**OFFICE OF**
**THE INSPECTOR GENERAL**

**SOCIAL SECURITY ADMINISTRATION**

**SINGLE AUDIT OF THE**
**STATE OF COLORADO**
**FOR THE FISCAL YEAR ENDED**
**June 30, 2009**

**December 2010 A-77-11-00005**

# 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: December 1, 2010 Refer To:

To: Rebecca Tothero
Acting Director
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of Colorado for the Fiscal Year Ended June 30, 2009 (A-77-11-00005)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Colorado for the Fiscal Year (FY) ended June 30, 2009. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Colorado State Auditor 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 Colorado State Auditor 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 Colorado 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 Colorado Department of Human Services (CDHS) is the DDS' parent agency.

The single audit reported CDHS did not:

- Submit a FY 2009 Public Assistance Cost Allocation Plan (PACAP) amendment or certification statement to the HHS Division of Cost Allocation (DCA) as required by Federal regulations. In addition, CDHS charged indirect costs based on PACAP amendments that had not been approved by DCA (Attachment A, Pages 1and 2). The corrective action plan indicates CDHS will follow established Federal regulations in the future and will make necessary accounting and reporting adjustments upon DCA's approval of the PACAP amendments (Attachment A, Page 3).

- Have proper internal controls over purchasing cards (Attachment A, Pages 3 through 6). The corrective action plan indicates improvements will be made over purchasing cards including updating policies and training materials (Attachment A, Page 7).

We recommend that SSA:

1. Verify that CDHS submitted a FY 2009 PACAP amendment or certification statement to DCA.

2. Upon DCA's approval of the PACAP amendments, work with CDHS to ensure that indirect costs charged to the Colorado DDS during FY 2009 were in accordance with the PACAP's approved methodologies

3. Verify that CDHS developed appropriate internal controls over purchasing cards.

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. Specifically, CDHS did not have adequate internal controls over

- timesheet certifications (Attachment B, Pages 1 and 2),

- travel expenditures (Attachment B, Pages 2 through 5), and

- telecommunication services (Attachment B, Pages 5 through 7).

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.

Patrick P. O'Carroll, Jr.

Attachments

# Public Assistance Cost Allocation Plan

Under federal regulations, entities that receive federal public assistance awards may be reimbursed for a portion of the indirect costs for the program. Indirect costs, or overhead costs, are those that support more than one program. One example of these costs is the expense associated with employing a staff person who performs accounting functions for multiple programs. In order to recover these costs, state agencies such as the Department must develop a Public Assistance Cost Allocation Plan (PACAP) that provides a reasonable and consistent basis for allocating costs to each of the federal programs operated by the agency. The PACAP must be prepared in accordance with federal guidelines and must be submitted to and approved by the Division of Cost Allocation (DCA) within the U.S. Department of Health and Human Services. The Department recovered $8.9 million in federal funds for state indirect costs associated with federal programs for Fiscal Year 2009.

Federal regulations provide two options for yearly submissions of cost allocation information.

- **Option 1: Amendment of PACAP.** If the state determines procedures in the existing, federally approved plan have become outdated due to organizational changes, changes in federal law, or program changes, the state is required to submit an amended plan to DCA promptly after such changes occur.

- **Option 2: Certification Statement.** If the state determines the existing, federally approved PACAP is not outdated, the state can submit a statement within 60 days after the end of the state fiscal year to DCA certifying this conclusion.

During our Fiscal Year 2009 audit, we noted that the Department had not submitted an amended PACAP or a certification statement for the current fiscal year. The Department based indirect cost allocations for Fiscal Year 2009 on the most recent federally approved PACAP, which was for Fiscal Year 2007, and on the two Fiscal Year 2008 PACAP amendments submitted in April and May 2009. As of the end of our audit, these amendments had not yet been approved by DCA.

The Fiscal Year 2008 amendment dated May 2009 included prospective changes for Fiscal Years 2009 and 2010. These changes resulted from the Department's completing a DCA-requested comprehensive review of random moment sampling program/activity structures. The Department uses the random moment sampling method to allocate the cost of county staff activities among public assistance programs. The changes that were relevant to Fiscal Year 2009 were retroactively implemented as of July 1, 2008, the beginning of Fiscal Year 2009.

