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OFFICE OF  
THE INSPECTOR GENERAL

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SOCIAL SECURITY ADMINISTRATION

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Single Audit of the State of Georgia for  
the Fiscal Year Ended June 30, 2000

October 2001      A-77-02-00001

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AUDIT REPORT

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## **Mission**

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the 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**

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



## SOCIAL SECURITY

### MEMORANDUM

Date:

Refer To:

To: OCT 11 2001

Office of the Inspector General

From: Helen Hepner  
Director  
Management Analysis and Audit Program Support Staff

Subject: Assistant Inspector General  
for Audit

Single Audit of the State of Georgia for the Fiscal Year Ended June 30, 2000  
(A-77-02-00001)

This report presents the Social Security Administration's (SSA) portion of the Single Audit of the State of Georgia for the Fiscal Year ended June 30, 2000. The Georgia State Auditor performed the audit and its reports on compliance and internal controls are attached (see Appendix A). Results of the desk review conducted by the Department of Health and Human Services (HHS) have not been received. We will notify you when the results are received if HHS determines the audit did not meet Federal requirements.

The Georgia Disability Determination Services (DDS) performs disability determinations under SSA's Disability Insurance (DI) and Supplemental Security Income (SSI) programs in accordance with Federal regulations. The DDS is reimbursed for 100 percent of allowable costs. The Georgia Department of Human Resources (DHR), Division of Rehabilitation Services is the Georgia DDS's parent agency.

For single audit purposes, the Office of Management and Budget assigns Federal programs a Catalog of Federal Domestic Assistance (CFDA) number. SSA's DI and SSI programs are identified by CFDA number 96. SSA is responsible for resolving single audit findings reported under this CFDA number.

The single audit reported that DHR did not follow established guidelines for maintaining equipment inventory (see Appendix B). The DHR's corrective action plan indicates that policies and internal control procedures are being revised to ensure that equipment inventories are properly maintained. We recommend SSA ensure the DDS has procedures in place for maintaining equipment inventories in accordance with State rules and regulations.

The single audit also disclosed the following finding that may impact DDS operations although it was not specifically identified to SSA. I am bringing this matter to your

Page 2 - Helen Hepner

Control weaknesses resulted when the State transitioned to a new accounting system. Specifically, accounting data reconciliations were not consistently performed and controls were not in place to safeguard data against unauthorized access.

Please send copies of the final Audit Clearance Document to Mark Bailey in Kansas City and Paul Wood in Baltimore. If you have questions contact Mark Bailey at (816) 936-5591.



Steven L. Schaeffer

Attachments



## DEPARTMENT OF AUDITS AND ACCOUNTS

254 Washington Street, S.W., Suite 214  
Atlanta, Georgia 30334-8400

RUSSELL W. HINTON  
STATE AUDITOR  
1404 555-2174

### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Roy E. Barnes  
Governor of Georgia  
and  
Members of the General Assembly  
of the State of Georgia

We have audited the financial statements of the State of Georgia as of and for the year ended June 30, 2000, and have issued our report thereon dated May 14, 2001. This report was qualified for various departures from generally accepted accounting principles.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Employees' Retirement System of Georgia, Georgia Lottery Corporation, Georgia Ports Authority, and Teachers' Retirement System of Georgia were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to those organizations. We did not audit the financial statements of certain organizations which, combined, represent 5% of the assets and 13% of the revenues of the general fund, 100% of the assets and revenues of the capital projects funds, 100% of the assets and revenues of the enterprise fund, 64% of the assets and 20% of the revenues of the internal service funds, 72% of the assets of the fiduciary funds and 100% of the pension trust funds revenues, and 5% of the assets and less than 1% of the liabilities of the general fixed assets and general long-term debt account groups, respectively. In addition, we did not audit certain discretely presented component units which represent 92% of the assets and 99% of the revenues of the component unit governmental fund types, 84% of the assets and 96% of the revenues of the component unit proprietary fund types and 98% of the assets and 96% of the revenues of the component unit fiduciary fund types. The financial statements of these organizations and component units were audited by other auditors whose reports have been furnished to us, and our report, insofar as it relates to the amounts included for those financial statements, is based solely upon the reports of the other auditors.

Compliance

As part of obtaining reasonable assurance about whether the State of Georgia's financial statements are free of material misstatement, we and other auditors performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly we do not express such an opinion. The results of our and other auditors' tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards* and which is described in the Financial Statement sections of the accompanying schedule of *Findings and Questioned Costs*.

