

Report Summary

Social Security Administration Office of the Inspector General

March 2009



Objective

To report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audits to the Social Security Administration (SSA) for resolution action.

Background

Ernst & Young, LLP, performed the audit of the Commonwealth of Pennsylvania. The accounting firm of Toski, Schaefer & Company, P.C. performed the audit of the State of New York. SSA is responsible for resolving single audit findings related to its Disability Insurance and Supplemental Security Income programs. The Department of Labor and Industry is the Pennsylvania Disability Determination Services' (DDS) parent agency. The Office of Temporary and Disability Assistance (OTDA) is the New York DDS' parent agency.

To view the full reports, visit <http://www.ssa.gov/oig/ADO/BEPDF/A-77-09-00007.pdf>

<http://www.ssa.gov/oig/ADO/BEPDF/A-77-09-00008.pdf>

Management Advisory Reports: Single Audits of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2007 (A-77-09-00007) and the State of New York for the Fiscal Year Ended March 31, 2007 (A-77-09-00008)

Our Findings

The Commonwealth of Pennsylvania audit found (1) the Office of Vocational Rehabilitation (OVR) could not support \$22,268 reported for vocational rehabilitation services; (2) payments for unused leave when employees either retired or ended employment were improperly charged to the SSA program, resulting in \$1.5 million in questioned costs; and (3) the Commonwealth of Pennsylvania did not comply with the *Cash Management Improvement Act* (CMIA) causing the interest liability on the CMIA Annual Report to be misstated by at least \$7.5 million.

The State of New York audit found (1) OTDA had insufficient standards for documenting critical systems applications; (2) software developers inappropriately had the ability to update software in production; (3) OTDA neither had a plan in place for periodic testing of systems data recovery nor performed a test to ensure a complete and error-free recovery of systems data; (4) federally funded contracts did not have the required Federal award information; and (5) indirect costs were based on cost allocation plans that were pending approval.

Our Recommendations

For the State of Pennsylvania, we recommend SSA (1) determine whether the \$22,268 OVR reported was appropriate and, if not, request a refund of the unallowable costs; (2) remind OVR to maintain documentation of SSA reimbursements for vocational rehabilitation services; and (3) determine whether the \$1.5 million in unused leave payments was appropriate and, if not, request a refund of the unallowable costs.

For the State of New York we recommend SSA (1) ensure OTDA standards are adequate to ensure the DDS' critical system applications are sufficiently documented; (2) ensure OTDA policies prevent software developer access to the production environment; (3) determine whether OTDA developed procedures for periodic data recovery testing of the systems used by the DDS; (4) verify the required Federal award information is included in all contracts related to the DDS' activities; and (5) upon approval of the cost allocation plan, work with OTDA to ensure the indirect costs charged to the DDS are in accordance with approved methodologies.