
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
COMMONWEALTH OF MASSACHUSETTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

February 2010 A-77-10-00001

**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: February 12, 2010

Refer To:

To: Candace Skurnik
Director
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the Commonwealth of Massachusetts for the Fiscal Year Ended June 30, 2008 (A-77-10-00001)

This report presents the Social Security Administration's (SSA) portion of the single audit of the Commonwealth of Massachusetts for the Fiscal Year ended June 30, 2008. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

KPMG, LLP 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 KPMG, LLP and the reviews performed by HHS. We conducted our review in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.¹

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 Massachusetts 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 Executive Office of Health and Human Services is the Massachusetts DDS' parent agency.

The Massachusetts Rehabilitation Commission (MRC) provides vocational rehabilitation services to Social Security beneficiaries. SSA reimburses MRC for expenses incurred while assisting these individuals in finding gainful employment.

¹ In January 2009, the President's Council on Integrity and Efficiency was superseded by the Council of the Inspectors General on Integrity and Efficiency, Inspector General Reform Act of 2008, Pub. L No. 110-409 § 7, 5 U.S.C. App. 3 § 11.

The single audit reported the following.

1. SSA reimbursements for vocational rehabilitation services totaling \$250,102 were recorded in incorrect State accounts. The corrective action plan indicated that the errors were corrected and procedures have been reinforced to ensure reimbursements are credited to the correct account (Attachment A, pages 1 through 3).
2. The State's Information Technology Division did not prepare final billing rates for information technology services provided to State agencies, including the Massachusetts DDS, by the June 2008 deadline. The corrective action plan indicated the final billing rates were completed in October 2008 and, at that time, were provided to State agencies (Attachment A, pages 4 through 6).

We recommend that SSA verify that:

1. Sufficient procedures were established for accurately recording reimbursements from SSA for rehabilitation services.
2. Information technology services costs charged to the Massachusetts DDS were based on the final billing rates.

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

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Massachusetts Rehabilitation Commission

Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)

Federal Award Number: H126A080028D **Federal Award Year:** 2007 - 2008
H126A070028E 2008 - 2009

U.S. Department of Education

Finding Reference: 2008-25

Requirement

Sources of program income include, but are not limited to, payments from the Social Security Administration for rehabilitating Social Security beneficiaries, payments received from workers' compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated by a State-operated community rehabilitation program.

Except as indicated below, program income, whenever earned, must be used for the provision of VR services and the administration of the State Plan under the State Vocational Rehabilitation Services Program. Program income is considered earned when it is received (Section 108 of the Act (29 USC 728); 34 CFR Section 361.63).

The State VR Agency is authorized to treat program income as a deduction from total allowable costs or as an addition to the grant funds to be used for additional allowable program expenditures, in accordance with 34 CFR Sections 80.25(g)(1) or (2) (34 CFR Section 361.63).

Finding

The primary source of income for the program consists of reimbursement from the Social Security Administration (SSA) for expenses incurred in assisting Social Security beneficiaries to achieve gainful employment as program participants. The Massachusetts Rehabilitation Commission (Department) submits expense claims for reimbursement to the SSA. Monthly SSA transmits funds (program income) directly to the Commonwealth based on approved claims. The program income is used by the Department to pay for services on behalf of program clients. The Department prepares a cash deposit form for the amount of the program income received and submits the form to the Office of State Treasurer (OST) for recording in the State's accounting system, MMARS.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Our review of the program income recorded in MMARS for the period July 1, 2007 to June 30, 2008, disclosed the following:

- Three SSA reimbursements totaling \$250,102 (\$198,744 received in December 14, 2007, \$24,889 received on January 26, 2008, and \$26,469 received on March 26, 2008) were not recorded in the program's income appropriation. The reimbursements were recorded in two other Department appropriations in error. In all cases the cash deposit forms were completed correctly by the Department.
- Two transactions were incorrectly recorded in the program's income appropriation account on June 26, 2008 totaling \$75,420. These transactions involved other state agencies and were not Department program income.

The net result of the above errors was an understatement of \$174,682 in the Department's program income appropriation account.

As a result of the understatement in program income, the Department's December 31, 2007, March 31, 2008 and June 30, 2008 SF-269 reports were also understated. After the discovery of the understatements, the Department corrected the reported program income on the September 30, 2008 SF-269 report.

