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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 NEW YORK  
FOR THE FISCAL YEAR ENDED  
MARCH 31, 2000**

**February 2002      A-77-02-00008**

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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

Office of the Inspector General

### MEMORANDUM

Date: FEB 25 2002

Refer To:

To: Ellen Baese  
Director  
Management Analysis and Audit Program Support Staff

From: Assistant Inspector General  
for Audit

Subject: Single Audit of the State New York for the Fiscal Year Ended March 31, 2000  
(A-77-02-00008)

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, 2000. KPMG, Certified Public Accountants, performed the audit. The Department of Health and Human Services' desk review concluded that the audit met Federal requirements.

The New York 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 New York Department of Social Services (DSS), Office of Temporary and Disability Assistance, is the New York DDS's parent agency.

For single audit purposes, the Office of Management and Budget (OMB) 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 the following findings (see Appendix A):

- Expenditures were not properly approved and supported by documentation. The corrective action plan indicates procedures are in place to ensure documentation is sufficient and that all vouchers are signed prior to submission.

Cost allocation procedures set forth in OMB Circular A-87 were not followed. The corrective action plan indicates that cost allocation plans have been submitted for approval.

- Salaries were incorrectly recorded in the State's payroll system because of errors in employee timesheets, resulting in questioned costs of \$4,263. The corrective action plan indicates that a process has been established to correctly capture all time and leave data for the payroll system.
- SSA costs of \$760,211 were incorrectly charged to non-SSA programs. The corrective action plan indicates efforts will be made to charge expenditures to the appropriate funding source and necessary adjustments will be made quarterly.

We recommend that SSA:

1. Remind the DDS of the requirements for approving expenditures and for retaining supporting documentation.
2. Verify that DDS expenses are being allocated to SSA based on approved cost allocation methodologies.
3. Determine the portion of the \$4,263 in salary-related questioned costs incorrectly charged to SSA and recover the unallowable costs from the DDS.
4. Ensure that the DDS has a system in place for accurately recording and reporting expenses.

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 (see Appendix B).

- Supporting documentation and records were not maintained for transactions with outside vendors.
- Reviews were not performed to verify the allowability of expenditures charged to Federal programs.
- DSS did not perform pre-settlement reviews of claims submitted for current expenditures and prior adjustments.
- Quarterly expenditure reports did not agree with the State's Central Accounting System.

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

**Food Stamps (10.551)**

**State Administrative Matching Grants for Food Stamp 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)**

**Office of Temporary and Disability Assistance**

**Office of Children and Family Services**

**Department of Health**

**Reference:** 00-06

**Requirement**

To be allowable under a grant, costs must be necessary, reasonable, and supported by adequate documentation. (OMB Circular A-87)

**Finding**

The Office uses the Central Office Cost Allocation System (COCAS) to capture personal service, non-personal service, and training costs for allocation to the various programs. The COCAS involved accumulating direct costs and allocating indirect costs through allocation accounts and required all central office and certain local districts to be assigned an accumulator code.

As part of our testwork of other than personal service costs we selected for review a sample of 55 vouchers. We were unable to obtain sufficient supporting documentation for one voucher, in the amount of \$38,129, to substantiate whether the cost was charged to the appropriate accumulator code and allocated to the appropriate benefiting programs. In addition, we noted that a second voucher, for \$1,785, did not contain a signature authorizing payment of the voucher. We did note that the supporting documentation for the second voucher contained signed purchase orders and supported the charge to the appropriate accumulator code.

A similar finding was included in the prior year single audit report on page 30.

**Recommendation**

We recommend that the Offices improve their procedures to maintain proper supporting documentation in order to determine whether the expenditures were properly charged to the programs benefiting from the expenditures.

**Related Noncompliance**

Based on the above finding, we are unable to conclude whether the Office was in compliance with this requirement.