In June 2009, the Department reported that it was in the process of preparing a Fiscal Year 2009 amendment to the PACAP and was planning to submit it to DCA by September 30, 2009. This amendment is in addition to the prospective Fiscal Year 2009 changes already submitted in the Fiscal Year 2008 amendment.

Staff stated that DCA instructed the Department not to submit the Fiscal Year 2009 amendment until after the above-mentioned Fiscal Year 2008 amendments were approved.

Without a federally approved PACAP in place, the Department has a risk that DCA will not approve the methodology the Department is using for Fiscal Year 2009, and that a portion of claims for federal reimbursements for the period may be disallowed by the federal government. The federal cost recoveries may require adjustment, and cost amounts charged to the respective assistance programs may need to be corrected in future periods. In addition, this means that final cost data for administering the assistance programs at the Department is not available in a timely manner, which makes program cost information less meaningful for decision-makers.

(See Appendix A, Department of Human Services, for listing of applicable CFDA Nos. Allowable Costs/Cost Principles. Classification of Finding: Control Deficiency.)

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## Recommendation No. 123:

The Department of Human Services should improve controls over the indirect cost process by:

a. Submitting the Fiscal Year 2009 Amendment to the Public Assistance Cost Allocation Plan (PACAP).

b. Correcting the allocation of indirect costs for Fiscal Year 2009 according to the final 2008 and 2009 Amendments to the PACAP, after federal approval. If the resulting reallocations are material, the Department should make the appropriate accounting and reporting corrections.

c. Ensuring future PACAP amendments are submitted within the required time frames, or certification statements are submitted within 60 days of the end of the fiscal year, whichever is applicable and in accordance with federal regulations.

### Department of Human Services Response:

a. Agree. Implementation date: May 31, 2010.

The Department will submit an Amendment to the Fiscal Year 2009 PACAP, if applicable.

b. Agree. Implementation date: May 31, 2010.

The Department will process reallocations to make the appropriate accounting and reporting adjustments to DCA's instructions provided on the approved letter for recasting changes that should not have been implemented in Fiscal Year 2009.

c. Agree. Implementation date: June 30, 2010.

The Department will follow the established federal regulations to submit future amendments to the PACAP within the required time frames. If the current federally approved PACAP is not outdated, the Department will follow the established regulations to submit certification statements within the required time frames.

# Purchasing Cards

The purchasing card program was adopted by the Department to facilitate purchases of less than $5,000. The goal of the program is to facilitate state employees' ability to acquire goods and services of less than $5,000 while providing timely payments to merchants and reducing the number of small dollar payments issued by the State's vouchering system.

During Fiscal Year 2009, the Department spent approximately $10.6 million through purchasing card usage. For that period the Department reported an average number of monthly transactions of nearly 4,000 and average monthly purchases of approximately $883,000. At the end of Fiscal Year 2009, 853 Department employees, or nearly 16 percent of its approximately 5,500 employees, had been issued purchasing cards.

All Department employees are potentially eligible for a purchasing card. Cards are awarded based on an employee's need to make authorized purchases in order to conduct state business. An employee becomes a cardholder by completing the cardholder account form, attending training, and obtaining approval from his or her designated approving official, typically the employee's manager. All charges made on the card are the liability of the Department; the cardholder has no personal liability unless the cardholder violates the terms of card use.

As part of our Fiscal Year 2009 audit, we tested 63 purchasing card transactions. Of those transactions, we found exceptions in 16 (25 percent) of the transactions. These exceptions included $64 in questioned costs in two transactions charged to the Colorado Child Care Assistance Program (CCCAP) (CFDA Nos. 93.575 and 93.596, Recovery Act No. 93.713). As described below, we identified a total of five issues related to the automatic payments, review and monitoring procedures, timely account closure, and account coding of purchasing card use in the Department.