The above errors were not detected because the Department's internal controls did not include a reconciliation of SSA reimbursements to MMARS to ensure that all program income is completely and accurately recorded. The lack of reconciliations can result in undetected, incorrect or invalid transactions being made to the VR program income appropriation account.

Recommendation

We recommend that the Department develop policies and procedures in order to ensure program income are completely and accurately recorded.

Related Noncompliance

Based on the above the Department was not in compliance with the requirement above.

Questioned Costs

\$174,682

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Views of Responsible Officials and Corrective Actions

We have reviewed our procedures and found this error to be an extreme exception that would have been detected within the department had the auditors not found it first. The revenue was received by the department but had been credited to the wrong account by the State Treasures Office.

We recognize our responsibilities to reconcile our revenue in a timely manner and with established procedures for staff to follow.

We have reinforced our procedures to reconcile CD forms (Cash Deposit) with the Comptrollers MMARS 341 Document Direct Report in order to confirm that funds received are credited to the correct appropriation.

Contact: Ann Murphy, Chief Accountant MRC

Implementation date: August 2008

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Information Technology Division

State Administrative Matching Grants Program for Food Stamp Program (10.561)
National School Lunch Program (10.555)
Summer Food Service Program for Children (10.559)
Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
Child and Adult Care Food Program (10.558)
Community Development Block Grants/State's Program (14.228)
Section 8 Housing Choice Vouchers (14.871)
Unemployment Insurance (17.225)
WIA Adult Program (17.258)
WIA Youth Activities (17.259)
WIA Dislocated Worker (17.260)
Highway Planning and Construction (20.205)
Title 1 Grants to Local Educational Agencies (84.010)
Special Education Grants to States (84.027)
Special Education Pre-School Grants (84.176)
Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Improving Teacher Quality State Grants (84.367)
Immunization Grants (93.268)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (Title IV-D) (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)
State Children's Insurance Program (93.767)
State Medicaid Fraud Control Units (93.775)
State Survey and Certification of Health Care Providers and Suppliers (93.777)
Medicaid Assistance Program (93.778)
Block Grants for Prevention and Treatment of Substance Abuse (93.959)
Social Security Disability Insurance (96.001)

U.S. Department of Agriculture

U.S. Department of Housing and Urban Development

U.S. Department of Labor

U.S. Department of Transportation

U.S. Department of Education

U.S. Department of Health and Human Services

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Social Security Administration

Reference: 2008-45

Requirement

A comparison of the revenue generated by each billed service (including total revenues whether or not billed or collected) to the actual allowable costs of the service will be made at least annually, and an adjustment will be made for the difference between the revenue and the allowable costs (2 CFR Part 225 Appendix C, Section G 4).

Finding

The Information Technology Division (ITD) is part of the Executive Office of Administration and Finance. It is the central provider of information technology services for the approximately 170 agencies in the Executive Department. The ITD Data Center is a fee for service operation. The total allowable cost of the Division's 2007 mail and computer services was approximately \$70 million and it collected approximately \$47 million in revenue.

Billing rates are established using a combination of prior year actual and current year projected costs. Final rates must be prepared for a fiscal year once the underlying information relating to the certified financial statements becomes available. Traditionally, this is no later than the January following the June 30 close of the previous fiscal year. Computation of the 2007 actual rates, which should have been finalized by June 30, 2008, was not completed until October 2008. The resulting adjustments for over or under billings to federal programs have not been made. While all services had a net cost under recovery of \$23 million, the exact impact on federal programs could not be readily determined.

Recommendation

The Information Technology Division should complete the computation of the previous year's actual rates and notify federally funded agencies of any over or under recoveries by June 30 of the next fiscal year.

Related Noncompliance

The Division was not in compliance with this requirement.

Questioned Costs

Cannot be determined

Views of Responsible Officials and Corrective Actions

ITD's deadline was in mid-July 2008. We did not meet that deadline. We completed our rate calculations and adjustments in October 2008 and sent them out to our customers at that time.

We are training a staff person to provide us with additional help. It is our intent to meet future deadlines.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Concerning our deadline, ITD negotiated an extension to the June 30th deadline to extend it to mid-July to coincide with the issuance of the final Statewide chargeback invoice. This negotiation took place in 1999 and was negotiated with Philip Simard of the US Department of Health and Human Services, Division of Cost Allocation. (Refer to OMB Circular A-87 Attachment C, D.4 "Extensions may be granted by the cognizant agency on a case-by-case basis.")

Contact: Edward Shapiro, CPA

Implementation Date: January 8, 2009

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.