(1) General Fixed Assets/Property Management

Inadequacies in Operation of Property Management System  
Various Organizations

FS-401-00-01	FS-484-00-02	FS-819-00-02	FS-8584-00-01
FS-414-00-06	FS-503-00-01	FS-823-00-01	FS-8604-00-01
FS-427-00-01	FS-528-00-01	FS-830-00-01	FS-8664-00-01
FS-428-00-02	FS-539-00-01	FS-8504-00-01	FS-8724-00-01
FS-462-00-01	FS-550-00-02	FS-8524-00-03	FS-8764-00-01
FS-466-00-01	FS-561-00-03	FS-8544-00-01	FS-8804-00-01
FS-467-00-01	FS-590-00-02	FS-8564-00-01	

(2) Budget Preparation/Execution

Overexpenditure of Budget Unit Object Class

FS-472-00-03 – Board of Regents of the University System of Georgia  
FS-472-00-04 – Board of Regents of the University System of Georgia

Internal Control Over Financial Reporting

In planning and performing our audit, we and other auditors considered the State of Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Georgia's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The following reportable conditions are described in the Financial Statement sections of the accompanying schedule of *Findings and Questioned Costs*.

(1) Accounting Controls (Overall)

Inadequate Operations and Control Procedures over the Phoenix System  
FS-401-00-02 – Most Appropriated Agencies

(2) Budget Preparation/Execution

Overexpenditure of Budget Unit Object Class

FS-472-00-03 - Board of Regents of the University System of Georgia

FS-472-00-04 - Board of Regents of the University System of Georgia

(3) Cash and Cash Equivalents

Inadequate Accounting Procedures

FS-414-00-04 - Department of Education

FS-419-00-02 - Department of Community Health

FS-474-00-01 - Department of Revenue

FS-823-00-01 - Atlanta Technical Institute

FS-826-00-01 - Carroll Technical Institute

FS-840-00-01 - Appalachian Technical Institute

Drawdown of Lottery Funds in Excess of Current Operating Needs

FS-476-00-02 - Georgia Student Finance Commission

(4) Revenue/Receivables/Receipts

Inadequate Accounting Procedures

FS-419-00-01 - Department of Community Health

FS-478-00-01 - Secretary of State

Deficiencies in the State Revenue Collections Fund (Overall)

FS-474-00-02 - Department of Revenue

FS-478-00-02 - Secretary of State

Deficiencies in the Income Tax Division Subsidiary Records

FS-474-00-03 - Department of Revenue

(5) Fund Equities

Inadequate Accounting Procedures

FS-414-00-04 - Department of Education

(6) General Ledger

Inadequate Accounting Procedures

FS-478-00-01 - Secretary of State

(7) General Fixed Assets/Property Management

Inadequacies in Operation of Property Management System

Various Organizations

FS-401-00-01	FS-484-00-02	FS-819-00-02	FS-8584-00-01
FS-414-00-06	FS-503-00-01	FS-823-00-01	FS-8604-00-01
FS-427-00-01	FS-528-00-01	FS-830-00-01	FS-8664-00-01
FS-428-00-02	FS-539-00-01	FS-8504-00-01	FS-8724-00-01
FS-462-00-01	FS-550-00-02	FS-8524-00-03	FS-8764-00-01
FS-466-00-01	FS-561-00-03	FS-8544-00-01	FS-8804-00-01
FS-467-00-01	FS-590-00-02	FS-8564-00-01	

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following items to be material weaknesses.

(1) Accounting Controls (Overall)

Inadequate Operations and Control Procedures over the Phoenix System  
FS-401-00-02 – Most Appropriated Agencies

(2) Cash and Cash Equivalents

Inadequate Accounting Procedures  
FS-414-00-04 - Department of Education  
FS-419-00-02 - Department of Community Health  
FS-474-00-01 - Department of Revenue  
FS-823-00-01 - Atlanta Technical Institute  
FS-826-00-01 - Carroll Technical Institute  
FS-840-00-01 - Appalachian Technical Institute

(3) Revenue/Receivables/Receipts

Inadequate Accounting Procedures  
FS-419-00-01 - Department of Community Health  
Deficiencies in the State Revenue Collections Fund (Overall)  
FS-474-00-02 - Department of Revenue  
Deficiencies in the Income Tax Division Subsidiary Records  
FS-474-00-03 - Department of Revenue

(4) Fund Equities

Inadequate Accounting Procedures  
FS-414-00-04 - Department of Education

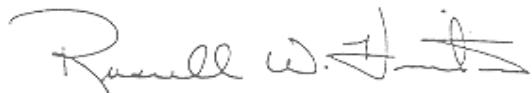
(5) General Fixed Assets/Property Management

Inadequacies in Operation of Property Management System  
Various Organizations

FS-401-00-01	FS-467-00-01	FS-590-00-02	FS-8564-00-01
FS-414-00-06	FS-484-00-02	FS-819-00-02	FS-8584-00-01
FS-427-00-01	FS-503-00-01	FS-823-00-01	FS-8604-00-01
FS-428-00-02	FS-528-00-01	FS-830-00-01	FS-8664-00-01
FS-462-00-01	FS-539-00-01	FS-8504-00-01	FS-8724-00-01
FS-466-00-01	FS-550-00-02	FS-8524-00-03	FS-8764-00-01
FS-466-00-01	FS-561-00-03	FS-8544-00-01	FS-8804-00-01

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Russell W. Hinton, CPA, CGFM  
State Auditor