**Automatic Payments**: Automatic payments for recurring monthly charges require initial cardholder authorization and allow the vendor to make periodic charges against the card without obtaining the purchasing cardholder's approval after the initial agreement. Purchasing managers at the Department reported that automatic payments are prohibited transactions because they had noted instances when automatic payments occurred after an employee had either terminated employment with the State or relinquished their purchasing card. While Department personnel reported that they had communicated this information to users in purchasing card trainings, our test work found that this prohibition has not been formalized in the Department's Purchasing Card Manual.

We found a total of two transactions for $607, charged by CCCAP and Disability Determination Services (DDS) staff, that had been set up as automatic payments with the vendor. One was for monthly Internet usage of $22 for a CCCAP staff person who works from home. Program management was unable to demonstrate that the Internet connection has been reserved exclusively for state business use. Moreover, the Department has not developed policies concerning the use of State-provided support for home offices. The $22 payment is a questioned cost under CCCAP.

The second transaction, for $585, was an automatic payment for State-issued cellular phones for DDS staff. Staff reported that all cardholders' State-issued cell phone monthly charges for DDS staff had been set up as auto payments for several years. Our concerns with the DDS program are that automatic payments are currently in use; however, the charges are allowable under the grant and therefore we did not identify these as questioned costs.

**Timely cardholder and approving official review and signatures:** Department policy requires that at the end of each billing cycle, the cardholder is to supply supporting documentation for all the purchases during that period, review account coding, sign the billing statement, and forward all the information to the approving official. The approving official is responsible for performing a secondary review, verifying the accuracy and appropriateness of the purchases, and applying his or her signature and date to the statement. Both the cardholder and approving official must review and sign off on the monthly statement by the end of the following month. We identified ten transactions totaling approximately $1,032 where review procedures were not followed. Four statements had not been signed by the cardholder; four statements had not been signed by the approving official; and ten statements had not been signed by the end of the month following the statement, as required. Timely cardholder and approving official signatures are important because they indicate that the monthly purchases have been reviewed for accuracy and allowability and have been subject to a supervisory review.

Of the $1,032, the amount of $42 is a questioned cost under CCCAP because the statement had not been signed by the approving official in a timely fashion, as required.

**Monitoring Procedures:** During Fiscal Year 2008, the Department introduced an automated system for tracking purchasing card violations identified through its internal procurement card audits, and for tracking the actions taken by approving officials in response to these violations, but did not complete the implementation of reporting functions. In Fiscal Year 2009 the Department completed the implementation of the reporting functions of the violations tracking system. However, due to staff turnover at the Procurement Office, the reporting function was not being utilized in the second half of Fiscal Year 2009. The Department should use the automated system to monitor and follow up on purchasing card violations.

**Timely Account Closure:** When an employee leaves the Department, the employee's approving official is required by Department policy to take the card from the cardholder and notify the Department's Procurement Office through completion of an account closure form. Department Procurement Office staff are to close the cardholder's account. Department policy does not state specific time-frame requirements for notifying Procurement and for closing accounts. During the Fiscal Year 2009 audit, we tested a sample of 23 closed accounts and identified four instances (17 percent) in which the approving official did not notify Procurement of a cardholder's termination in a timely manner. The late notifications ranged from 23 to 34 days after the employee's termination date. As a result, the purchasing card accounts were closed between 23 and 38 days after employment terminated. We did not identify any inappropriate payments that were associated with these late account closures. We also identified issues with the Department's internal controls over closing purchasing card accounts in a timely manner in the Fiscal Year 2008 audit.

During Fiscal Year 2009, the Department implemented a procedure where the Department's Payroll Office sends a monthly termination report to the Procurement Office. This enables Procurement staff to identify terminated cardholders and close accounts in a more timely manner. This process has improved time frames compared to the late account closures found during the Fiscal Year 2008 audit. However, the late account closure rate is still high and of concern.

**Account coding errors:** The use of the proper account code is important because it allows the Department to accurately track costs by type of purchase in order to ensure that costs incurred are reasonable. We found six transactions totaling approximately $1,034 that were coded to an improper account code.

