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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 FLORIDA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2005**

**October 2006                  A-77-07-00001**

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**MANAGEMENT  
ADVISORY REPORT**

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## **Mission**

**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.**

## **Authority**

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

## **Vision**

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



## SOCIAL SECURITY

### **MEMORANDUM**

**Date:** October 27, 2006

**Refer To:**

**To:** Candace Skurnik  
Director  
Audit Management and Liaison Staff

**From:** Inspector General

**Subject:** Management Advisory Report: Single Audit of the State of Florida for the Fiscal Year Ended June 30, 2005 (A-77-07-00001)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Florida for the Fiscal Year ended June 30, 2005. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Florida Auditor General 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 Auditor General and the reviews performed by HHS. We conducted our review in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

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 Florida Disability Determination Services (DDS) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The DDS is reimbursed for 100 percent of allowable costs. The Florida Department of Health (FDOH) is the Florida DDS' parent agency.

The single audit reported that:

1. The master list of accounting codes used to record expenditures to Federal programs in the State's accounting system was inaccurate and incomplete. Therefore, FDOH could not ensure expenditures were appropriately charged to Federal programs, including SSA.<sup>1</sup> The corrective action plan indicated that FDOH has started reviewing and revising all accounting codes and the master list of accounting codes will be updated on the website quarterly (Attachment A, pages 1 and 2).
2. Documentation for the disposal of property items totaling \$152,084 was not maintained. Therefore, FDOH could not demonstrate property items were disposed of properly. The corrective action plan indicated that FDOH has designated a full time position for property dispositions to ensure compliance with Federal, State, and departmental policies and procedures. In addition, property dispositions will be accounted for using the Certification of Surplus Property and Memorandum of Disposition form (Attachment A, page 3).

We recommend SSA:

1. Verify that the accounting codes used by FDOH were appropriately revised to ensure only allowable expenditures are charged to SSA's disability programs.
2. Verify that FDOH has procedures in place to properly account for property dispositions.

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.

- Salary costs were charged to the wrong grant period resulting in the grant being overcharged (Attachment B, page 1).
- Costs were charged without proper approval and supporting documentation (Attachment B, page 2).
- Cash draws exceeded the amount expended (Attachment B, page 3).

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<sup>1</sup> The Office of the Inspector General is currently conducting an audit of Administrative Costs Claimed by the Florida DDS (A-15-06-16127) that covers the same time period as this single audit. The administrative cost audit will review the allowability of costs charged to SSA's disability programs by the Florida DDS. Accordingly, we are not making a recommendation related to the finding in this single audit related to expenditures that may have been inappropriately charged to SSA's disability programs due to inaccurate and incomplete accounting codes.

Page 3 – Candace Skurnik

Please send copies of the final Audit Clearance Document to Shannon Agee and Rona Lawson. If you have questions contact Shannon Agee at (816) 936-5590.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr."

Patrick P. O'Carroll, Jr.

Attachments

MARCH 2006

REPORT NO. 2006-152

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

<b>Finding Number</b>	FA 05-040
<b>CFDA Number</b>	Various
<b>Program Title</b>	Various (See Condition)
<b>Compliance Requirement</b>	Allowable Costs/Cost Principles and Reporting
<b>State Agency</b>	Florida Department of Health (FDOH)
<b>Federal Grant/Contract Number and Grant Year</b>	Various
<b>Finding Type</b>	Reportable Condition
<b>Finding</b>	FDOH procedures for identifying accounting codes associated with Federal programs should be improved.
<b>Criteria</b>	OMB Circular A-87, Attachment A, General Principles for Determining Allowable Costs - Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.
<b>Condition</b>	FDOH uses the Other Cost Accumulator (OCA) field in the accounting system to record revenue and expenditures related to specific activities. To account for Federal grants, FDOH maintains a master grant checklist that identifies the Federal grant number and associated OCAs. Additionally, FDOH maintains an OCA Management System (OCAMAN) that provides a description of the activities and the funding source, including CFDA number, for each OCA. The proper use of OCAs is an essential internal control established by FDOH to ensure accountability for Federal awards.  Our review of the master grant checklist and OCAMAN disclosed errors in the identification of OCAs for Federal grants. Specifically, we reviewed the master grant checklist for nine Federal programs and noted that the OCAs identified were incomplete for six of the nine programs. Additionally, we reviewed the CFDA number assigned to 105 OCAs within the OCAMAN and noted that a CFDA number was not identified or was incorrect for 27 of the OCAs.
	The items noted above pertain to the following Federal programs:  10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children 10.558 – Child and Adult Care Food Program 93.268 – Immunization Grants 93.283 – Centers for Disease Control and Prevention – Investigations and Technical Assistance 93.558 – Temporary Assistance for Needy Families 93.566 – Refugee and Entrant Assistance – State Administered Programs 93.576 – Refugee and Entrant Assistance – Discretionary Grants 93.667 – Social Services Block Grant 93.767 – State Children’s Insurance Program 93.778 – Medical Assistance Program 93.940 – HIV Prevention Activities – Health Department Based 96.001 – Social Security – Disability Insurance 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
<b>Cause</b>	FDOH management had not assigned responsibility for the update of the master grants checklist to a specific individual. Additionally, FDOH personnel indicated that the individual responsible for the maintenance of OCA data in OCAMAN failed to do so.
<b>Effect</b>	FDOH has limited assurance that expenditures are applied to the appropriate funding source and that Federal reports are accurate and complete.