May 14, 2001



## DEPARTMENT OF AUDITS AND ACCOUNTS

254 Washington Street, S.W., Suite 214

Atlanta, Georgia 30334-8400

RUSSELL W. HINTON  
STATE AUDITOR  
14041 856-2174

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Roy E. Barnes  
Governor of Georgia  
and  
Members of the General Assembly  
of the State of Georgia

#### Compliance

We have audited the compliance of the State of Georgia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The State of Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of *Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State of Georgia's management. Our responsibility is to express an opinion on the State of Georgia's compliance based on our audit. We did not audit the following major federal programs or percentages of federal programs:

CPDA NO.	PROGRAM NAME	% AUDITED BY OTHER AUDITORS	MONETARY EXPENDITURES	NONMONETARY EXPENDITURES
66 458	Capitalization Grants for State Revolving Funds	99%	\$32,922,385	\$243,882,042
66 468	Capitalization Grants for Drinking Water State Revolving Fund	100%	\$9,700,932	\$12,128,493
93 767	State Children's Insurance Program Medicaid Cluster Student Financial Aid Cluster Research and Development Cluster	100% 99% 83% 86%	\$38,009,955, \$2,650,918,686 \$425,516,394 \$275,178,877	\$0 \$0 \$1,571,719,256 \$0

The programs listed above were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to compliance requirements for these programs, is based solely upon the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material affect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Georgia's compliance with those requirements.

Other auditors were unable to obtain sufficient documentation supporting compliance for the Research and Development Cluster at the Georgia Institute of Technology with requirements governing cash management; Davis-Bacon Act; matching, level of effort, earmarking; period of availability of federal funds; program income; reporting; and subrecipient monitoring that are applicable to contract nos. EAAH01-00-DA101-0004, XXXXXX-98-C-8121, XXXXXX-97-C-8089 and 98-6863 of the U.S. Department of Defense as these contracts and all matters pertaining to them are classified by the U. S. Department of Defense, and other auditors did not have security clearance to perform any procedures with respect to these contracts; nor were other auditors able to satisfy themselves as to the Georgia Institute of Technology's compliance with the aforementioned requirements with respect to contract nos. EAAH01-00-DA101-0004, XXXXXX-98-C-8121, XXXXXX-97-C-8089 and 98-6863 by other auditing procedures.

As described in finding numbers FA-533-00-01, FA-533-00-02, FA-533-00-03, FA-548-00-03, in the accompanying schedule of *Findings and Questioned Costs*, the State of Georgia did not comply with requirements regarding Eligibility that is applicable to the Student Financial Aid Cluster. Compliance with such requirements is necessary, in our opinion, for the State of Georgia to comply with requirements applicable to this program.

As described in finding number FA-548-00-04 in the accompanying schedule of *Findings and Questioned Costs*, the State of Georgia did not comply with requirements regarding Equipment and Real Property Management that is applicable to the Higher Education - Institutional Aid program. Compliance with such requirements is necessary, in our opinion, for the State of Georgia to comply with requirements applicable to this program.

In our opinion, based on our audit and the reports of other auditors, except for the effects of the matters discussed in the preceding paragraphs, the State of Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999. However, the results of our and other auditors' auditing procedures disclosed the following instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the Federal Awards sections of the accompanying schedule of *Findings and Questioned Costs*.

Activities Allowed or Unallowed	Equipment and Real Property Management	Subrecipients Monitoring
FA-8524-00-01		FA-414-00-02
Allowable Costs/Cost Principles	FA-414-00-01 FA-427-00-04	FA-414-00-03 FA-414-00-04
FA-503-00-02 FA-503-00-03 FA-503-00-04 FA-548-00-01 FA-8524-00-02 FA-8524-00-03	Matching, Level of Effort, Earmarking FA-550-00-01	Special Tests and Provisions FA-521-00-02 FA-521-00-03
Cash Management	Period of Availability of Federal Funds FA-548-00-05	FA-530-00-01 FA-533-00-05 FA-548-00-06 FA-548-00-07 FA-550-00-03 FA-550-00-04
Davis-Bacon Act	Reporting FA-503-00-05 FA-503-00-06 FA-518-00-01	
Eligibility	FA-518-00-02 FA-521-00-01 FA-533-00-04	
FA-427-00-01 FA-427-00-02 FA-427-00-03	FA-550-00-02 FA-571-00-01 FA-918-00-01	

Internal Control Over Compliance

The management of the State of Georgia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. We did not consider the internal control structures applicable to the federal programs listed in the table in paragraph one. Those internal control structures were considered by other auditors whose reports have been furnished to us. Our report, insofar as it relates to the internal control structures used in administering federal programs of the organizations mentioned previously is based solely upon the reports of the other auditors.

In planning and performing our audit, we and other auditors considered the State of Georgia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

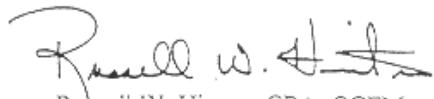
We and other auditors noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State of Georgia's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the Federal Awards section of the accompanying schedule of *Findings and Questioned Costs*.