Adequate controls over purchasing cards are important because card use is at risk for fraud and abuse and because the State, not the cardholder, is liable for purchasing card transactions.

(CFDA Nos. 93.575, 93.596, 93.713; Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, and American Recovery and Reinvestment Act Child Care and Development Block Grant; Activities Allowed or Unallowed, Allowable Costs/Cost Principles. Classification of Finding: Significant Deficiency.)

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## Recommendation No. 120:

The Department of Human Services should improve its internal controls over purchasing cards by:

a. Continuing to train approving officials and cardholders on their responsibilities to ensure compliance with Department policy and imposing consequences for policy violations. The training should clearly emphasize the required timeline for review and signoff of monthly statements.

b. Updating all written purchasing card policies to indicate that recurring, automatic charges and payments are prohibited purchases, clearly communicating this requirement to all cardholders, and ensuring that all established automatic payments currently being processed are identified and deactivated by the cardholders.

c. Utilizing the automated violation tracking system's reporting function to monitor the results of the Department's internal purchasing card audits and ensuring the actions taken by approving authorities in response to cardholder violations are adequate.

d. Ensuring purchasing card accounts are closed in a timely manner upon employee termination. The Department should update purchasing card policies to state specific time-frame requirements for notifying Procurement and for closing accounts. These requirements should then be clearly communicated to approving officials and Procurement Office staff. The Department should also consider providing employee termination reports to the Procurement Office more frequently than once a month.

e. Coding all procurement card purchases accurately in the State's accounting system, COFRS.

## Department of Human Services Response:

a. Agree. Implementation date: April 2010.

The Department will continue to train approving officials and cardholders on their responsibilities. Emphasis will be made on the need to review and sign off on the monthly statement by the end of following month, the requirement to comply with Department policy, and the possible consequences for policy violations. A reminder, including the Department's potential liability, should be added to Accounting's monthly closing email sent to all cardholders.

b. Partially agree. Implementation date: April 2010.

The State Purchasing Card Manual does not prohibit automatic payments. However, the Department agrees that automatic payments need to be addressed. The purchasing card policy and training materials will be updated, requiring cardholders and approving officials to have dual access to accounts set up with automatic payments. Agreements with cardholders and approving officials will stipulate their responsibility of deactivating automatic payments upon termination. The approving official will be required to sign off upon cardholder's termination, card return, and notification to the Procurement Office that automatic payments have been deactivated. Email notification of this policy change will go out to existing cardholders and approving officials.

c. Agree. Implementation date: April 2010.

The database will track purchasing card violations resulting from internal purchasing card audits. Appropriate actions taken by approving officials and/or the Procurement Office will be included in the database. Exception reports to summarize cardholder violations and the types of violations will be submitted to the Deputy Executive Directors for their review and determination of appropriate follow-up actions.

d. Agree. Implementation date: April 2010.

The Department will update the purchasing card policy to provide a required time frame for closing accounts upon cardholder termination. Cardholders and approving officials must take responsibility for closing and notifying the Procurement Office immediately upon termination. Accounts should be closed within 14 days following termination. The frequency and availability of termination reports will be evaluated with the Payroll Office.

e. Agree. Implementation date: April 2010.

The Department will continue to train employees, cardholders, and approving officials on the importance of the proper use of expenditure object code.

# Time Sheet Certification

During Fiscal Year 2009, the Department spent nearly $277 million on salaries and wages and had approximately 5,500 full-time-equivalent employees. The Department's employees are paid through the Colorado Personnel Payroll System, and payroll amounts are reflected in COFRS.

Employees record their time in the Department's timekeeping system, on either a monthly or a biweekly basis. On this same basis, unit timekeepers are responsible to approve time sheets in the Department's timekeeping system for the pay period. The time sheets are to be printed and signed by both the employee and the supervisor within 20 calendar days of the close of the system. The signatures certify that the information on the time sheet is complete and accurate. Unit timekeepers are responsible for maintaining the certified time sheets.

