of Temporary and Disability Assistance

Reference: 07-04

Requirement

GAO-07-731G Government Auditing Standards, Section 5.13 states that all significant deficiencies in internal control should be reported and include those deficiencies that represent material weaknesses. If a significant deficiency is remediated before the auditors' report is issued and the auditors obtain sufficient, appropriate evidence supporting the remediation of the significant deficiency, then the auditors should report the significant deficiency and that fact that it was remediated before the auditors' report was issued.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected.

General controls are the policies and procedures that apply to an entity's overall computer operations and create the environment in which application controls and certain user controls, which are control activities, operate. General controls include appropriate entity-wide security management programs and service continuity controls (FISCAM sect 295 F .02).

The continual backing up of data and systems can help minimize the severity of threats and a well documented data system backup plan should be in place that includes information on how best to recover data systems that have been damaged. Controls and protections should be in place to ensure that data or systems are not damaged, altered, or destroyed during this recovery process. Practice drills should be conducted periodically to determine how effective the plan is and to determine what changes may be necessary. The Office For Technology should verify these drills are being conducted properly and that problems uncovered during these drills are addressed and procedures designed to deal with any potential deficiencies are implemented and tested to determine their effectiveness.

Finding

Although individual files are recovered safely and with great frequency, the Office For Technology does not have a plan in place that tests for a complete data system restore. To date, the Office For Technology has never performed a test to ensure that a complete and error free recovery of system data is possible.

The Office of Temporary and Disability Assistance and the Office For Technology perform risk assessment reviews together and individually which form the basis for identifying and prioritizing risks to critical systems and the related potential impacts on business continuity. Based on the internal assessments, they are of the opinion that present policies and practices mitigate the risks of substantial impacts associated with business interruption as the result of the inability to read and recover the Welfare Management System (WMS) data file set.

A similar finding was included in the prior year Single Audit Report as finding 06-07 on page 44.

Recommendation

In fiscal 2006, we recommended that the Office develop and document procedures for performing periodic testing for reading and recovering the complete WMS data system file set. As part of our current year's examination, we determined that the Office For Technology has implemented policies and procedures that address our prior year's audit findings, however, the policies were not in effect for a substantial portion of the year covered by our current examination. Accordingly, the finding is repeated in the audit report for the fiscal year ended March 31, 2007.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2007

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Christine Unson

Title: Coordinator for External Audit

Telephone: (518) 402-0128

Federal Program(s) (CFDA # [s]): Food Stamps (10.551)
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                                     Child Support Enforcement (93.563)
                                     Low-Income Home Energy Assistance (93.568)
                                     Social Security - Disability Insurance (96.001)

Audit Report Reference: 07-04

I.   **Type of Finding:**   [Check one to identify the nature of the particular audit finding]

         Internal Control with related noncompliance   [   ]
         Internal Control Only (no noncompliance cited)   [X]
         Other reportable noncompliance (Finding Only)   [   ]

         Questioned Costs   None

II.   **Summary of Finding (including any Internal Control Recommendation(s), if applicable):**

Although individual files are recovered safely and with great frequency, the Office For Technology does not have a plan in place that tests for a complete data system restore. To date, the Office For Technology has never performed a test to ensure that a complete and error free recovery of system data is possible.

The Office of Temporary and Disability Assistance and the Office For Technology perform risk assessment reviews together and individually, which form the basis for identifying and prioritizing risks to critical systems and the related potential impacts on business continuity. Based on the internal assessments, they are of the opinion that present policies and practices mitigate the risks of substantial impact associated with business interruption as the result of the inability to read and recover the Welfare Management System (WMS) data file set.

A similar finding was included in the prior year Single Audit Report as finding 06-07 on page 44.

In fiscal 2006, the auditors recommended that the Office develop and document procedures for performing periodic testing for reading and recovering the complete WMS data system file set.

As part of the current year's examination, the auditors determined that the Office For Technology has implemented policies and procedures that address the prior year's audit findings, however, the policies were not in effect for a substantial portion of the year covered by the current examination. Accordingly, the finding is repeated in the audit report for the fiscal year ended March 31, 2007.

III.   **Agency Response:**

WMS mainframe disk data is fully replicated between two sites. Any modifications to the WMS disk data at one location are synchronously replicated to the alternate location through the vendor's data replication software. A complete system restore would be performed using this replicated disk data. Backup tapes are still created in order to provide an alternate recovery source, if needed.

Since December 2006 CIO/OFT has successfully validated the disk replication process by moving one production partition from the primary site to the back-up site and running the system for several weeks. CIO/OFT will run similar verification/validation tests semi-annually at the alternate site for all 3 of OTDA's partitions as part of ongoing disaster recovery testing plans with OTDA.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2007

State Administrative Matching Grants for Food Stamp Program (10.561)
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Low-Income Home Energy Assistance (93.568)
Social Security - Disability Insurance (96.001)

Office of Temporary and Disability Assistance

Reference: 07-13

<u>Requirement</u>

In accordance with OMB Circular A-133 section .400, at the time of award, the pass-through entity must make subrecipients aware of (a) the award information (i.e., CFDA title and number, amount of award, award name, and name of Federal agency) and requirements imposed by laws, regulations and the provisions of contract or grant agreements; and (b) the activities approved in the award documents and agreements were allowable.