**Questioned Costs**

Cannot be determined

NEW YORK STATE CORRECTIVE ACTION PLAN  
Single Audit of Federal Programs for  
State Fiscal Year Ended March 31, 2000

State Agency: Office of Children and Family Services

Single Audit Contact: Bob Metacarpa

Title: Single Audit Liaison

Telephone: (518) 474-2553

Federal Program(s) (CFDA #[s])

Food Stamps (10.551)  
State Administrative Matching Grants for Food Stamp 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)

Office of Temporary and Disability Assistance  
Office of Children and Family Services  
Department of Health

Audit Report

Page Reference(s) 00-06 page 28-29

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

- |  |       |
|--|-------|
| Internal Control with related noncompliance    | [ X ] |
| Internal Control Only (no noncompliance cited) | [ ]   |
| Other reportable noncompliance (Finding Only)  | [ ]   |

Questioned Costs \$ Cannot be determined

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office uses the Central Office Cost Allocation System (COCAS) to capture personal service, non-personal service, and training costs for allocation to the various programs. The COCAS involved accumulating direct costs and allocating indirect costs through allocation accounts and required all central office and certain local districts to be assigned an accumulator code.

As part of our testwork of other than personal service costs we selected for review a sample of 55 vouchers. We were unable to obtain sufficient supporting documentation for one voucher, in the amount of \$38,129, to substantiate whether the cost was charged to the appropriate accumulator code and allocated to the appropriate benefiting programs. In addition, we noted that a second voucher, for \$1,785, did not contain a signature authorizing payment of the voucher. We did note that the supporting documentation for the second voucher contained signed purchase orders and supported the charge to the appropriate accumulator code.

A similar finding was included in the prior year single audit report on page 30.

Auditors recommend that the Offices improve their procedures to maintain proper supporting documentation in order to determine whether the expenditures were properly charged to the programs benefiting from the expenditures.

III. Agency Response:

OCFS Cost Allocation Unit staff will look into the specifics regarding the documentation for the two vouchers cited. In the future, efforts will continue to assure that documentation is sufficient to justify the accumulator codes charged. Also, processing staff have been alerted to assure that all vouchers are signed prior to submission to the Office of the State Comptroller.

**Food Stamps (10.551)**

**State Administrative Matching Grants for Food Stamp 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)**

**Office of Temporary and Disability Assistance**

**Office of Children and Family Services**

**Department of Health**

**Reference:** 00-08

**Requirement**

The State shall submit a cost allocation plan for the State agency as required below to the Director, Division of Cost Allocation (DCA), in the appropriate 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 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 42 CFR Chapter IV Subchapter C; and (4) Contain sufficient information in such detail 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 95.207)

**Finding**

The Offices and Department, on a quarterly basis, created Central Office Cost Allocation Claims (COCACs) which accumulated 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 \$412 million in allocated costs covering approximately 40 separate allocation methodologies during the period 4/1/99-3/31/00. The methodologies were established to allocate overhead costs related to the programs formerly administered by Department of Social Services. Since January 1997, these programs have been administered by the Office of Temporary and Disability Assistance, the Office of Children and Family Services, and the Department of Health. Effective January 1998, the Offices and Department revised and implemented methodologies 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 reviewed and noted that none of the methodologies had been approved by the Federal government as of the State fiscal year ended March 31, 2000. As such, the offices were allocating costs based on unapproved methodologies.

A similar finding was included in the prior year single audit report on page 33.

**Recommendation**

We recommend that the Offices and Department continue to seek Federal approval of the submitted plans.

**Related Noncompliance**

Based on the above, the Offices and Department were not fully in compliance with the above described requirement.

**Questioned Costs**

Cannot be determined

NEW YORK STATE CORRECTIVE ACTION PLAN  
Single Audit of Federal Programs for  
State Fiscal Year Ended March 31, 2000

State Agency: Office of Children and Family Services

Single Audit Contact: Bob Metacarpa

Title: Single Audit Liaison

Telephone: (518) 474-2553

Federal Program(s) (CFDA #[s]) Food Stamps (10.551)  
State Administrative Matching Grants for Food Stamp 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)

Office of Temporary and Disability Assistance  
Office of Children and Family Services  
Department of Health

Audit Report  
Page Reference(s) 00-08 page 31-32

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

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|--|-------|
| Internal Control with related noncompliance    | [ X ] |
| Internal Control Only (no noncompliance cited) | [ ]   |
| Other reportable noncompliance (Finding Only)  | [ ]   |