Activities Allowed or Unallowed	Equipment and Real Property Management	Subrecipients Monitoring
FA-8524-00-01	FA-414-00-01	FA-414-00-02
Allowable Costs/Cost Principles	FA-427-00-04 FA-548-00-04	FA-414-00-03 FA-414-00-04
FA-419-00-02	Matching, Level of Effort, Earmarking	Special Tests and Provisions
FA-503-00-02	FA-550-00-01	FA-419-00-03
FA-503-00-03	Period of Availability of Federal Funds	FA-521-00-02
FA-503-00-04	FA-548-00-05	FA-521-00-03
FA-548-00-01	Reporting	FA-530-00-01
FA-8524-00-02	FA-503-00-05	FA-533-00-05
FA-8524-00-03	FA-503-00-06	FA-548-00-06
Cash Management	FA-518-00-01	FA-548-00-07
FA-8524-00-04	FA-518-00-02	FA-550-00-03
Davis-Bacon Act	FA-521-00-01	FA-550-00-04
FA-548-00-02	FA-533-00-04	
Eligibility	FA-550-00-02	
FA-419-00-01	FA-571-00-01	
FA-427-00-01	FA-918-00-01	
FA-427-00-02		
FA-427-00-03		
FA-533-00-01		
FA-533-00-02		
FA-533-00-03		
FA-548-00-03		

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding numbers FA-533-00-01, FA-533-00-02, FA-533-00-03, FA-548-00-03 to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Russell W. Hinton, CPA, CGFM  
State Auditor

May 14, 2001

# Georgia

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## Federal Awards Findings and Questioned Costs For the Fiscal Year Ended June 30, 2000

### FEDERAL AWARDS FINDINGS

Finding Control Number: FA-427-00-02

#### ELIGIBILITY

Deficiencies in File Maintenance

Child Care Cluster

Child Care and Development Block Grant (CFDA 93.575)

Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA 93.596)

Questioned Cost: \$11,768.00

Our examination included a review of one-hundred-nine (109) benefit transactions from the Child Care Program at certain county Department of Family and Children Services (DFACS) offices to determine if benefit payments were made within program guidelines. These items contained a value of \$80,714.53 out of a sample population of \$46,136,257.25. Our examination revealed that four client folders could not be located and sixteen payments did not meet program requirements which resulted in \$11,768.00 of known questioned costs. These errors were caused by DFACS management's failure to ensure that information required by the Department of Human Resources "Childcare and Parent Services Manual" were included and maintained in client files at the county Department of Family and Children Services offices.

Failure to properly maintain client files can result in direct material effects on the financial statements. The Department of Human Resources should ensure that procedures are in place to provide for proper maintenance of client files and that all required data for eligibility determination is included in the file.

Finding Control Number: FA-427-00-03

#### ELIGIBILITY

Deficiencies in File Maintenance

Food Stamp Cluster (CFDA 10.551 and 10.561)

Questioned Cost: \$12,946.00

Our examination included a review of seventy-eight (78) client case files from the Food Stamp Program at certain county Department of Family and Children Services (DFACS) offices to determine if benefit payments were made within program guidelines. These items contained a value of \$176,137.00 out of a sample population of 70,118 cases totaling \$144,406,007.00. Our examination revealed that one client folder could not be located and six client files were incomplete which resulted in \$12,946.00 of questioned costs. These errors were caused by DFACS management's failure to ensure that information required by the Department of Human Resources "Economic Support Services Manual" were included and maintained in client files at the county Department of Family and Children Services offices.

Failure to properly maintain client files can result in direct material effects on the financial statements. The Department of Human Resources should ensure that procedures are in place to provide for proper maintenance of client files and that all required data for eligibility determination is included in the file.

Finding Control Number: FA-427-00-04

#### EQUIPMENT AND REAL PROPERTY MANAGEMENT

Inadequacies in Operation of Property Management System

Our examination included a review of the internal accounting controls utilized by the Department of Human Resources in maintaining their property management system and also included testing the system for compliance with Federal laws and regulations. This review revealed that equipment additions were not reconciled to the general ledger expenditure accounts.

In addition, 581 equipment items were selected at certain locations for testing the accuracy of the Department's general fixed asset records. The sample items contained a value of \$2,393,763.45 out of a population of 9,820 items totaling \$23,837,483.95 at the tested locations and were selected for the purpose of locating the equipment. Total general fixed assets of the Department amounted to \$393,141,972.78. The following deficiencies were noted:

# Georgia

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## Federal Awards Findings and Questioned Costs For the Fiscal Year Ended June 30, 2000

### FEDERAL AWARDS FINDINGS

1. Sixty (60) items totaling \$173,267.30 could not be located.
2. Thirty-five (35) items totaling \$377,617.87 were surplused, but were not removed from the equipment inventory records.
3. Thirteen (13) items located utilizing serial numbers did not have decal numbers attached.
4. Two (2) items were located with the wrong decal attached.
5. Six (6) items totaling \$15,497.00 were documented as missing, but were not included in the missing category on the equipment inventory records.
6. Two (2) items totaling \$3,835.00 were removed for a redistribution program, but were not removed from the inventory records.

