
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF GEORGIA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

February 2004 A-77-04-00007

**MANAGEMENT
ADVISORY REPORT**



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: February 25, 2004

Refer To:

To: Candace Skurnik
Director
Audit Management and Liaison Staff

From: Assistant Inspector General
for Audit

Subject: Management Advisory Report: Single Audit of the State of Georgia for the Fiscal Year Ended June 30, 2002 (A-77-04-00007)

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, 2002. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Georgia State Auditor performed the audit. The Department of Health and Human Services (HHS) desk review concluded that the audit met Federal requirements. In reporting the results of the single audit, we relied entirely on the internal control and compliance work performed by the Georgia State Auditor and the reviews performed by HHS.

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

The Georgia Disability Adjudication Services (DAS) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The DAS is reimbursed for 100 percent of allowable costs. The Georgia Department of Labor (DoL) is the Georgia DAS' parent agency.

The single audit reported that DoL made improper cash draws totaling \$777,555. In May of 2002, the DoL returned \$741,239 to the United States Department of Treasury. The corrective action plan indicates that the remaining \$36,316 was returned to the Department of Treasury in April 2003 and controls would be put in place to ensure SSA funds are drawn timely (Attachment A, pages 1 through 3).

Our administrative cost audit of the Georgia DAS identified the same cash draw finding as the single audit and recommended corrective action.¹ Accordingly, we will not make any additional recommendations.

The single audit also disclosed the following findings that may impact DAS 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.

- All activity for bank accounts was not recorded on the general ledger (Attachment B, page 1).
- Bank reconciliations were not performed timely and variances were not resolved (Attachment B, page 1).
- Internal controls were not adequate to recognize revenue in the general ledger (Attachment B, pages 2 and 3).

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

*Kale S. Stone for
Steven L. Schaeffer*

Attachments

¹ Administrative Costs Claimed by the Georgia Disability Adjudication Services (A-15-01-11021), February 2004.

Georgia

Federal Awards Findings and Questioned Costs For the Fiscal Year Ended June 30, 2002

FEDERAL AWARDS FINDINGS

Finding Control Number: FA-427-02-07

ALLOWABLE COSTS/COST PRINCIPLES

Inadequacies in Collection of Overpayments of Health

 Insurance Continuation Program (HICP) Premiums

 HIV Care Formula Grants (93.917)

Our examination included a review of the internal accounting controls for Allowable Cost/Cost Principles for HIV Care Formula Grants. Our review disclosed that some refunds due back to the Department of Human Resources for overpayment of Health Insurance Continuation Program (HICP) premiums were not collected. In some of these instances, program staff was not aware that refunds were due to the Department.

Program staff of the Department of Human Resources should regularly review correspondence from insurance companies to verify that the correct amount is being paid for premiums and that payments are not being made for expired coverage. Further, written policies and procedures should be developed and put into place to track refunds due to the Department.

DEPARTMENT OF LABOR

Finding Control Number: FA-440-02-01

CASH MANAGEMENT

Improper Fund Requests

Disability Insurance/SSI Cluster Program (96.001)

Questioned Costs: \$36,316.32

During the period under review, the Georgia Department of Labor improperly requested funds for four separate grants totaling \$777,555.32 as follows:

Grant	Amount	Resolution
0004GADI00	\$709,631.00	Returned May, 2002
0004GADI02	\$26,000.00	Returned May, 2002
9804GADI01	\$5,608.00	Returned May, 2002
9804GADI00	\$36,316.32	Unresolved

These funds were transferred from the U.S. Department of Treasury in January 2002. Federal auditors of the Social Security Office of the Inspector General requested documentation for the expenditures related to three of the fund requests. The Department of Labor was unable to provide adequate documentation to support the three fund requests, and as a result, returned the funds to the U.S. Department of Treasury based on the federal auditors request in May 2002. Our review of the remaining grant request disclosed that documentation for the expenditures could not be provided by the Department to support the request of funds for grant number 9804GADI00 in the amount of \$36,316.32. These funds should be returned to the U.S. Department of Treasury.

The Department should review the Disability Insurance/SSI Cluster Program regulations in order to develop adequate control procedures to ensure that the cash drawdowns of the Disability Insurance/SSI Cluster Program are made based on immediate cash needs.

Georgia

Auditee's Corrective Action Plans For the Fiscal Year Ended June 30, 2002

Finding Number: FS-440-02-08

GENERAL LEDGER

Ending Balances in Balance Sheet Clearing Accounts

We concur with the finding. The Department will ensure that the general ledger is accurately maintained and monitored. The clearing account will be reviewed to zero out balances. Controls will be put in place to prevent this from reoccurring.

