
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF ALABAMA
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010**

September 2012

A-77-12-00011

**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: September 7, 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 Alabama for the Fiscal Year Ended September 30, 2010 (A-77-12-00011)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Alabama for the Fiscal Year ended September 30, 2010.¹ Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Alabama Examiners of Public Accounts (AEPA) performed the audit. We have not received the results of the desk review conducted by the Department of Health and Human Services (HHS). We will notify you if HHS determines the audit did not meet Federal requirements. In reporting the results of the single audit, we relied entirely on the internal control and compliance work performed by the AEPA 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 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 Alabama 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 State Department of Education is the Alabama DDS' parent agency.

¹ Alabama Examiners of Public Accounts, *Single Audit of Federal Financial Assistance Programs Performed in Accordance with the Single Audit Act Amendments of 1996 (Public Law 104-156) and U.S. Office of Management and Budget Circular A-133, State of Alabama, October 1, 2009 through September 30, 2010*.

The single audit reported the *Time Report of Personnel Services for Disability Determination Services* (Form SSA-4514) was not accurate and complete. Specifically, the Form SSA-4514 contained a mathematical error and overtime hours were understated.² The corrective action plan indicates a revised Form SSA-4514 will be submitted to SSA.

We recommend that SSA ensure the DDS

1. submitted a revised and accurate Form SSA-4514, and
2. implemented procedures to verify the accuracy of information reported on the Form SSA-4514.

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 Department of Finance (DOF) did not have adequate policies and procedures in place for access security.³
- DOF did not perform background checks for prospective employees or those transferred from other State agencies hired to perform sensitive work.⁴
- Internal Service Funds had working capital reserves in excess of the 60-day reserve.⁵

² Alabama Examiners of Public Accounts, *Single Audit of Federal Financial Assistance Programs Performed in Accordance with the Single Audit Act Amendments of 1996 (Public Law 104-156) and U.S. Office of Management and Budget Circular A-133, State of Alabama, October 1, 2009 through September 30, 2010*, finding 2010-4-2.

³ Alabama Examiners of Public Accounts, *Single Audit of Federal Financial Assistance Programs Performed in Accordance with the Single Audit Act Amendments of 1996 (Public Law 104-156) and U.S. Office of Management and Budget Circular A-133, State of Alabama, October 1, 2009 through September 30, 2010*, finding 2001-01-02.

⁴ Alabama Examiners of Public Accounts, *Single Audit of Federal Financial Assistance Programs Performed in Accordance with the Single Audit Act Amendments of 1996 (Public Law 104-156) and U.S. Office of Management and Budget Circular A-133, State of Alabama, October 1, 2009 through September 30, 2010*, finding 2009-01-01.

⁵ Alabama Examiners of Public Accounts, *Single Audit of Federal Financial Assistance Programs Performed in Accordance with the Single Audit Act Amendments of 1996 (Public Law 104-156) and U.S. Office of Management and Budget Circular A-133, State of Alabama, October 1, 2009 through September 30, 2010*, finding 2002-1-1.

Page 3 – Amy Thompson

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 P. O'Carroll, Jr.", written in a cursive style.

Patrick P. O'Carroll, Jr.

cc:
Lynn Bernstein

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.