The department is required to maintain equipment inventories in accordance with provisions of paragraph 32 of OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (Common Rule) and State laws and regulations. The discrepancies identified above were caused by the Department's failure to follow guidelines for maintaining equipment inventories.

The Department should establish the necessary internal controls to ensure that equipment inventories are maintained in accordance with provisions of OMB's Common Rule and State laws and regulations.

Major Federal Programs/Awards Affected:

U. S. Department of Agriculture  
Food Stamps - CFDA 10.551/561  
Special Supplemental Food Program for Women, Infants and Children - CFDA 10.557  
U. S. Department of Health and Human Services  
Immunization Grants - CFDA 93.268  
Temporary Assistance for Needy Families - CFDA 93.558  
Child Support Enforcement - CFDA 93.563  
Child Care and Development Fund Cluster - CFDA 93.575/596  
Social Services Block Grant - CFDA 93.667  
Social Security Administration  
Disability Insurance/Supplemental Security Income Cluster - CFDA 96.001/006

### GEORGIA INSTITUTE OF TECHNOLOGY (\*)

Finding Control Number: FA-503-00-02  
ALLOWABLE COSTS/COST PRINCIPLES – RESEARCH AND DEVELOPMENT CLUSTER  
Overhead Expense Pools: Understated Fringe Benefit Accrual Variance

Condition presented in the audit report:

The audit questioned cost of \$174,177 (Atlanta \$153,373, Field-Site \$8,721, Arlington \$4,883, Huntsville \$7,200) representing understated fringe benefit accrual variance. No exception is taken to the balance of proposed laboratory overhead expenses. Because the questioned costs are not expressly unallowable, they are not subject to penalty.

(\*) CERTAIN FEDERAL COMPLIANCE REQUIREMENTS FOR THE RESEARCH AND DEVELOPMENT CLUSTER OF THIS ORGANIZATIONAL UNIT WERE AUDITED BY OTHER AUDITORS.

# Georgia

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## Auditee's Corrective Action Plans For the Fiscal Year Ended June 30, 2000

In addition, a team of program employees meets with regional front line supervisors quarterly to provide them with current policy updates and to emphasize the need for improving and maintaining case record accountability. Program employees will meet the supervisors, caseworkers, and support staff to identify, develop, and design tools to address deficiencies in file maintenance. They will provide information and training at Field Staff meetings to increase awareness of deficiencies and introduce new methodology in efficient record keeping. Specific emphasis on improved case record accountability will be covered at biannual DFCS Management Conferences and at monthly Field Director meetings (Field Directors supervise County Directors). Additionally, this topic will be included in New Worker Training for Eligibility Workers and in County Director Orientation and Administrative Training. Case Record Management will be made a part of county director and eligibility supervisory performance evaluations.

Each month, Food Stamp employees validated the coding of Able-Bodied Adult Without Dependents (ABAWD) Food Stamp case records. Case record accountability monitoring is an inherent characteristic of the process.

The Department of Human Resources (DHR) is committed to strengthening internal control and personal accountability in the area of equipment and property management. DHR intends to accomplish this by revising and updating department policies and internal control procedure to ensure that equipment inventories are properly maintained. Staff members are reviewing our current policies and procedures. This review will include compliance with OMB Common Rule and State laws and regulations.

We will conduct a system wide physical inventory and reconcile any discrepancies. The Property Management Unit will work more closely with division coordinators to ensure compliance with writing policies and procedures regarding equipment management requirements.

Contact Person: Howard Willis, Section Director, Economic Support  
Telephone: (404) 657-3702

Finding Control Number: FA-427-00-04  
**EQUIPMENT AND REAL PROPERTY MANAGEMENT**  
Inadequacies in Operation of Property Management System

The Department of Human Resources (DHR) is committed to strengthening internal control and personal accountability in the area of equipment and property management. DHR intends to accomplish this by revising and updating department policies and internal control procedure to ensure that equipment inventories are properly maintained. Staff members are reviewing our current policies and procedures. This review will include compliance with OMB Common Rule and State laws and regulations.

We will conduct a system wide physical inventory and reconcile any discrepancies. The Property Management Unit will work more closely with division coordinators to ensure compliance with writing policies and procedures regarding equipment management requirements.

Contact Person: Bill Harris, Director of Facilities and Support  
Telephone: (404) 656-4427

## DEPARTMENT OF COMMUNITY AFFAIRS

Finding Control Number: FS-428-00-02  
**GENERAL FIXED ASSETS/PROPERTY MANAGEMENT**  
Inadequacies in the Operation of Property Management System

Finding 1. We do not concur with this finding.