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<b>Recommendation</b>	We recommend that FDOH review the data recorded in OCAMAN to ensure its accuracy and ensure that the master grants checklist and OCAMAN are properly maintained.
<b>State Agency Response and Corrective Action Plan</b>	FDOH concurs with this finding. The Other Cost Accumulator (OCA) Management System (OCAMAN) is an independent non-financial system that is used by Department of Health staff to query on-demand titling and account information on all approved OCAs that have been titled in the State Financial System (FLAIR) and the DOH GRANTS System. Likewise, the Office of Revenue Management maintains a comprehensive listing ("Master Grant List") of all operating grants that the department currently administers at the central office. This file resides and is used by department staff as a quick reference tool for grant related information. It should be noted that while these two documents are developed by the Office of Revenue Management as resource tools, they do not impinge the integrity of the financial expenditure data for federal grants. The department will start maintaining and updating OCAMAN, maintaining and updating the Master Grant List quarterly, and consider a redesign of OCAMAN system.  1) The department has started a process of reviewing/ revising all OCAs currently maintained in OCAMAN. 2) The "Master Grant List" will be maintained and updated on the website quarterly. 3) The department is considering a redesign of OCAMAN system to provide more query capabilities and provide more information, particularly for federal grant OCAs. This will include going through the IT Governance Committee.
<b>Agency Contact and Telephone Number</b>	Gary Mahoney (850) 245-4149
<b>Estimated Corrective Action Date</b>	12/30/06

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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

<b>Finding Number</b>	<b>FA 05-055</b>
<b>CFDA Number</b>	96.001 and 96.006
<b>Program Title</b>	<b>Disability Insurance/Supplemental Security Income Cluster</b>
<b>Compliance Requirement</b>	Equipment and Real Property Management
<b>State Agency</b>	<b>Florida Department of Health (FDOH)</b>
<b>Federal Grant/Contract Number and Grant Year</b>	04-0504FLD100
<b>Finding Type</b>	Reportable Condition Questioned Costs – \$152,084
<b>Finding</b>	FDOH did not retain documentation for the disposal of property items totaling \$152,084.
<b>Criteria</b>	45 CFR 92.32 – A State will dispose of equipment acquired under a grant in accordance with State laws and procedures.  Section 273.055(2), Florida Statutes – Property custodians shall maintain records to identify each property item as to disposition.
<b>Condition</b>	FDOH did not retain disposition documentation for two of ten items tested. These items had acquisition costs totaling \$152,084.
<b>Cause</b>	Department personnel indicated that, due to technical difficulties, the normal disposition process through the Asset Management System was not followed.
<b>Effect</b>	FDOH was unable to demonstrate the property items had been disposed of properly.
<b>Recommendation</b>	We recommend that FDOH follow their established Asset Management Policy and Procedures to ensure that documentation supporting property dispositions is properly retained.
<b>State Agency Response and Corrective Action Plan</b>	FDOH concurs with the finding. The Property section has already implemented changes to improve the disposition of assets.  FDOH has designated a full time position for property dispositions which will allow the property section to better ensure compliance with all Federal, State, and Department of Health policies and procedures for disposal of property. Additionally, in the event the Asset Management System experiences technical difficulties, property staff will keep an accurate account of the items submitted for disposition through the Certification of Surplus Property and Memorandum of Disposition form. Property staff will ensure the Asset Management System is updated to reflect any dispositions that occurred during this time frame.
<b>Agency Contact and Telephone Number</b>	Gary Mahoney (850) 245-4919
<b>Estimated Corrective Action Date</b>	CAP currently implemented