Contact Person: John T. Williams, Acting Director of Accounting

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Finding Control Number: FS-440-02-09

CAPITAL ASSETS

Inadequacies in Operations of Property Management System

We concur with the finding. Controls will be put in place to ensure that equipment inventories are maintained in accordance with State Laws and regulations. We have developed and implemented a system using automated reports from the Financial Accounting Reporting System (FARS) and the Property Management System. Our corrective actions to provide a proper reconciliation between equipment additions to inventories recorded by the Property Management System and the equipment expenditure accounts on the general ledger (SA2510 Trial Balance) will be as follows:

- 1) For State GAAP account codes 016-643-100 Equipment Purchases Greater than \$5,000.00 (FARS Object/Sub-object 5010) and 019-643-100 Computer Equipment Purchases Greater than \$5,000.00 (FARS Object/Sub-object 5235) which appear on the SA2510 Report, create a file class 5 expenditure records by document number, document line number, and dollar amount from the FARS detail transaction file.
- 2) Create a file of equipment inventory records that meets the statutory definition of \$5,000.00 or more from the Property Management System by document number and dollar amount.
- 3) Match the records of these two files by document and produce a comparative report that displays document numbers and amounts. Where the amounts agree, reconciliation is complete. Where the amounts do not agree, we shall reconcile the differences, which should result from price changes, freight changes, and discounts, by using ad hoc reports.
- 4) Make corrections to the Property Management System equipment inventory records where original cost amounts do not agree with SA2510 equipment expenditure accounts.
- 5) Reconcile the SA2410 equipment expenditure accounts to SA2510 equipment expenditure accounts; the differences should be resources on order.
- 6) Reconcile the subsidiary to general ledger expenditures account on a monthly basis.

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Finding Control Number: FA-440-02-01

CASH MANAGEMENT

Improper Fund Requests

Disability Insurance/SSI Cluster Program (96.001)

Questioned Cost: \$36,316.32

We concur with the finding. Internal control procedures were reviewed to ensure that the cash draw downs of the Disability Insurance/SSI Cluster Program are made based on immediate cash needs. Controls will be put in place to prevent this from re-occurring.

Georgia ---

**Auditee's Corrective Action Plans
For the Fiscal Year Ended June 30, 2002**

As of April 2003, the \$36,316.32 has been returned to the US Department of Treasury.

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Georgia

Findings and Questioned Costs For the Fiscal Year Ended June 30, 2002

FINANCIAL STATEMENT FINDINGS

DEPARTMENT OF LABOR

Finding Control Number: FS-440-02-01

GENERAL LEDGER

Inadequate Accounting Procedures

During the period under review, the accounting procedures of the Department of Labor were not sufficient to provide for adequate controls over the Department's general ledger. Current year activity for funds of the Department of Labor on deposit with the Office of Treasury and Fiscal Services Georgia Fund 1 were not recorded on the general ledger. The Department recorded the June 30, 2001, balance in the general ledger, but failed to record current fiscal year activity and the year-end balance (\$280,101.08 at June 30, 2002). All financial activity should be recorded on the general ledger to maintain appropriate accountability.

The Department should ensure that the general ledger is accurately maintained and monitored. In addition, the Department should establish the necessary internal controls to ensure that all deposits and bank accounts are maintained on the general ledger including all activity within each account.

Finding Control Number: FS-440-02-02

CASH AND CASH EQUIVALENTS

Inadequate Accounting Procedures

The accounting procedures for the Georgia Department of Labor were inadequate to provide for adequate internal control over the bank reconciliation process. The following deficiencies and inappropriate practices were found to exist:

- 1) Bank reconciliations for the payroll account and the accounts payable account were not prepared in a timely manner for fiscal year 2002. A review of bank reconciliations indicated excessive delays between the month end and reconciliation dates. In addition, all reconciliations for fiscal year 2002 had not been completed as of the conclusion of fieldwork. These deficiencies were caused by the Department's failure to adequately monitor the bank reconciliation process.
- 2) Bank reconciliations for the operating account and the benefit account contained several unidentified variances. It could not be determined if the variances were actually book or bank errors. The unidentified variances remain on the reconciliations due to the Department's failure to implement adequate internal controls to ensure that all reconciling items are identified and prompt action taken to correct the items. Administrative reviews should be performed and documented to ensure reconciliations are accurate and adjustments are made in a timely manner.

The Department should establish the necessary internal controls to ensure that the bank reconciliation process is being performed in a timely and complete manner.

Finding Control Number: FS-440-02-03

CASH AND CASH EQUIVALENTS

CAPITAL ASSETS

Protection of Assets

Our examination of the accounting records of the Department of Labor disclosed deficiencies in the management of cash and capital assets as follows:

- 1) Proceeds from the sale of a capital asset were not deposited in a timely manner. A check for \$568,700.00 representing proceeds from the sale of the Athens Career Center dated April 30, 2002, was not deposited until September 18, 2002. As a result, the Department was unable to accrue interest for the five months the check was not deposited and ending fund balance was understated.

Georgia

Findings and Questioned Costs For the Fiscal Year Ended June 30, 2002

FINANCIAL STATEMENT FINDINGS

Federal programs as of June 30, 2002, for each budget unit and to reconcile the State appropriation allotment revenue and receivable balances to those reported by the Office of Treasury and Fiscal Services.

These deficiencies were caused by a lack of control and accountability over the general ledger.

The Department should ensure that the general ledger is reconciled with subsidiary ledgers as a routine matter with any variances noted and resolved in a timely manner. Additionally, the validity of accounts receivable and accounts payable remaining outstanding for extended periods of time should be determined and resolved on a regular basis in order for general ledger balances to include only earned revenues and valid obligations of the Department.

