

---

**OFFICE OF  
THE INSPECTOR GENERAL**

---

**SOCIAL SECURITY ADMINISTRATION**

---

**SINGLE AUDIT OF THE  
STATE OF DELAWARE  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008**

**May 2010 A-77-10-00010**

---

**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: May 18, 2010

Refer To:

To: Candace Skurnik  
Director  
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of Delaware for the Fiscal Year Ended June 30, 2008 (A-77-10-00010)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Delaware for the Fiscal Year ended June 30, 2008. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Delaware Office of Auditor of Accounts and KPMG LLP performed the audit. The results of the desk review conducted by the Department of Health and Human Services (HHS) 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 Delaware Office of Auditor of Accounts and KPMG LLP and the reviews performed by HHS. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspections*.

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 Delaware 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 Labor (DOL) is the DDS' parent agency.

The single audit reported that DOL lacked segregation of duties within the Federal cash drawdown process. The corrective action plan indicates DOL will adhere to current policies and procedures for drawing down Federal funds (Attachment A, pages 1 and 2).

We recommend that SSA verify that DOL's policies and procedures provide a proper segregation of duties within the Federal cash drawdown process.

The single audit also disclosed the following findings that may impact 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.

- The State's Department of Finance did not have adequate controls over access to State computer systems (Attachment B, page 1).
- The DOL did not include suspension and debarment certification language in all contracts. In addition, the Excluded Parties Lists System Website was not checked to determine whether contractors were excluded from participation in Federal programs (Attachment B, page 2).

Please send copies of the final Audit Clearance Document to Shannon Agee. If you have questions, contact Shannon Agee at (816) 221-0315, extension 1537.

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.

Attachments

**Department of Labor**

**Reference Number: 08-DOL-01**

**Program: 17.258, WIA Cluster**

**17.259,**

**17.260**

**84.126 Rehabilitation Services - Vocational Rehabilitation**

**Grants to States**

**96.001 Social Security - Disability Insurance**

**Type of Finding: Significant Deficiency**

**Compliance Requirement(s): Cash Management**

***Criteria***

Under the Cash Management Improvement Act of 1990, as amended by the Cash Management Improvement Act of 1992, codified at 31 USC 6501 and 31 USC 6503, the State of Delaware has entered into a Cash Management Improvement Act Agreement (Agreement) between the State of Delaware and the U.S. Secretary of the Treasury.

All CFDA numbers with expenditures greater than \$7.54 million are considered Subpart A programs under the jurisdiction of the Treasury-State agreement (note that there is no clustering for purposes of the Treasury-State agreement). All other CFDA numbers (and programs without CFDA numbers) are considered Subpart B programs. For Subpart B programs, "cash advances to the State shall be limited to the minimum amounts needed and shall be timed to be in accord only with actual, immediate cash requirements of the State in carrying out a program or project. The timing and amount of the cash advances shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of any allowable indirect costs" (31 CFR section 205.7 and 205.20). The State of Delaware as a practical matter generally applies the same funding techniques required for its subpart A programs to its subpart B programs.

The predominant funding technique for the State is the Composite Clearance method, which is defined in the agreement as follows:

"The State shall request funds such that they are deposited on the dollar-weighted average number of days required for funds to be paid out for a series of disbursements, in accordance with the clearance pattern specified...The request shall be made in accordance with the appropriate Federal agency cut-off time specified...The amount of the request shall be the sum of the payments issued in the series of disbursements."

A State must submit to [the federal government] an Annual Report accounting for State and Federal interest liabilities of the State's most recently completed fiscal year. Adjustments to the Annual Report must be limited to the two State fiscal years prior to the State fiscal year covered by the report. The authorized State official must certify the accuracy of a State's Annual Report. A signed original of the Annual Report must be received by December 31 of the year in which the State's fiscal year ends...a State

must submit a description and supporting documentation for liability claims greater than \$5,000 (31CFR Part 205.26).

***Condition***

***WIA Cluster***

For four of 13 documents selected for testing, we noted that the preparer of the drawdown and cash receipt (CR) document also signed the document as the reviewer. In addition, the supporting drawdown requests for those four CR documents were prepared and approved by the same individual.

***Rehabilitation Services - Vocational Rehabilitation Grants to States***

For three of 10 documents selected for testing, we noted that the preparer of the drawdown and cash receipt (CR) document also signed the document as the reviewer.