During Fiscal Year 2009, we tested internal controls over monthly and biweekly payrolls. In relation to this testwork, we reviewed a total of 198 employee time sheets. We found problems with 93 (47 percent) of the 198 time sheets. Specifically, we identified the following:

- 65 time sheets were not certified timely by the employee, the supervisor, or both.
- 16 certified time sheets could not be provided by the Department.
- 11 time sheets were not provided by the Department when originally requested. Once the Department did provide the time sheets, they were not certified timely.
- One of the time sheets reviewed had been backdated by both the employee and the supervisor.

Although the problems identified in our sample did not impact the amounts paid to the employees, payroll is an inherently high-risk area. The lack of adequate controls and supervision indicate an environment in which errors and irregularities could occur and not be detected in a timely manner, which could result in more significant problems. The Department should improve its controls to ensure that time sheets are certified within the timeframes established by Department policy.

(Classification of Finding: Significant Deficiency.)

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## Recommendation No. 16:

The Department of Human Services should improve its controls over the payroll process by ensuring that time sheets are certified within the timeframes specified in Department policy and are maintained and available for review.

### Department of Human Services Response:

Agree. Implementation date: April 1, 2010.

It appears that the exceptions identified in the payroll samples were largely from two areas, Wheat Ridge Regional Center and the Fitzsimons Nursing Home. Department staff will contact agency directors to review the audit findings and determine where additional communication and/or training is needed to convey the importance of staff compliance with time sheet certifications and maintaining data so that it is readily available when requested for audit.

In addition, an automated e-mail message will be sent to all staff following each of the Department's timekeeping system (Kronos) closings to remind employees and supervisors of the requirements of the time sheet certification, including timeframes.

## Travel Expenditures

During Fiscal Year 2009 the Department spent nearly $1.9 million for employees' in-state and out-of-state business travel. State Fiscal Rules, issued by the Office of the State Controller, require State agencies to follow certain procedures concerning business travel. The Department also issued its own policies and procedures governing authorization of travel and reimbursement of employees' travel expenditures. State and Department rules and policies are in place to ensure that travel charges using State funds are proper and not abusive.

Although State Fiscal Rules and Department policies provide clear requirements for processing for travel reimbursements, our review indicates that employees and supervisors are not consistently adhering to and enforcing the policies. As part of our Fiscal Year 2009 audit, we reviewed a sample of 58 travel reimbursement forms totaling nearly $21,000 in expenditures. We identified errors in 17 of the 58 (29 percent) travel reimbursement forms reviewed. In total, 21 errors were identified, as some travel reimbursement forms contained more than one error.

Specifically, we noted problems in the following four categories:

**Incorrect Payment:** The mileage rates are determined by State Fiscal Rules. When an employee travels from home directly to an offsite location, only the mileage in excess of the employee's normal travel to the office is reimbursable.

Per diem amounts are paid to employees based on the arrival and departure time of the travel and meals paid for at the employees' expense. The rates are set in the State Fiscal Rules based on the location.

- One employee submitted four travel reimbursement forms totaling $1,191 throughout the year. The mileage for the employee traveling from home directly to an offsite location was incorrectly calculated in all four instances. The employee received reimbursements totaling $581 for mileage in excess of the allowable amount based. The reimbursements were all charged to Title IV-E Foster Care program (CFDA No. 93.658). Therefore, the Department has overpaid this employee a total of $581, which is considered questioned costs for the federal program.

- One travel reimbursement form approved an employee's dinner per diem amount of $24 even though the employee returned from the travel too early to receive the per diem amount according to the information submitted. A per diem reimbursement for dinner cannot be claimed unless the employee returns from travel after 8:00 p.m. The employee provided additional information as a result of our audit verifying that the $24 per diem amount was valid. However, the initial reimbursement was approved without the information supporting the $24 per diem.

**Late submission:** Employees must submit a travel reimbursement form within 60 days of the travel to receive reimbursement for out-of-pocket expenses such as mileage, meals (per diem), lodging, parking, and transportation under State Fiscal Rules. Two travel reimbursement forms, totaling $880, were not submitted within this time frame.

