
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF OHIO
FOR THE FISCAL YEAR
ENDED JUNE 30, 2009**

December 2010

A-77-11-00008

**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: December 20, 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 Ohio for the Fiscal Year Ended June 30, 2009 (A-77-11-00008)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Ohio for the Fiscal Year 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 Ohio State Auditor performed the audit. 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 Ohio 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 Ohio Bureau of Disability Determination (BDD) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The BDD is reimbursed for 100 percent of allowable costs. The Ohio Rehabilitative Services Commission (ORSC) is the BDD's parent agency.

The single audit reported that ORSC could not provide documentation to support the calculation of Federal cash draws for SSA's DI program (Attachment A, Pages 1 and 2). The corrective action plan indicates the ORSC adjusted its Federal cash draw process to better document the calculations and reconciliations (Attachment A, Page 2).

We made a recommendation to SSA in a prior report for corrective action on this finding.¹ According to SSA, controls were put in place in the ORSC to ensure cash draws are in accordance with Federal requirements. In addition, the Office of the Inspector General is currently conducting an audit of administrative costs claimed by the Ohio BDD (A-05-09-19127) that covers the period of the current single audit. The administrative cost audit will review ORSC's cash draw process for the Ohio BDD and make recommendations as appropriate. Accordingly, we are not making any recommendations on this finding.

If you have questions, contact Shannon Agee at (816) 221-0315, extension 1537.

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

Patrick P. O'Carroll, Jr.

Attachments

¹ SSA OIG, Management Advisory Report, *Single Audit of the State of Ohio for the Fiscal Year Ended June 30, 2008* (A-77-10-00012), June 2010.

1. VOCATIONAL REHABILITATION AND SOCIAL SECURITY DISABILITY INSURANCE – CASH MANAGEMENT

<i>Finding Number</i>	2009-RSC01-037
<i>CFDA Number and Title</i>	84.126 – Vocational Rehabilitation 96.001 – Social Security Disability Insurance
<i>Federal Agency</i>	Department of Education Social Security Administration
<i>Compliance Requirement</i>	Cash Management

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

The Cash Management Improvement Act (CMIA) Agreement between the State of Ohio and the U.S. Department of Treasury states, in part:

Section 6.1.4 – Estimate and Reconciliation of Estimates: Where estimated expenditures are used to determine the amount of the drawdown, the State will indicate in the terms of the State unique funding technique how the estimated amount is determined and when and how the State will reconcile the difference between the estimate and the State's actual expenditures.

The Vocational Rehabilitation and Social Security Disability Insurance programs' unique funding technique per the CMIA Agreement is pre-issuance.

Section 6.2.1 – . . . Pre-Issuance: The State shall request funds such that they are deposited in a State account not more than three days prior to the day the State makes a disbursement. . . The amount of the request shall be the amount the State expects to disburse. . . .

During state fiscal year 2009, the Ohio Rehabilitation Services Commission utilized the pre-issuance funding technique to draw down approximately \$86.3 million in federal funding for the Vocational Rehabilitation program and approximately \$74.9 million in federal funding for the Social Security Disability Insurance program. Before completing a federal draw, the Fiscal Specialist prepares a cash forecast by obtaining the beginning cash balance for a particular fund from the Ohio Administrative Knowledge System (OAKS). Then the Fiscal Specialist will add any outstanding revenue deposits and deduct any payables and/or intra-state transfer voucher disbursements, deduct any estimated expenses for the next two days, deduct administrative payments, and deduct periodic expenses (e.g., rent, payroll, indirect costs, etc.) from the beginning cash balance to determine the amount of the federal draw needed. After determining the cash balance for a particular fund, the Fiscal Specialist will compare the cash ledger from the OAKS commitment control to the summary voucher report from the Case Authorization Tracking System (CATS) to determine the amount of available funding after deducting any single payment vouchers approved and submitted to state accounting for processing. If there is not a sufficient amount of cash on hand, the Fiscal Specialist will prepare a federal draw down request.

The Commission was unable to provide any documentation to support their federal draw calculations and was unable to demonstrate how the estimated expenditures (determined via the process described above) were reconciled to the actual expenditures. Initially, procedures were performed to determine the clearance pattern of federal funds and determine whether or not the Commission was in compliance with the CMIA. However, the Commission did not retain documentation of the funds' daily cash balance since OAKS only maintains reports for a maximum of 99 days.

Without timely disbursement of funds, interest penalties may be incurred by the State of Ohio for the funds drawn and not disbursed in accordance with federal requirements and the State-Treasury Agreement. According to the Commission's Finance Manager, due to the timing of last year's audit, the Commission was unable to implement the necessary changes to their cash management documentation during fiscal year 2009. The Finance Manager indicated during state fiscal year 2010, the Commission began documenting the beginning cash balance in OAKS, the amount processed in OAKS, the actual draw needed for the above items, any miscellaneous administrative items, and the amount of each draw.

We recommend the Commission implement and/or strengthen controls to reasonably ensure all draw requests for the Vocational Rehabilitation and Social Security Disability Insurance programs are adequately documented and are drawn/dispensed in accordance with the CMIA State-Treasury Agreement pre-issuance methodology. We also recommend the Commission establish and document procedures to monitor cash balances and reconcile estimated expenditures to actual expenditures to reasonably ensure federal funds are drawn down consistently with the Commission's immediate cash needs.

Official's Response and Corrective Action Plan

ORSC draws federal funds under the Vocational Rehabilitation program an average of two to three times per week and under the Social Security Disability Insurance program on average of twice a week. The State Accounting system, OAKS, will not process transactions for ORSC unless there are sufficient funds available (per budget checks in the system) to make payment on those transactions. Frequently, ORSC transactions have been rejected in OAKS due to insufficient federal funds as the agency waited for federal funds to arrive in the State treasury as a result of our efforts to comply with the CMIA. Therefore, ORSC does not believe that excess federal funds are being drawn.

To address concerns raised by the AOS in the prior year audit, ORSC adjusted its federal drawdown process to better document the federal drawdown calculations and reconcile estimated expenditures to actual expenditures to ensure funds are disbursed in accordance with federal CMIA requirements. ORSC is now processing its BDD Case Service file transfer only once per week. A report is available in CATS the morning the transfer takes place that gives the total of the transfer. A specific draw for that expenditure is made and the CATS report is attached to the draw request as support. This satisfies both the need for documentation of the amount drawn as well as the reconciliation of expenditure to draw requirement. A similar process is used to draw specific cash for Vocational Rehabilitation Case Service file transfer expenditures which are done two to three times weekly. In addition, special draws are done for large expenditures as they are vouchered, such as quarterly rent payments, bi-monthly payroll, bi-monthly BDD contract doctor payments, Indirect Cost assessments, and other large single or group payments as they occur. This leaves only "routine" administrative payments to be drawn from estimates, and greatly reduces the amount of federal funds sitting in the state treasury based on expenditure estimates. The OAKS daily cash balance report is being printed daily and maintained to provide support documentation for the process.

Anticipated Completion Date for Corrective Action

Action has been completed; process was implemented September, 2009.

Contact Person Responsible for Corrective Action

Bill McFarland, Finance Manager, 150 E. Campus View Blvd, Suite 150, Columbus, OH 43235, Phone: (614) 433-8279, E-Mail: bill.mcfarland@rsc.state.oh.us

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.