Finding Control Number: **FS-440-02-05**
REVENUES/RECEIVABLES/RECEIPTS
GENERAL LEDGER
Inadequate Accounting Procedures

The Department of Labor acts as a lessor for property and parking lot space adjacent to the Department's main office building located in Atlanta, Georgia. The following deficiencies exist with regard to the Department's management controls over the lease agreement:

- 1) Two months were invoiced twice resulting in an overcharge to the lessee. A review of the remaining invoices to the lessee disclosed additional inaccurate billings.
- 2) The annual increase, effective January 2002, was not factored into the billings from that date and was not corrected until September 2002.
- 3) The Department could not provide auditors with a copy of the current lease agreement.
- 4) An examination of the Department's lessee accounts receivable recorded on the general ledger disclosed that the Department's procedures did not provide for a periodic reconciliation with subsidiary ledgers. This deficiency resulted in the lessee accounts receivable balance being misstated at fiscal year end.

The Department should ensure that reconciliations are performed and that variances are resolved in a timely manner. These reconciliations provide management with the necessary assurances that subsidiary ledgers accurately represent the financial activity and balances recorded in the general ledger.

Finding Control Number: **FS-440-02-06**
REVENUES/RECEIVABLES/RECEIPTS
GENERAL LEDGER
Inadequate Accounting Procedures

During the period under review, accounting procedures of the Department of Labor were insufficient to provide adequate internal controls over the recognition of revenue within the general ledger as noted below:

- 1) The Department of Labor uses the FARS accounting system, which can be programmed to recognize revenue within the various programs (fund ledgers) based on expenditures recorded within a particular fund ledger. This feature is appropriate for recognizing revenue for reimbursement based funding sources such as Federal grants, but would not be appropriate in instances where funding does not depend entirely on the recording of expenditures. Our testing of the internal accounting controls and procedures utilized by the Department for the revenue recognition process disclosed that during fiscal year 2002, the Department utilized the above programming feature for revenue recognition for both reimbursement based funding sources and non-reimbursement based funding sources.
- 2) There were numerous manual journal entries posted to the general ledger to correct negative balances in accounts receivable. These negative balances represent amounts received on Federal fund ledgers in excess of current

Georgia

Findings and Questioned Costs For the Fiscal Year Ended June 30, 2002

FINANCIAL STATEMENT FINDINGS

expenditures. The manual journal entries properly moved these balances to the deferred revenue account (Due to Grantor account). However, the prior year manual journal entries were not properly reversed at the opening of fiscal year 2002 nor were the amounts offset when fiscal year 2002 revenue was recognized.

As a result of these deficiencies, revenue as well as associated balance sheet accounts were materially misstated as of June 30, 2002. Adjusting journal entries to correct certain of these misstatements have been provided by the Department.

These deficiencies occurred because of management's failure to establish procedures to analyze and reconcile balances recorded in the general ledger with detailed supporting records.

The Department should establish appropriate procedures to ensure the general ledger is posted, balanced and reviewed on a monthly basis and that detailed records supporting the general ledger are complete, accurate and reliable.

Finding Control Number: **FS-440-02-07**

EMPLOYEE COMPENSATION Inadequate Accounting Procedures

During the period under review, the accounting procedures of the Department of Labor were not sufficient to provide for adequate controls over the Department's general ledger for employee compensation expenditures. The following deficiencies were noted:

- 1) Reconciliations from the general ledger to the subsidiary ledger were not performed in a timely manner.
- 2) Reconciliations provided by the Department for the period under review contained unidentified amounts (coding errors) and amounts unrelated to employee compensation.

In addition, an unidentified variance in the amount of \$141,000.06 was noted in the salary expenditures reported to the Department of Audits and Accounts (DOAA) and the amount recorded on the general ledger. The Department is required to submit salary information to DOAA in accordance with Official Code of Georgia Annotated Section 50-6-27.

The Department of Labor should establish procedures to ensure that the employee compensation reconciliation process is being performed in a timely and complete manner. In addition, the subsidiary ledger should be reconciled with the general ledger monthly.

Finding Control Number: **FS-440-02-08**

GENERAL LEDGER

Ending Balances in Balance Sheet Clearing Accounts

During the period under review, the accounting procedures of the Department of Labor were not sufficient to provide for adequate controls over clearing accounts. Our testing revealed that, at June 30, 2002, the Department's general ledger contained ending balances in the balance sheet clearing accounts. These clearing accounts have been provided in the State Chart of Accounts to facilitate the accumulation of transactions, which are subsequently distributed to appropriate accounts. At fiscal year end, no balances should remain in the clearing accounts.

Management's failure to ensure that these accounts do not have balances at fiscal year end can materially misstate the financial statements of the Department and can lead to erroneous decisions by the Department's management.

The Department should ensure that clearing account balances have been distributed to appropriate accounts at the end of each accounting period and that no balances remain in the clearing accounts at fiscal year end.

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, rather than detecting problems after they occur.

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 their 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.