**Lack of supporting documentation:** State Fiscal Rules require that the travel reimbursement form contain the purpose of the travel, and Department rules further require that an agenda supporting the travel be attached for conferences and seminars. Additionally, a Request to Use Private Automobile pre-approval form is required for reimbursement of travel outside of 65-mile radius with a personal vehicle.

- Three travel reimbursement forms, with expenditures totaling $433, did not contain a purpose for the travel.

- Six travel reimbursement forms for travel to conferences and seminars, with reimbursements totaling $1,804, were not accompanied by agendas supporting the business purpose of the travel.

- Three travel reimbursement forms for travel outside a 65-mile radius, with expenditures totaling $1,153, were not accompanied by a pre-approved Request to Use Private Automobile form.

**Recording Transactions:** The Department is required to ensure that expenditures are properly recorded and assigned in the State's accounting system, COFRS. Two travel reimbursement forms, with expenditures totaling $284, were coded incorrectly. The amounts incorrectly coded on the transactions totaled $154.

We identified similar weaknesses with the Department's controls over travel expenditures during our Fiscal Years 2006 and 2008 audits. The error rates noted in Fiscal Years 2006 and 2008 were 40 percent and 45 percent, respectively. As a result of our Fiscal Year 2006 audit recommendation, the Department began holding quarterly travel forums in Fiscal Year 2008 to train staff on travel requirements. The Department continued holding the quarterly forums in Fiscal Year 2009. Additionally, the Department updated its travel policy in Fiscal Year 2008 and issued a travel checklist to assist staff with completing travel reimbursement requests in Fiscal Year 2009.

While the travel forums and checklist appear to have reduced the number of errors from past audits, the 29 percent error rate and questioned costs noted in our Fiscal Year 2009 audit indicates the Department needs to continue strengthening its controls over travel expenditures. Specifically, the Department should ensure that employees and supervisors continue to receive training on State and Department travel rules and policies. Additionally, the Department should consider using its internal audit function to conduct periodic reviews of travel reimbursement forms to ensure compliance with travel requirements. The Department cannot ensure that State funds are properly spent unless it enforces State and Department rules and policies.
(CFDA No. 93.658; Foster Care_Title-IV-E; Activities Allowed or Unallowed, Allowable Costs/Cost Principles. Classification of Finding: Significant Deficiency.)

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## Recommendation No. 121:

The Department of Human Services should strengthen controls over travel expenditures by:

a. Ensuring that employees and supervisors are consistent in their compliance with existing State and Department travel policies, through continuing periodic training and enforcement.

b. Recovering identified overpayments from employees.

c. Considering using its internal audit function to conduct periodic reviews to ensure compliance with State Fiscal Rules and Department policies over travel.

### Department of Human Services Response:

a. Agree. Implementation date: February 28, 2010.

The Department will continue to improve controls over travel expenditures to ensure that they are processed in compliance with existing State and Department travel policies. The quarterly travel open forum will be conducted to provide a department-wide training to employees and supervisors. The forum will consistently address the understanding of Department travel policy, the proper use of travel-related forms, the accurate coding of travel expenditures, the requirement of supporting documentation, the completion of reimbursement requests, the responsibilities of reviewers and approvers, and the compliance of rules and policies. Remedial training is provided when necessary to staff and supervisors.

b. Agree. Implementation date: June 30, 2010.

   The Department will contact the employee and his/her supervisor about the travel overpayments and will recover $580.70 from the employee to reimburse the Title IV-E Foster Care program.

c. Agree. Implementation date: February 28, 2010.

   The Department considered using the internal audit function but feels a review by the supervisors of the vouchering units would be more appropriate. The supervisors will perform periodic audits of the travel reimbursements processed by the vouchering staff to ensure that travel expenditures are processed in compliance with State and Department policies.