Questioned Costs \$ Cannot be determined

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Offices and Department, on a quarterly basis, created Central Office Cost Allocation Claims (COCACs) which accumulated 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 \$412 million in allocated costs covering approximately 40 separate allocation methodologies during the period 4/1/99-3/31/00. The methodologies were established to allocate overhead costs related to the programs formerly administered by Department of Social Services. Since January 1997, these programs have been administered by the Office of Temporary and Disability Assistance, the Office of Children and Family Services, and the Department of Health. Effective January 1998, the Offices and Department revised and implemented methodologies 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 reviewed and noted that none of the methodologies had been approved by the Federal government as of the State fiscal year ended March 31, 2000. As such, the offices were allocating costs based on unapproved methodologies.

A similar finding was included in the prior year single audit report on page 33.

Auditors recommend that the Offices and Department continue to seek Federal approval of the submitted plans.

III. Agency Response:

OCFS will continue to respond to questions posed by the Federal Department of Health and Human Services related to cost allocation plans submitted in early 1999 for approval. OCFS will continue to claim in accordance with the plans submitted at that time.

**Food Stamps (10.551)**

**State Administrative Matching Grants for Food Stamp Program (10.561)**

**Temporary Assistance for Needy Families (93.558)**

**Child Support Enforcement (93.563)**

**Low Income Home Energy Assistance (93.568)**

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**Adoption Assistance (93.659)**

**Social Services Block Grant (93.667)**

**Medical Assistance Program (93.778)**

**Social Security-Disability Insurance (96.001)**

**Office of Temporary and Disability Assistance**

**Office of Children and Family Services**

**Department of Health**

**Reference: 00-09**

**Requirement**

An adequate accounting and statistical system must exist to support claims made under a cost allocation plan. (45 CFR, Subpart E)

**Finding**

The Offices and Department used the Central Office Cost Allocation System (COCAS) to capture personal service, non-personal service, and training costs for allocation to the various programs. The COCAS involved accumulating direct costs and allocating indirect costs through allocation accounts and required all central office and certain local districts to be assigned an accumulator code.

The Offices maintained a Payroll Allocation Cost System (PACS) whereby it is the responsibility of each employee to determine the accumulator code that best matched their work functions. This accumulator code is to be indicated on each of the employee's time sheets, which were reviewed and approved by the employee's supervisor. The accumulator code that was assigned on the time sheet was the accumulator code that was charged for the employee's time during that pay period, and as a result the accumulator code that was charged on the quarterly Central Office Cost Allocation Claim (COCAC).

During our test work, which included selecting a sample from the PACS and sending personal service questionnaires to 75 selected employees with total annual salaries of \$4,826,823. We noted 4 individuals, with total annual salaries of \$192,596, who were coded to the incorrect accumulator code on the PACS. The personal service questionnaires returned by the employees were either missing the accumulator code or supported the code the individual charged on their time sheet, which was different from that reported per the PACS. In addition we noted 15 timesheet were either missing the accumulator code or had the wrong accumulator code, but were correctly charged on the PACS. We also noted 2 timesheets were missing employee signatures and 1 timesheet could not be located. Finally, we noted that the appropriate language certifying that the correct accumulator code is being charged was missing from all the tested time sheets.

Questioned costs were determined by taking the amount of the employee's bi-weekly timesheet that could not be located.

A similar finding was included in the prior year single audit report on page 35.

**Recommendation**

We recommend that the Offices and Department strengthen existing procedures to ensure the proper accumulator codes are being charged.

**Related Noncompliance**

Based on the above, the Officers and Department were not fully in compliance with the above described requirement.