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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

<b>Finding Number</b>	<b>FA 05-056</b>
<b>CFDA Number</b>	93.268
<b>Program Title</b>	<b>Immunization Grants</b>
<b>Compliance Requirement</b>	Period of Availability of Federal Funds
<b>State Agency</b>	<b>Florida Department of Health (FDOH)</b>
<b>Federal Grant/Contract Number and Grant Year</b>	H23/CCH422511 (January 1, 2004 – December 31, 2004)
<b>Finding Type</b>	Material Noncompliance and Reportable Condition Questioned Costs – \$41,835
<b>Finding</b>	Salary costs totaling \$41,835 were charged to the 2004 grant after the end of the funding period.
<b>Criteria</b>	Title 45, Section 92.23, Code of Federal Regulations, provides that when a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period.  The Immunization Grant's Notice of Grant Award, specifies a funding period of January 1, 2004 through December 31, 2004.
<b>Condition</b>	Salaries and benefits totaling \$46,483 for the payroll period December 31, 2004, through January 13, 2005, were charged to the 2004 grant. Of the ten working days included in the payroll period, nine occurred within the 2005 grant period. Therefore, 90 percent (\$41,835) of the total should have been charged to the 2005 grant.
<b>Cause</b>	FDOH procedures were not adequate to ensure that charges were not applied to a grant after the end of its funding period.
<b>Effect</b>	FDOH overcharged the 2004 Immunization Grant \$41,835 for costs incurred after the end of the funding period.
<b>Recommendation</b>	We recommend that FDOH review its methodology for ensuring that costs are charged appropriately in accordance with the terms and conditions of the Immunization Grant Award.
<b>State Agency Response and Corrective Action Plan</b>	FDOH concurs with this finding. The Office of Revenue Management is reviewing the procedures and will identify any areas of improvement or address new practices for federal grants reporting requirements. Meanwhile, staff are researching the entries and will record the appropriate adjusting entries to the grant analyses for follow up entries in FLAIR. The Financial Status Reports (FSR) will reflect the adjustment to the 2004 and 2005 grants.  Grant analyses will be revised to reflect the adjusted charges. The FSRs for the 2004 and 2005 grants will be submitted to the grantor reflecting these adjustments. Moreover, an Accounting Procedures Manual (APM) will be developed to include a department policy on federal reporting requirements and policies on how the department handles federal grant reporting to ensure consistency.
<b>Agency Contact and Telephone Number</b>	Gary Mahoney (850) 245-4149
<b>Estimated Corrective Action Date</b>	07/01/06

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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