***Social Security - Disability Insurance***

For two of the 11 documents selected for testing, we noted that the preparer of the drawdown and cash receipt (CR) document also signed the document as the reviewer.

***Cause***

Staff turnover in the Department of Labor as well as a lack of management oversight over processing of federal cash drawdowns.

***Effect***

There is a lack of segregation of duties within the federal cash drawdown process.

***Recommendation***

We recommend that the Department enhance its policies and procedures for drawing down federal funds in order to ensure a proper segregation of duties.

***Questioned Costs***

There are no questioned costs associated with this finding.

***Views of Responsible Officials***

Agency Contact Name	Kris Brooks
Agency Contact Phone Number	(302) 761-8024
Corrective Action Plan	We agree to adhere to our policies and procedures for drawing down federal funds.
Anticipated Completion Date	Immediately

**Department of Finance**  
**Reference Number: 2008-09**  
**Type of Finding: Internal Control over Financial Reporting**

**Lack of Controls over System Access**

***Background/Conditions***

As previously noted, DFMS is the State's financial management system. The State's payroll and human resource management system is the Payroll/Human Resource Statewide Technology System (PHRST). Recently, the PHRST System was successfully upgraded from client-based PeopleSoft v7.51 to web-based PeopleSoft v8.8. This system is used by approximately 800 users.

During our audit, we determined that one user had access to the development and production environments for DFMS and 4 users had access to the development and production environments for PeopleSoft. We noted that those with access to both the development and production environments for PeopleSoft are database administrators (DBAs). We also noted that 3 users had access to both the PeopleSoft Administrator and PHRST Security roles with access to security and the rights to make changes to the system files within the PeopleSoft application. The "PHRST Security" role is utilized in migrating development code into production. The "PeopleSoft Administrator" role is utilized for user and system administration. We determined that no segregation of duties existed for these roles.

***Criteria***

In order to achieve proper internal controls over the State's information technology environment, segregation of duties should exist between the production and development environments.

***Cause***

Controls are not in place and operating effectively over segregation of duties in the State's information technology environment.

***Effect***

Unauthorized changes may be made by an individual with access to both the production and development environments.

***Recommendation***

We recommend segregating development and production access for DBAs or instituting additional compensating controls including granting of temporary access to the production environment when needed.

***Views of Responsible Officials***

Agency Contact Name	Jim Sills, Secretary – Department of Technology and Information
Agency Contact Phone Number	(302) 739-9629
Corrective Action Plan	PHRST has reduced the number of users assigned to the PeopleSoft Administrator from nine users to four. The four users having this access are two PHRST PeopleSoft Administrators, a back up administrator and the PHRST Security Administrator. The access granted to these users is necessary for the requirement of their job functions as it ensures adequate support and back up exists for both the development/test and production environments.
Anticipated Completion Date	Ongoing.

**Department of Labor**

**Reference Number: 08-DOL-03**

**Program: 17.258, WIA Cluster  
17.259,  
17.260**

**Type of Finding: Material Noncompliance, Material Weakness**

**Compliance Requirement(s): Suspension and Debarment**

***Criteria***

Non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 (\$25,000 after November 26, 2003).

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (CFR, Part II, "Government wide Debarment and Suspension").

***Condition***

For 2 of the 2 certified training providers selected for testing, we noted that the training contracts did not contain language requiring the provider to certify that they were not suspended or debarred nor did the Delaware Workforce Investment Board (DWIB) check the EPLS website to verify that these providers were not suspended or debarred. Total expenditures paid to the two training providers selected for testing totaled \$335,457 during Fiscal Year 2008. Total expenditures paid to certified training providers by the program during Fiscal Year 2008 totaled \$893,644.

***Cause***

The program did not perform the required suspension and debarment functions, as detailed in the criteria section above.

***Effect***

The program may award federally funded contracts to disallowed providers.

***Recommendation***

DOL and DWIB should implement policies and procedures to ensure that the required suspension and debarment verification procedures are performed.

***Questioned Costs***

There are no questioned costs associated with this finding; none of the certified training providers selected for testing were on the EPLS based on our audit procedures.

***Views of Responsible Officials***

Agency Contact Name	Kris Brooks
Agency Contact Phone Number	(302)761-8024
Corrective Action Plan	We agree to write policies and procedures to ensure that the required suspension and debarment verification procedures are performed
Anticipated Completion Date	June 30, 2009



## **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.