**Questioned Costs**

\$4,263

NEW YORK STATE CORRECTIVE ACTION PLAN  
Single Audit of Federal Programs for  
State Fiscal Year Ended March 31, 2000

State Agency: Office of Children and Family Services

Single Audit Contact: Bob Metacarpa

Title: Single Audit Liaison

Telephone: (518) 474-2553

Federal Program(s) (CFDA #[s])

Food Stamps (10.551)  
State Administrative Matching Grants for Food Stamp Program (10.561)  
Temporary Assistance for Needy Families (93.558)  
Child Support Enforcement (93.563)  
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Social Services Block Grant (93.667)  
Medical Assistance Program (93.778)  
Social Security-Disability Insurance (96.001)

Office of Temporary and Disability Assistance  
Office of Children and Family Services  
Department of Health

Audit Report  
Page Reference(s) 00-09 page 33-34

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

- Internal Control with related noncompliance    
Internal Control Only (no noncompliance cited)    
Other reportable noncompliance (Finding Only)

Questioned Costs \$ 4,263

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Offices and Department used the Central Office Cost Allocation System (COCAS) to capture personal service, non-personal service, and training costs for allocation to the various programs. The COCAS involved accumulating direct costs and allocating indirect costs through allocation accounts and required all central office and certain local districts to be assigned an accumulator code.

The Offices maintained a Payroll Allocation Cost System (PACS) whereby it is the responsibility of each employee to determine the accumulator code that best matched their work functions. This accumulator code is to be indicated on each of the employee's time sheets, which were reviewed and approved by the employee's supervisor. The accumulator code that was assigned on the time sheet was the accumulator code that was charged for the employee's time during that pay period, and as a result the accumulator code that was charged on the quarterly Central Office Cost Allocation Claim (COCAC).

During our test work, which included selecting a sample from the PACS and sending personal service questionnaires to 75 selected employees with total annual salaries of \$4,826,823. We noted 4 individuals, with total annual salaries of \$192,596, who were coded to the incorrect accumulator code on the PACS. The personal service questionnaires returned by the employees were either missing the accumulator code or supported the code the individual charged on their time sheet, which was different from that reported per the PACS. In addition we noted 15 timesheet were either missing the accumulator code or had the wrong accumulator code, but were correctly charged on the PACS. We also noted 2 timesheets were missing employee signatures and 1 timesheet could not be located. Finally, we noted that the appropriate language certifying that the correct accumulator code is being charged was missing from all the tested time sheets.

Questioned costs were determined by taking the amount of the employee's bi-weekly timesheet that could not be located.

A similar finding was included in the prior year single audit report on page 34.

Auditors recommend that the Offices and Department strengthen existing procedures to ensure proper accumulator codes are being charged.

III. Agency Response:

A process has been established to capture all time card accumulator code information. Each time card's accumulator code information is data entered into PACS each four week period. OCFS will also send out a reminder notice to all employees reminding them to change their accumulator code when they move between jobs.

## Social Security Disability Insurance (96.001)

### Office of Temporary and Disability Assistance

Reference: 00-74

#### Requirement

Some DDSs make disability determinations for claims not related to SSA benefits. When DDS performs non-SSA work, a Memorandum of Understanding should exist between the State and the SSA Regional Commissioner that outlines the specifics of the non-SSA work. The SSA should not be charged the costs of the non-SSA program work (POMS DI 39563).

#### Finding

The Office had a Memorandum of Understanding to perform non-SSA activities for New York City. Payroll headers were created to segregate the costs of SSA and Non-SSA employees. The Office assigned employees to the Non-SSA payroll header based on an estimate, however, during the period under audit, the Office over estimated the number of employees assigned to perform non-SSA activities. Some of the employees actually performed SSA work. Both SSA and non-SSA employees were contained on the Non-SSA payroll header. This caused payroll costs for both non-SSA and SSA to be charged to non-SSA funds. In accordance with program regulations, SSA was not charged for the costs of non-SSA work. We noted SSA costs were incorrectly charged to non-SSA program funds in the amount of \$760,211. Our testwork further revealed that the SSA costs were not transferred to the appropriate program until the Office made an annual adjustment in May 2000.

A similar finding was included in the prior year single audit report on page 101.

#### Recommendation

We recommend that the Office establish policies and procedures to monitor the assignment of employees in a timely manner.