*Item No. 1:* Assets that were identified in the PeopleSoft Purchasing module as Purchase Orders were created beginning July 1999. During FY 2000 assets were checked off and identified in the PeopleSoft Purchasing module by the Agency Procurement Officer to automatically go to the PeopleSoft Asset Management module as the Purchase Order was created. The purchases listed in your finding totaling \$310,583.03 is in error since it includes items identified with Voucher ID's

# Georgia

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Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2000

## FINANCIAL STATEMENT FINDINGS

### DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding Control Number: FS-401-00-01

#### GENERAL FIXED ASSETS/PROPERTY MANAGEMENT

Inadequacies in Operation of Property Management System

Our examination included a review of the internal accounting controls used by the Department of Administrative Services in maintaining their property management system. This review also included testing the system for compliance with State laws and regulations. This testing revealed that equipment additions were not reconciled to the general ledger expenditure accounts.

In addition, one-thousand-seven-hundred-fifty-three (1,753) equipment items were selected to test the accuracy of the Department's property management records. These items contained a value of \$11,380,991.08 out of a population of \$122,050,763.47 and were selected for the purpose of locating the equipment as recorded in the inventory records. Two-hundred-ninety-two (292) of the sample items totaling \$1,375,013.71 could not be located.

Also, during the physical inspection testing, one-hundred-thirty-four (134) items of equipment were located which were not included in the equipment inventory records.

The Department is required to maintain equipment inventories in accordance with provisions of State laws and regulations. The discrepancies identified above were caused by the Department's failure to follow guidelines for maintaining equipment inventories.

It should be noted that since creation of the Division of Support Services/Asset Management, the Department's inventory procedures have improved. However, the Department should continue to review the controls in place and implement procedures to ensure the equipment inventory records are maintained in accordance with State laws and regulations.

Finding Control Number: FS-401-00-02

#### ACCOUNTING CONTROLS (OVERALL)

Inadequate General Controls

For fiscal year 2000, most appropriated agencies comprising the reporting entity of the State of Georgia transitioned to a new accounting system. The previous legacy system was a mainframe, flat-file based system that had evolved over three decades to meet the financial accounting needs of the State of Georgia. Beginning fiscal year 2000, the State of Georgia placed into production a client-server, database system, hereinafter referred to as the Phoenix System.

The management of the individual agencies that comprise the State of Georgia reporting entity, is responsible for establishing and maintaining adequate operations and control procedures over the Phoenix System. The objectives of these policies and procedures are to provide management with reasonable, but not absolute, assurance that the Phoenix System has adequate controls in place and that those controls are operating effectively. Our responsibility was to gain an understanding of these controls in planning and performing our audit.

In gaining that understanding, we encountered control weaknesses that resulted from the transition to the Phoenix System, most notably occurring during the early months of implementation. As a result, we concluded that there was more than a relatively low risk that financial and other forms of data presented for audit may not be accurate, complete or valid.

Data integrity was at risk because each Phoenix entity maintains control over their own accounting processes. Reconciliations were not consistently performed due to lack of understanding of the system, and the unavailability of queries and reports necessary to perform these procedures. The confidentiality of data was at risk because controls were not always in place to safeguard this data against unauthorized use, disclosure, modification, or deletion. Specifically, appropriate firewalls to detect or prevent unauthorized access to the Phoenix System were not always in place during the fiscal year. Adequate separation of duties was not provided through proper development and assignment of operator security classes nor were automated controls applicable to ordering and receiving goods consistently utilized.

# Georgia

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Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2000

## FINANCIAL STATEMENT FINDINGS

Additionally, response time performance issues of the Phoenix System and individual agency network environments resulted in the suspension of audit edits.

To mitigate these risks, the State of Georgia hired consultants to assist in writing queries, reports and business processes to assist agencies in reporting accurate and reliable information. To further reduce the risk of receiving inaccurate or incomplete information, the state should consider taking a statewide, coordinated, consistent approach toward securing and controlling computerized information system and related technology. This will ensure that the Phoenix System will be secure and will aid in the promotion of accurate and complete reporting of data in a more efficient manner. Consideration should also be given to requiring all entities that comprise the state's reporting entity to use the Phoenix System, centralize all business processes with the state of Georgia, and make the necessary changes to the system to provide for budget basis as well as GAAP basis financial statements.

## DEPARTMENT OF EDUCATION

Finding Control Number: FS-414-00-04

CASH AND CASH EQUIVALENTS

FUND EQUITIES

Inadequate Accounting Procedures (Overall)

Accounting procedures of the Office of School Readiness (Office) were insufficient to provide adequate internal controls over Cash and Cash Equivalents, Revenues/Receivables/Receipts, Expenditures/Liabilities/Disbursements and Fund Equities control categories as noted below:

### Cash and Cash Equivalents

1. A review of the June 30, 2000 bank reconciliations indicated numerous reconciling items in the following accounts:

#### Operating Account:

Reconciling items totaling \$5,133,302.97 (net) were identified on the June 2000 bank reconciliation. Of these reconciling items, \$37,218.02 were carried over from the prior fiscal year. The remaining items occurred throughout the current fiscal year. The reconciling items consisted of payments recorded on the general ledger but not clearing the bank, withdrawals (ACH) clearing the bank but never recorded on the general ledger, ACH items returned but not recorded on the general ledger, and manual journal entries posted to the general ledger but the activity was not on the bank statement. Audit adjustments were made for \$1,232,691.61 (net) leaving \$3,900,611.36 (net) not adjusted in this report.