<b>Finding Number</b>	<b>FA 05-061</b>
<b>CFDA Number</b>	93.283
<b>Program Title</b>	<b>Centers for Disease Control and Prevention – Investigations and Technical Assistance (CDC-ITA)</b>
<b>Compliance Requirement</b>	Allowable Costs/Cost Principles
<b>State Agency</b>	<b>Florida Department of Health (FDOH)</b>
<b>Federal Grant/Contract Number and Grant Year</b>	U50/CCU423360 2005
<b>Finding Type</b>	Material Noncompliance and Reportable Condition Questioned Costs – \$120,123
<b>Finding</b>	Costs were charged to the CDC-ITA Program without proper approval and supporting documentation.
<b>Criteria</b>	OMB Circular A-87, Attachment A, Section C.1.c., <i>Basic Guidelines</i> – To be allowable under Federal awards, costs must be authorized or not prohibited under State or local laws or regulations.  Section 287.058(2), Florida Statutes – The written agreement evidencing procurement of contractual services shall be signed by the agency head and the contractor prior to the rendering of any contractual service, except in the case of a valid emergency as certified by the agency head.
<b>Condition</b>	One of the 40 CDC-ITA expenditures tested pertained to a contract for research. We noted that two payments totaling \$120,123, made in connection with this contract, were not properly authorized or documented. A payment of \$80,082 was made for services rendered during the period October 1, 2004, through March 31, 2005; however, the contract was not signed until March 2, 2005. Additionally, a payment of \$40,041 was made for the quarter ended June, 30, 2005; however, FDOH had not received the written progress report that was contractually required for payment authorization.
<b>Cause</b>	FDOH personnel indicated that the contract was for the second year of a three-year study. FDOH procedures were not adequate to ensure that payments were not made for activities occurring prior to the contract execution date or without documentation of receipt of the appropriate deliverables.
<b>Effect</b>	The Program was charged costs that were not adequately documented or authorized.
<b>Recommendation</b>	FDOH personnel indicated that policies have been established to ensure that no future invoices are paid outside the contract period and to require the attachment of written reports to the invoice when obtaining payment authorization.
<b>State Agency Response and Corrective Action Plan</b>	All invoices will be processed with the deliverable report attached. This plan has already been initiated and has been followed on all invoices processed since the date of implementation. The approval process has been expanded and now includes the contract manager, program administrator, bureau chief, and division budget contact. Due effort will be made to ensure no work is done outside of the valid contract period. In the event this occurs, a Settlement Agreement will be prepared prior to payments being made. The expanded approval process will serve to prevent payments outside of the contract period.
<b>Agency Contact and Telephone Number</b>	Gary Mahoney (850) 245-4149
<b>Estimated Corrective Action Date</b>	Ongoing

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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

<b>Finding Number</b>	<b>FA 05-075</b>
<b>CFDA Number</b>	<b>93.917</b>
<b>Program Title</b>	<b>HIV Care Formula Grants (HIV)</b>
<b>Compliance Requirement</b>	<b>Cash Management</b>
<b>State Agency</b>	<b>Florida Department of Health (FDOH)</b>
<b>Federal Grant/Contract Number and Grant Year</b>	<b>6 X07 HA 00057-13 2004</b>
<b>Finding Type</b>	<b>Reportable Condition Questioned Costs – \$740,029</b>
<b>Finding</b>	FDOH requested excess funds totaling \$740,029 for the 2004 HIV Grant.
<b>Criteria</b>	State of Florida's Cash Management Improvement Act Agreement – Provides that draw amounts shall be the amount the State expects to disburse.
<b>Condition</b>	FDOH reported draws for the 2004 HIV Grant totaling \$108,466,527 on the March 2005 PSC-272 report (dated May 16, 2005) and reported expenditures totaling \$107,726,498 on the Department's final Financial Status Report (FSR) as of March 2005 (dated June 30, 2005). As a result, the grant was overdrawn by \$740,029. In response to our inquiries, FDOH personnel indicated that they are working within the Payment Management System (PMS) to adjust cash draws to reflect expenditures. The entries are anticipated to be reflected on the December 2005 PSC-272 report.
<b>Cause</b>	FDOH procedures were not adequate to ensure that draws did not exceed amounts expended.
<b>Effect</b>	FDOH requested and received funds in excess of that needed for expenditures.
<b>Recommendation</b>	We recommend that FDOH enhance procedures to ensure that draws do not exceed amounts expended.
<b>State Agency Response and Corrective Action Plan</b>	FDOH concurs with this finding. The expenditures on the final FSR for the 2004 HIV grant were adjusted to \$107,726,498 which resulted in excess cash of \$740,029 against the Letter of Credit draws for that grant year OCAs. It should be noted while this is true; it is also true that the overall cash draws as they relate to the Cash Management Improvement Act (CMIA) for the HIV grant program were well under the requirements of the law. Staff are working within the constraint of the Payment Management System (PMS) to adjust the draws in FLAIR and PMS.  Cash adjusting entries will be made to FLAIR and PMS to account for expenditure adjustments that were made after the preliminary financial status report was submitted. The Letter of Credit Unit has been reorganized and procedures are being developed to ensure grant cash activities/draws do not exceed grant expenditures.
<b>Agency Contact and Telephone Number</b>	Gary Mahoney (850) 245-4919
<b>Estimated Corrective Action Date</b>	06/30/06

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

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Resource Management (ORM). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

## **Office of Audit**

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

## **Office of Investigations**

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

## **Office of the Chief Counsel to the Inspector General**

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

## **Office of Resource Management**

ORM supports OIG by providing information resource management and systems security. ORM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, ORM is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.