## Telecommunications Charges

Telecommunications services are provided to the Department by the Governor's Office of Information and Technology (OIT) and include telephone lines, voice mail, and local and long-distance calling. OIT bills the Department monthly for these services via an intergovernmental transfer document, which is recorded on COFRS. This document results in an automatic transfer of funds from the Department to OIT to pay for the monthly telecommunications services. In Fiscal Year 2009, the typical charge to the Department was $30 per month for a single telephone line and $7.50 per month for voice mail; charges for long-distance calls varied. In total, over the fiscal year, the Department's average monthly telecommunications bill from OIT was approximately $101,000. The monthly bill shows the charges for each of the Department's divisions and programs; in Fiscal Year 2009, these charges ranged from about $2 to $52,000 per division or program.

During our Fiscal Year 2009 audit, we identified a total of more than $1,000 in questioned costs in four federal programs for errors in telecommunications charges from OIT for telephone lines and/or voice mail. We also noted that the majority of divisions and programs are not performing a required monthly review of their respective telecommunications bills from OIT in order to verify the accuracy of the charges. The monthly review is important to ensure the accuracy of charges from OIT because routine turnover and transfers of staff can change telecommunications usage in the Department from month to month. The erroneous charges we found would have likely have been identified had the monthly review occurred.

Under Department policy, each of the Department's divisions and programs is responsible for checking the accuracy of its monthly telecommunications bill. In 2007, OIT introduced and provided training on the Telecommunications Financial Management System (TFMS). TFMS allows designated Department staff to log into the system and view details of the monthly telecommunications bill. For example, TFMS allows the Department to see the amount billed for each of the Department's 147 divisions and programs, and, within each division and program, the amount billed for each employee receiving telecommunications services. On a monthly basis, a designated staff person from each division and program is required to log into the TFMS system to ensure that the division's or program's telecommunications bill is correct and that the staff listed as receiving services are currently employed by the division or program. After reviewing the monthly bill, the designee is to either certify the billing as accurate or document any changes needed. In either case, the reviewed documentation is to be returned to the Department's Central Accounting Division.

The Department has appointed a single individual at Central Accounting to act as the main contact person with OIT. This individual accumulates information on staffing changes between divisions and programs and provides this information to OIT. This individual also collects the monthly review documents from the divisions and programs and sends reminder emails concerning the monthly review.

During Fiscal Year 2009, we found that only six (4 percent) of the 147 divisions and programs performed monthly certifications as required. Moreover, 82 (56 percent) of the divisions and programs did not once during Fiscal Year 2009 certify their monthly telecommunications bill. In addition, we tested 360 transactions that had been charged to various federal programs, five of which were telecommunications charges. Each of the five transactions tested included telephone line billings for staff who had either transferred to other programs or were no longer employed by the Department, resulting in more than $1,000 in questioned costs.

Monthly reviews of the OIT telecommunications bills are essential controls to ensure that the Department pays only for the telecommunications services it receives. Central Accounting relies on division and program staff to notify it of staffing changes so that it can forward that information to OIT. To mitigate the risk of inaccurate telecommunications charges, the Department should strengthen its controls over the telecommunications payment process.

(CFDA Nos. 10.551, 10.561, 93.558, 93.568, 93.575, 93.596, 93.713; Supplemental Nutrition Assistance Program Cluster, Temporary Assistance for Needy Families, Low-Income Home Energy Assistance Program, Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, and American Recovery and Reinvestment Act Child Care and Development Block Grant; Activities Allowed or Unallowed, Allowable Costs/Cost Principles. Classification of Finding: Control Deficiency.)

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## Recommendation No. 122:

The Department of Human Services should strengthen its controls over the telecommunications payment process by ensuring that all divisions and programs perform monthly reviews of their telecommunications bills in the Telecommunications Financial Management System (TFMS) and submit signed certifications and any identified errors to Central Accounting.

### Department of Human Services Response:

Agree. Implementation date: April 30, 2010.

The Department will maintain a change log to track all requested changes and a certification log to track monthly certification documents that have been sent by the divisions and programs. A monthly exception report will be provided to division and program managers to advise them of monthly certification documents that have been submitted and/or have not been submitted to the Department coordinator for TFMS billing. Central Accounting will continue to provide ongoing training for all division and program staff as needed to address the process and responsibility for certifying their telecommunication bills in a timely manner.

# 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.