#### Operating Account for Manual Checks:

Reconciling items totaling \$150,430.94 (net) were identified on the June 2000 bank reconciliation. All of these items were from the current fiscal year activity. These reconciling items consisted of checks clearing the bank but never recorded on the general ledger and transfers of money from the Office of School Readiness' (Office) other Operating Account but never recorded on the general ledger. An audit adjustment was made for \$64,617.01 leaving \$215,047.95 (net) not adjusted in this report.

2. Subsequent to June 30, 2000, the Director of the Office of School Readiness resigned. The Director's resignation was effective on August 15, 2000, but the Director's signature continued to be used for all disbursements through November 2000. The Office should ensure that a current bonded employee signs all checks.

# Georgia

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## Auditee's Corrective Action Plans For the Fiscal Year Ended June 30, 2000

### DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding Control Number: FS-401-00-01

#### GENERAL FIXED ASSETS/PROPERTY MANAGEMENT Inadequacies in Operation of Property Management System

We concur with the finding. A reconciliation statement is under review and action is being taken for correction. As previously noted in our prior response to this finding, recommendations have resulted in the creation of the Division of Support Services/Asset Management, with responsibilities over General Fixed Asset inventory. Though considerable improvements have been made, the Department recognizes the need for additional review of controls and new standards for the maintenance of the General Fixed Asset inventory. Since its creation and staffing, some of the measures that have taken place and that will be introduced in the near future are:

- (1) Property coordinators have been identified and trained within each entity/location.
- (2) Full physical inventory conducted in the third and fourth quarters of fiscal year 2000.
- (3) Completed conversion of inventory information into the new Asset Management System.
- (4) Reconciliation of the Inventory listing to the financial records is completed through the 1<sup>st</sup> quarter and on track for completion of all quarters by year-end FY2001.
- (5) Additions and deletions to inventory are being performed in a timely manner.
- (6) A custom query (run weekly) has been designed that accesses the financial records database and allows identification of accountable assets at the initiation of the procurement process.
- (7) A draft of an updated Department policies and procedures manual is under review.

The above internal controls have been developed and implemented to help the Department ensure equipment inventory records are maintained in accordance with State laws and regulations. Though the Department recognizes that due to the magnitude and diversity of assets located across the State that this is an ongoing multi-year and step process.

Contact Person: Steve Fanczi, Director of Fiscal Services  
Telephone: (404) 656-5670; E-mail: sfanczi@doas.state.ga.us

Finding Control Number: FS-401-00-02  
ACCOUNTING CONTROLS (OVERALL)  
Inadequate General Controls

Reconciliations – Lack of Understanding of the System/Lack of Reports & Queries to perform procedures.

We concur with this finding. However, there are issues with the responsibility of the corrective actions. The responsibility of providing the Phoenix HRMS and Financial Systems to agencies resides with the Financial Systems Solutions (FSS) section. It is not the responsibility of FSS to control neither how an agency uses the system nor if they complete reconciliation and balancing procedures. The FSS section provides assistance and recommendations only for this area. The response to this finding describes several events, however for the FSS section, the finding should pertain to providing the necessary reports and/or queries to perform the reconciliation and balancing activities and assistance in understanding of the system. It was still each agency's responsibility to maintain their books including proper reconciliation and balancing actions.

- A consulting company, PwC, was brought in during FY2000 to assist agencies with backlogged reconciliation and balancing issues. PwC, working with DOAS and Hunter, developed processes and new reports needed to help agencies reconcile accounts.
- DOAS and PwC worked together to prioritize agency needs.
- PwC coordinated site visit activities, which included teams of PwC, Hunter, and DOAS Staff. The teams went to the agencies most in need and gave direct help. A series of learning labs were also developed and delivered that gave agencies hands-on experience with their reconciliations.
- As a result of the efforts detailed above, a variety of new audit and control reports were provided to the agencies and put into service.
- As needed, the FSS Financial Help Desk has assisted agencies with balancing issues.

# Georgia

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## Auditee's Corrective Action Plans For the Fiscal Year Ended June 30, 2000

### Firewalls and Security

We concur with this finding. The lack of appropriate firewalls and security has been corrected.

- A pair of Nokia firewalls was installed during calendar year 2000 providing redundant failover firewall security service on a 7x24 hour basis.
- The Phoenix firewall rule base has been actively managed since June 2000. Many rules have been added or updated to make the firewall more resistant to intrusion.
- Network security engineers in the Enterprise Security Group actively manage traffic across the state network to the Phoenix systems during business hours. These same engineers remain on call evenings and weekends.
- Automated tools are used in coordination with the firewalls on a 7x24 basis. The tools monitor traffic, stop intrusions, and send alarms evenings and weekends.
- A draft Firewall Management Plan was put into service in December of 2000 to provide technical coordination with respect to the firewall rule base between the Enterprise Security Group, Phoenix DBA's, Unix Support, and Production Management teams. An updated version of the management guide is nearing completion.
- Additional security enhancements are planned and underway. This includes replacement of Telnet access, used by developers and production management staff, with Secure Shell access. This will encrypt all operator commands and prompts sent between developers and the Sun platforms that host Phoenix.