**NEW YORK STATE COMPLIANCE COMMENTARY**  
**Single Audit of Federal Programs for**  
**State Fiscal Year Ended March 31, 2000**

State Agency: Office of Temporary & Disability Assistance

Single Audit Contact: David C. Dorpfeld  
Title: Coordinator for External Audit  
Telephone: (518) 474-9748

Federal Program(s) (CFDA # [s]): Social Security Disability Insurance (96.001)

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Audit Report  
Page Reference(s) 00-74 page 119

- I. Type of Finding: [Check one to identify the nature of the particular audit finding.]
- Internal Control with related noncompliance  [X]
- Internal Control Only (no noncompliance cited)  [ ]
- Other reportable noncompliance (Finding Only)  [ ]
- Questioned Costs \$760,211

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office had a Memorandum of Understanding to perform non-SSA activities for New York City. Payroll headers were created to segregate the costs of SSA and Non-SSA employees. The Office assigned employees to the Non-SSA payroll header based on an estimate however, during the period under audit, the Office over estimated the number of employees assigned to perform non-SSA activities. Some of the employees actually performed SSA work. Both SSA and non-SSA employees were contained on the Non-SSA payroll header. This caused payroll costs for both non-SSA and SSA to be charged to non-SSA funds. In accordance with program regulations, SSA was not charged for the costs of non-SSA work. Auditors noted SSA costs were incorrectly charged to non-SSA program funds in the amount of \$760,211. Auditors testwork further revealed that the SSA costs were not transferred to the appropriate program until the Office made an annual adjustment in May 2000.

Auditors recommended that the Office establish policies and procedures to monitor the assignment of employees in a timely manner.

III. Agency Response:

The Agency has revised the claim to correctly charge the amount of \$760,211 to SSA and will make every effort to appropriately direct charge in the first instance SSA and non-SSA activities. Where adjustments are required, we will make every effort, within available staff resources, to make the adjustments on a quarterly basis.

**Food Stamps (10.551)**

**State Administrative Matching Grants for Food Stamp Program (10.561)**

**Office of Temporary and Disability Assistance**

**Reference:** 00-02

**Requirement**

The State is required to maintain adequate security over, and documentation/records for, Authorization to Participate (ATP) cards, other documents authorizing issuance, EBT cards, and the food stamp coupon themselves to prevent: coupon theft, embezzlement, loss, damage, destruction; unauthorized transfer, negotiations, or use of coupons; and alteration or counterfeiting of coupons and other documents authorizing issuance. (7 CFR sections 274.7(b), .11(c), and .12(h)(3))

**Finding**

During our review, we noted that New York City issued their own Electronic Payments File Transfer cards for food stamps and cash benefits from April 1999 through October 1999. As a result of our testwork, we noted the Office did not have adequate controls in place to monitor New York City card production and distribution. Subsequent to this period, the Electronic Benefits Transfer (EBT) system was fully implemented in New York City which resulted in the elimination of the Electronic Payments File Transfer cards.

Beginning in November 1999, the Office contracted with an outside vendor to provide card production and distribution for the Electronic Benefits Transfer (EBT) card. The EBT card was used by New York City recipients to access their food stamp benefits. During our review of issuance document security, we noted the Office did not have adequate controls in place to monitor the vendor's card production and distribution. We noted that the vendor does not keep records of cards that were returned by the postal service.

A similar finding was included in the prior year single audit report on page 25.

**Recommendation**

We recommend that the Office implement policies and procedures to ensure compliance with the above requirements.

**Food Stamps (10.551)**

**State Administrative Matching Grants for Food Stamp Program (10.561)**

**Temporary Assistance for Needy Families Program (93.558)**

**Child Support Enforcement (93.563)**

**Office of Temporary and Disability Assistance**

**Reference:** 00-05

**Requirement**

To be allowed under a grant, costs must be necessary, reasonable, and supported by adequate documentation (OMB Circular A-87)

**Finding**

The Office, through the Bureau of Financial Operations (BFO), accumulated, compiled, and reported to the Federal government claims received from other state agencies (OSA). The Office entered into Memorandums of Understanding (MOU's) with other state agencies, which were legal agreements detailing the terms and reporting responsibilities of the OSA. The Office relied on the MOU's to certify the allowability of the OSA claims received. During the period under audit, we noted that the Office submitted OSA claims related to the above programs and did not perform any reviews to assess or verify the allowability of the claims submitted. The total OSA claims submitted for the programs noted above were as follows:

TANF	\$ 41,074,396
Child Support Enforcement	32,223,660
Food Stamps	869,785
Total	\$ <u>74,167,841</u>

A similar finding was included in the prior year single audit report on page 29.