<u>Finding</u>

The Office's Bureau of Contract Management centralizes the daily procurement function for all programs administered by the Office. Personnel at the individual programs award and write the contracts and are then reviewed by the Bureau of Contract Management, Division of Budget, and the Attorney General.

During our review of 40 contracts reimbursed with Federal funds, 26 did not contain sufficient documentation to identify the Federal program to the subrecipient. Ten of 40 contracts identified the funds were from the Federal Child Support Enforcement program, but did not identify the Federal CFDA number. All 40 contracts examined contained language informing the subrecipient of the need to have a Single Audit performed under A-133 if Federal funds expended were greater than $500,000.

<u>Recommendation</u>

We recommend that the Office develop policies and procedures to ensure all contracts reimbursed with Federal funds clearly identify the Federal award information.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2007

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Christine Unson

Title: Coordinator for External Audit

Telephone: (518) 402-0128

Federal Program(s) (CFDA # [s]): State Administrative Matching Grants for Food Stamp Program (10.561)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Social Security - Disability Insurance (96.001)

Audit Report Reference: 07-13

I. **Type of Finding:** [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance [X]
Internal Control Only (no noncompliance cited) [   ]
Other reportable noncompliance (Finding Only) [   ]

Questioned Costs None

II. **Summary of Finding (including any Internal Control Recommendation(s), if applicable):**

The Office's Bureau of Contract Management centralizes the daily procurement function for all programs administered by the Office. Personnel at the individual programs award and write the contracts and are then reviewed by the Bureau of Contract Management, Division of Budget, and the Attorney General.

The auditors noted in the review of 40 contracts reimbursed with Federal funds, 26 did not contain sufficient documentation to identify the Federal program to the subrecipient. Ten of 40 contracts identified the funds were from the Federal Child Support Enforcement program, but did not identify the Federal CFDA number. All 40 contracts examined contained language informing the subrecipient of the need to have a Single Audit performed under A-133 if Federal funds expended were greater than $500,000.

The auditors recommend that the Office develop policies and procedures to ensure all contracts reimbursed with Federal funds clearly identify the Federal award information.

III.   **Agency Response:**

The information required by OMB Circular A-133 section 400, with respect to identifying to the subrecipient the Federal award information, will be included in all OTDA RFPs released after November 16, 2007, and in each of the resulting contracts. We will also include the information, to the extent possible, in any contracts that are drafted after November 16, 2007, to which the requirement applies, even though the contracts are the result of RFP's issued prior to November 2007. In RFP's, the required information will be included in the Authorization or Purpose section - generally the first paragraph in Section II. The information will also be included in Appendix A - 2 of each contract in the Authorization or Purpose paragraph - generally the first paragraph in A - 2.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2007

State Administrative Matching Grants for Food Stamp Program (10.561)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Child Care and Development Block Grant (93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)
Foster Care - Title IV-E (93.658)
Adoption Assistance (93.659)
Social Services Block Grant (93.667)
Medical Assistance Program (93.778)
Social Security - Disability Insurance (96.001)

Office of Temporary and Disability Assistance
Office of Children and Family Services
Department of Health

Reference: 07-14

Requirement

The State shall submit a cost allocation plan for the State agency as required below to the Director, Division of Cost Allocation (DCA), in the appropriate U.S. Department of Health and Human Services (HHS) Regional Office. The plan shall: (1) Describe the procedures used to identify, measure, and allocate all costs to each of the programs operated by the State agency; (2) Conform to the accounting principles and standards prescribed in Office of Management and Budget Circular (OMB) A-87, and other pertinent Department regulations and instructions; (3) Be compatible with the State plan for public assistance programs described in 45 CFR Chapters II, III and XIII, and 42 CFR Chapter IV Subchapter C and D; and (4) Contain sufficient information in such detail to permit the Director, Division of Cost Allocation, after consulting with the Operating Divisions, to make an informed judgment on the correctness and fairness of the State's procedures for identifying, measuring, and allocating all costs to each of the programs operated by the State agency (45 CFR Section 95.507).

Finding

The Offices and the Department of Health, on a quarterly basis, create Central Office Cost Allocation Claims (COCACs) which accumulate direct costs and allocated indirect costs through allocation accounts. All central office and certain local district costs are assigned to an accumulator code.

The COCACs contained approximately $1.3 billion in allocated costs covering 82 separate allocation methodologies during the period April 1, 2006 through March 31, 2007. The methodologies were established to allocate overhead costs related to the programs formerly administered by the Department of Social Services (DSS). Effective October 1, 1996, the Department of Health (DOH) became the Single State Agency for Medicaid, with DSS submitting other State agencies' claims to DOH for Medicaid reimbursement based on the DSS COCACs. Effective with the January 1, 1998 reorganization of DSS to create the Office of Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA), OCFS and OTDA revised and implemented cost allocation methodologies regarding the programs which they then administered to reflect the current organizational structure of the two Human Service agencies.

