
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF NEW YORK
FOR THE FISCAL YEAR ENDED
MARCH 31, 2010**

July 2012 A-77-12-00008

**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: July 18, 2012

Refer To:

To: Amy Thompson
Senior Advisor
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, 2010 (A-77-12-00008)

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, 2010. 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 Toski, Schaefer & Co., P.C. 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 Toski, Schaefer & Co., P.C. 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 Inspection and Evaluation*.

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 Division of Disability Determinations (DDD) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The DDD is reimbursed for 100 percent of allowable costs. The Office of Temporary and Disability Assistance is the New York DDD's parent agency.

The single audit reported that indirect costs for several fiscal years 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 A, Pages 1 through 7). However, according to information we obtained from DCA, all pending CAP methodologies were approved as of May 2011.

Federal regulation allows States to claim indirect costs based on CAP methodologies submitted to DCA that are pending approval. However, if DCA does not ultimately approve the CAP methodologies as submitted, unallowable costs to Federal agencies could result.¹

Accordingly, we recommend SSA verify that the indirect costs charged to its programs were in accordance with the CAPs ultimately approved by DCA.

Please send copies of the final Audit Clearance Document to Shannon Agee. If you have questions, contact Shannon Agee at (877) 405-7694, extension 18802.

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

Patrick P. O'Carroll, Jr.

Attachments

cc:
Lynn Bernstein

¹ Refunds shall be made by the state if the proposed CAPs are later found by DCA to have included costs that are unallowable as specified by law or regulation, as identified in OMB Circular A-87, or by the terms and conditions of Federal awards, or are unallowable because they are clearly not allocable to Federal awards. 2 C.F.R §225 App E.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2010

Federal Agencies: United States Department of Agriculture
United States Department of Health and Human Services
United States Social Security Administration

Programs: State Administrative Matching Grants for the Supplemental Nutrition Assistance 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)

Award numbers: (10.561) - 2006IS251444; 2006IS251944
2007IS251444; 2007IS251844; 2007IS251944
2007IS252244; 2008IE251844; 2008IE251844
2008IS251444; 2009CE251844; 2009ID250344
2009IQ650344; 2009IS251444; 2009IS251944
2009IS252044; 2009IS252244; 2009IS803644
2010ID250344; 2010IS251444; 2010IS251944
2010IS252044
(93.558) - 0G0501NYTANF; 0G0602NYTANF; 0G0702NYTANF
0G0802NYTANF; 0G0902NYTANF; 0G1002NYTANF
(93.563) - 0G0804NY4004; 0G0904NY4002; 0G0904NY4004
0G1004NY4002; 0G1004NY4004
(93.568) - 0G06B1NYLIEA; 0G07B1NYLIEA; 0G08B1NYLIEA;
0G09B1NYLIEA; 0G10B1NYLIEA
(93.575) - 0G0601NYCCDF; 0G0701NYCCDF; 0G0702NYTANF
0G0801NYCCDF; 0G0802NYTANF; 0G0901NYCCDF
0G0902NYTANF; 0G1001NYCCDF; 0G1002NYTANF
(93.596) - 0G0601NYCCDF; 0G0801NYCCDF; 0G0901NYCCDF;
0G1001NYCCDF
(93.658) - 0G0401NY1401; 0G0501NY1401; 0G0601NY1401
0G0701NY1401; 0G0801NY1401; 0G0901NY1401
0G0901NY1402; 0G1001NY1401
(93.659) - 0G0701NY1407; 0G0801NY1407; 0G0901NY1403
0G0901NY1407; 0G1001NY1407
(93.667) - 0G0602NYTANF; 0G0801NYSOSR; 0G0802NYTANF
0G0901NYSOSR; 0G0902NYTANF

Award numbers (Continued):

(93.778) - 050305NY5028; 050605NY5028; 050605NY5048
050705NY5028; 050705NY5048; 050805NY5028
050805NY5048; 050905NY5048; 050905NYARRA
050905NYMDSH; 051005NY5ADM; 051005NY5MAP
051005NYARRA; 051005NYQUAL
(96.001) - 040504NYDI00; 040604NYDI00; 040704NYDI00
040804NYDI00; 040904NYDI00; 041004NYDI00

Award years: (10.561) - 2006; 2007; 2008; 2009; 2010
(93.558) - 2005; 2006; 2007; 2008; 2009; 2010
(93.563) - 2008; 2009; 2010
(93.568) - 2006; 2007; 2008; 2009; 2010
(93.575) - 2006; 2007; 2008; 2009; 2010
(93.596) - 2006; 2008; 2009; 2010
(93.658) - 2004; 2005; 2006; 2007; 2008; 2009; 2010
(93.659) - 2007; 2008; 2009; 2010
(93.667) - 2006; 2008; 2009
(93.778) - 2003; 2006; 2007; 2008; 2009; 2010
(96.001) - 2005; 2006; 2007; 2008; 2009; 2010

State Agency: Office of Children and Family Services

Reference: 10-03

Requirement

The State shall submit a cost allocation plan for the State agency as required below to the Direct 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 45 CFR Chapter IV Subchapter C and D; and (4) Contain sufficient information in such detail as 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

On a quarterly basis, the Office of Children and Family Services creates 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 83 separate allocation methodologies during the period April 1, 2009 through March 31, 2010. 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 approved and noted that there were 29 separate allocation methodologies with approximately \$386 million (\$168 million at OCFS and \$218 million at OTDA) in allocated costs that had not yet been approved by the Federal government as of the State fiscal year ended March 31, 2010. 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 table below details the year in which cost allocation plans (CAPs) have been submitted for Federal approval and the number of plans submitted in that given year that remain unapproved as of March 31, 2010.

<u>Year CAP was submitted</u>	<u>Number of CAPs Not Yet Approved</u>
1999	6
2000	3
2003	3
2005	2
2006	5
2007	3
2008	2
2009	4
2010	<u>1</u>
	<u>29</u>

The 83 total allocation methodologies, as described above, only include active methodologies that had costs charged during the period April 1, 2009 through March 31, 2010. The amount charged to Federal programs as the Federal share of expenditures amounted to \$555 million of the total \$1.3 billion in allocated costs. 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.

Subsequent to March 31, 2010, the Office received approval for 10 of the 29 unapproved allocation methodologies. These 10 that were approved subsequent to year-end account for \$113 million of \$386 million of allocated costs to unapproved cost allocation methodologies.

A similar finding was included in the prior year Single Audit Report as finding 09-05 on page 42.

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, if the plans are ultimately not approved, costs allocated may be determined to 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.

Agency Response:

The Office of Children and Family Services (OCFS) files cost allocation plans (CAPs) for both OCFS and the Office of Temporary and Disability Assistance (OTDA) on a timely basis as required by regulation and works with the U.S. Department of Health and Human Services (DHHS) Division of Cost Allocation (DCA) to get plans approved. As noted in the finding, Federal regulations require the filing of cost allocation plans and then allows States to claim against the filed plans, even without formal approval.

The Federal regulations also require the U.S. DHHS-DCA to notify the State within 60 days of receipt of the cost allocation plan or amendment advising as to whether the plan is approved or disapproved, advise the State as to changes that must be made to the plan or amendment to make it acceptable, or request the State provide additional information for evaluation purposes.

Current Status: OCFS concurs with the State Single Audit revised finding that reduces the number of outstanding CAPs from 31 to 19. The Office will continue to work with the U.S. DHHS-DCA to achieve approved cost allocation plans.

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.