### Operator Security Classes

We concur with the finding. The separation of duties through assignment of operator security classes has been accomplished.

- A total of 46 distinct operator classes have been established for financials across 7 FN modules. Special permission is required for 6 special capabilities, such as "create requisitions" and "create purchase orders". Three roles and four approval levels can also be assigned for operator classes associated with the Purchasing module. Similar subdivision was also implemented for Accounts Payable and Accounts Receivable.
  - Asset Management - 6
  - Accounts Payable - 7
  - Accounts Receivable - 3
  - General Ledger - 7
  - Labor Distribution - 2
  - Purchasing - 7
  - State Purchasing - 6
  - DTAE Only - 1
  - DOT Only - 4
  - All FN Modules - 1
  - Small and Minority Business - 1
  - Central Supply - 1
- A total of 51 distinct operator classes have been established across 3 HR modules
  - Benefits - 17
  - Human Resources - 16
  - Payroll - 17
  - Special Access - 1
- A group of about 25 special operator classes was created for FSS users who maintain Phoenix. These allow FSS users special access needed without releasing these privileges to operator classes used by general users.
- Access is being actively managed, with frequent updates to security tables and security documentation throughout 2000 and 2001.

# Georgia

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## Auditee's Corrective Action Plans For the Fiscal Year Ended June 30, 2000

- An automated tool, Braintree, was deployed in 2000 to help manage user accounts, to enforce password rotation, and to ensure expiration of unused or outdated accounts.

### Response Time Performance Issues

We concur with this finding. Online response problems were relayed to the Governor's office in November of 1999, and the Governor authorized a study directed by the CIO. 77 recommendations were provided in a 23 December 1999 report.

- The Governor's Office directed funding to a task force established to improve performance and to assist agencies in reconciling and closing their books. Work began in January 1999 on the 77 recommendations, consolidated to 59.
- Significant improvements were put in place by March 2000, including several of the more significant original recommendations. Progress against the original list continues, as funding becomes available.
- An online performance-sampling network of 26 Phoenix users in three agencies, DOR, DOE, and DHR was established in March of 2000. Samplings were taken in the March – June 1999 interval. Dozens of performance problems were identified and corrected. These most often required optimization of SQL or program code.
- An upgrade of the operating version of Oracle provided access to additional performance improvements.
- A very significant restructuring of the Phoenix storage architecture was completed for FN user 20-21 May, and a significant performance increase was achieved.
- A complete replacement of the storage array disk drives for FN and HR systems was accomplished in late calendar year 2000 and early 2001. This has provided a very significant improvement in performance and capacity.
- Precise SQL and Precise Insight tools began implementation during December 2000 and continuing into February of 2001. The tools support detailed SQL tuning and end to end performance monitoring. Performance data is being collected now into an automated performance warehouse. After several months of data are collected, additional improvements, such as deleting unused indexes, will be possible.
- Additional performance tuning has been established on a continuing basis since the beginning of FY 2001, with very significant improvements in online performance. Performance has improved despite a massive increase in the amount of data stored online.
- Additional performance improvements can be expected from implementation of Quick IO, now underway. Partitioning will follow Quick IO implementation. This should help limit the performance impact from tremendous growth in the amount of online data.

### Recommendations Section of Finding:

*The State should consider taking a statewide, coordinated, consistent approach toward securing and controlling computerized information system and related technology.*

The DOAS security function is now a part of the new Georgia Technology Authority. It is their intent to take a statewide coordinated and consistent approach to all State security functions.

*Consideration should also be given to requiring all entities that comprise the state's reporting entity to use the Phoenix system, centralize all business processes with the State of Georgia, and make the necessary changes to the system to provide for budget basis as well as GAAP basis financial statements.*

DOAS and the FSS section do not have the authority to require any agency to use the Phoenix System or to centralize all business processes. This authority would belong to the State Controller if Georgia were to establish that position. In the past, a committee of state leaders has owned this authority.

The FSS staff is currently working with the Department of Audits and PeopleSoft to implement GAAP basis functionality in Phoenix.

Contact Person: Sue Armstrong, Assistant Director, Information Technology  
Telephone: (404) 651-9153; E-mail: sarmstro@doas.state.ga.us

## **Overview of the Office of the Inspector General**

### **Office of Audit**

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency.

### **Office of Executive Operations**

The Office of Executive Operations (OEO) supports the Office of the Inspector General (OIG) by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities; coordinates responses to congressional requests for information; and also communicates OIG's planned and current activities and the results to the Commissioner and Congress.

### **Office of Investigations**

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

### **Counsel to the Inspector General**

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.