As part of our testwork, we analyzed the dates that the allocation methodologies were Federally reviewed and noted that there were 29 separate allocation methodologies with approximately $139 million in allocated costs related to the Office of Children and Family Services and approximately $131 million related to the Office of Temporary and Disability Assistance that had not yet been approved by the Federal government as of the State fiscal year ended March 31, 2007. Federal regulation allows the Offices to submit claims derived from cost allocation methodologies that have been submitted to the Federal government but are pending approval.

The 82 total allocation methodologies as described above only include active methodologies that had costs charged during the period April 1, 2006 through March 31, 2007. $549 million of the total $1.3 billion was charged to Federal programs as the Federal share of expenditures. Due to the number of allocation methodologies, complex methodologies that charge other methodologies, and the fact that the Federal share of reimbursement differs by program, we cannot determine the Federal share of costs charged to Federal programs.

A similar finding was included in the prior year single audit report as finding 06-14 on page 59.

Recommendation

We recommend that the Office continue to work with the U.S. Department of Health and Human Services to timely approve cost allocation plans.

Related Noncompliance

Federal regulations allow for the Office to allocate costs based on the cost allocation plan submitted but not yet approved. However, until the plans are approved, any costs allocated may be unallowable and Federal funds may be required to be returned to the Federal government.

Questioned Costs

Cannot be determined

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2007

State Agency: NYS Office of Children and Family Services

Single Audit Contact: Ralph Timber

Title: Outside Audit Liaison

Telephone: (518) 473-0796

E-mail: Ralph.Timber@ocfs.state.ny.us

Federal Program(s) (CFDA #(s)   State Administrative Matching Grants for Food Stamp Program (10.651)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Child Care and Development Block Grant (93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)
Foster Care – Title IV-E (93.658)
Adoption Assistance (93.659)
Social Services Block Grant (93.667)
Medical Assistance Program (93.778)
Social Security – Disability Insurance (96-001)

Audit Report Reference   07-14

I.   **Type of Finding: [Check one to identify the nature of the particular audit finding]**

         Internal Control with related noncompliance   [   ]
         Internal Control Only (no noncompliance cited)   [   ]
         Other reportable noncompliance (Finding Only)   [X]

         Questioned Costs   Cannot be determined

II.   **Summary of Finding (including any Internal Control Recommendation(s), if applicable):**

The Offices and the Department of Health, on a quarterly basis, create Central Office Cost Allocation Claims (COCACs) which accumulate direct costs and allocated indirect costs through allocation accounts. All central office and certain local district costs are assigned to an accumulator code.

The COCACs contained approximately $1.3 billion in allocated costs covering 82 separate allocation methodologies during the period April 1, 2006 through March 31, 2007. The methodologies were established to allocate overhead costs related to the programs formerly administered by the Department of Social Services (DSS). Effective October 1, 1996, the

Department of Health (DOH) became the State Single Agency for Medicaid, with DSS submitting other State agencies' claims to DOH for Medicaid reimbursement based on the DSS COCACs. Effective with the January 1, 1998 reorganization of DSS to create the Offices of Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA), OCFS and OTDA revised and implemented cost allocation methodologies regarding the programs, which they then administered to reflect the current organizational structure of the two Human Service agencies.

As part of the testwork, the auditors analyzed the dates that the allocation methodologies were Federally reviewed and noted that there were 29 separate allocation methodologies with approximately $139 million in allocated costs related to the Office of Children and Family Services and approximately $131 million related to the Office of Temporary and Disability Assistance that had not yet been approved by the Federal government as of the State fiscal year ended March 31, 2007. Federal regulation allows the Offices to submit claims derived from cost allocation methodologies that have been submitted to the Federal government but are pending approval.

The 82 total allocation methodologies as described above only include active methodologies that had costs charged during the period April 1, 2006 through March 31, 2007. $549 million of the total $1.3 billion was charged to Federal programs as the Federal share of expenditures. Due to the number of allocation methodologies, complex methodologies that charge other methodologies, and the fact that the Federal share of reimbursements differs by program, the auditors could not determine the Federal share of costs charged to Federal programs.

A similar finding was included in the prior year single audit report as finding 06-14 on page 59.

The auditors recommend that the Office continue to work with the U.S. Department of Health and Human Services to timely approve cost allocation plans.

III.   Agency Response:

The Office of Children and Family Services (OFCS) files plans for both OCFS and Office of Temporary and Disability Assistance (OTDA) on a timely basis as required by regulation and works diligently with HHS/Division of Cost Allocation to get those plans approved. As noted in the finding, Federal regulations require the filing of cost allocation plans and then allow states to claim against the filed plans. The regulations do not require the Federal agencies to act within a specific timeframe on those plans. HHS/DCA has stated in the past that this approach is acceptable and that OCFS and OTDA are in compliance with the requirements of 45 CFR.

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.