**Recommendation**

We recommend the Office strengthen procedures over the review of OSA claims with respect to the verification of the allowability of the claims.

**Related Noncompliance**

Based on the above, we were unable to determine whether the Office was in compliance with this requirement.

**Questioned Costs**

Cannot be determined.

**Food Stamps (10.551)**

**State Administrative Matching Grants for Food Stamp 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)**

**Office of Temporary and Disability Assistance**

**Office of Children and Family Services**

**Department of Health**

**Reference:** 00-07

**Requirement**

To be allowed under a grant, costs must be necessary, reasonable, and supported by adequate documentation (OMB Circular A-87).

**Finding**

The local districts submitted claims for current expenditures and prior adjustments relating to the various programs on the RF-2, RF-2A, and RF-8 forms via the claims processing system. Due to a lack of staff, the Office was unable to perform these reviews for the first nine months of the period under audit. However, these reviews were initiated beginning in January 2000.

We noted that during the year under audit, the Office conducted pre-settlement reviews for the final three months for the RF-2, RF-2A, and RF-8 claims for New York City. However, these reviews were not performed for the other local districts.

A similar finding was included in the prior year single audit report on page 32.

**Recommendation**

We recommend that the Office strengthen procedures over the review of local district claims for allowability.

**Temporary Assistance for Needy Families Program (93.558)**

**Child Support Enforcement (93.563)**

**Office of Temporary and Disability Assistance**

Reference: 00-39

**Requirement**

Financial data disclosed in the Quarterly Expenditure Reports (QER's) must be supported by accurate, current and complete source documentation (45 CFR 74.61 (a & g)).

**Finding**

The Office maintained an independent accounting system to support the amounts claimed in Federal financial reports. The Office of the State Comptroller (OSC) maintained the Statewide Central Accounting System (CAS), from which the State's Schedule of Expenditures of Federal and Nonfederal Awards (SEFA) and general purpose financial statements were prepared. In conjunction with our financial reporting testwork, we requested that the Office provide a reconciliation of expenditures reported on the financial reports to expenditures reported on the SEFA for the programs cited above.

In conjunction with our financial reporting testwork, we compared QER's filed for the audit period to the CAS and noted the following differences.

<u>Program</u>	<u>CAS</u>	<u>QER</u>	<u>Difference</u>
93.558	\$ 1,107,008,114	1,481,533,602	(374,525,488)
93.563	\$ 56,770,862	87,178,147	(30,407,285)

The Office was unable to perform the above requested reconciliation for either the Temporary Assistance for Needy Families or Child Support Enforcement programs. The Office stated that the financial data disclosed in these reports was supported by accurate, current and complete documentation. The Office indicated that any additional reconciliations would only identify timing differences between when an expenditure was included on the financial reports and when it was paid in the CAS. The financial information which would have been utilized to complete this reconciliation was not readily available on an automated basis. This was due to problems encountered with the re-hosting of the Automated Claiming System from a mainframe system to a Client Service platform using an Oracle database. It was the position of the Office that for these reasons, they did not believe that the effort of limited staff resources was warranted.

A similar finding was included in the prior year single audit report on page 60.

**Recommendation**

We recommend that the Office implement internal control procedures to ensure that the financial status reports for the above cited programs are reconciled to the SEFA report within a reasonable time after the end of the State fiscal year.

**Related Noncompliance**

Based on the above, we were unable to determine whether the Office was in compliance with this requirement.

**Questioned Costs**

Cannot be determined.

## **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) provides four functions for the Office of the Inspector General (OIG) – administrative support, strategic planning, quality assurance, and public affairs. OEO supports the OIG components by providing information resources management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this Office coordinates and is responsible for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. The quality assurance division performs internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from the Agency. This division also conducts employee investigations within OIG. The public affairs team communicates OIG's planned and current activities and the results to the Commissioner and Congress, as well as other entities.

### **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.