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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 DELAWARE  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2001**

**JUNE 2002**

**A-77-02-00013**

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***MANAGEMENT ADVISORY  
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:** June 24, 2002

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

**From:** Assistant Inspector General  
for Audit

**Subject:** Management Advisory Report on the Single Audit of the State of Delaware for the Fiscal Year Ended June 30, 2001 (A-77-02-00013)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Delaware for the Fiscal Year ended June 30, 2001. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

KPMG LLP, Certified Public Accountants, performed the audit. 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. In reporting the results of the single audit, we relied entirely on the internal control and compliance work performed by KPMG LLP and the reviews performed by HHS.

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 Delaware 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 Delaware Department of Labor (DoL), Division of Vocational Rehabilitation Services and Employment Training, is the Delaware DDS's parent agency.

The single audit reported that DoL did not draw funds in accordance with the funding techniques specified in the Cash Management Improvement Act (CMIA) agreement. Specifically, DoL did not (1) draw funds based on the average clearance method, and (2) monitor cash balances. The State's corrective action plan indicated DoL is now following the CMIA agreement and will monitor cash balances more closely (see Appendix A). We recommend that SSA ensure DoL is following the terms of the CMIA agreement to draw and monitor funds for DDS expenditures.

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

## **UNITED STATES DEPARTMENT OF LABOR**

### **DEPARTMENT OF LABOR**

#### **CASH MANAGEMENT**

OI -6 **FINDING** - An examination of cash management at the Department of Labor, Divisions of Vocational Rehabilitation Services and Employment and Training, resulted in a finding of noncompliance with the agreement between the State of Delaware and the United States Secretary of the Treasury (the Agreement) for the following programs:

<u>CFDA</u>	
17.250	Job Training Partnership Act
17.255	Workforce Investment Act
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
96.001	Social Security Disability Insurance

Because of past difficulties complying with the Agreement, the Department of Labor draws down federal funds based on the outstanding balance of payment vouchers in the State's general ledger system, Delaware Financial Management System, DFMS. The agreement requires that administrative costs to run federally funded programs should be drawn down based on the "Average Clearance" method. The Average Clearance method requires calculating the number of days checks are outstanding before clearing the bank, the weighted check amount, and the dollar-weighted average days for clearance to determine the funds required. As a result, the divisions above are not in compliance with the Agreement. There are no questioned costs related to the noncompliance with the Agreement.

#### **RECOMMENDATION**

**WE RECOMMENDED THAT** the Department of Labor adhere to all terms of agreements entered into with the United States Treasury and the Cash Management Improvement Act.

#### **AUDITEE'S PLAN FOR CORRECTIVE ACTION**

*"The Division of Employment and Training has been using the Average Clearance method since May 2000. The Division of Vocational Rehabilitation is waiting for the updated clearance patterns from the Budget Office and will be using that method upon receipt. Any questions should be addressed to Ms. Kris Brooks, Controller, Department of Labor.*

## **UNITED STATES SOCIAL SECURITY ADMINISTRATION**

### **DEPARTMENT OF LABOR**

#### **CASH MANAGEMENT**

01-60 **FINDING** - An examination of cash management at the Department of Labor, Division of Vocational Rehabilitation, CFDA 96.001 (Social Security Disability Insurance) resulted in a finding of noncompliance with the requirement to monitor daily cash balances to minimize positive balances. Federal regulations require that recipients of Federal Awards draw down funds only as needed and that positive balances cannot exceed three days or the State must pay interest to the Federal Agency for the positive balance. The Division's cash log shows an average positive cash balance of \$15,000 for a period of six days due to monitoring procedures not functioning as designed; therefore, it does not comply with the Federal requirements.

#### **RECOMMENDATION**

**WE RECOMMENDED THAT** the Department of Labor closely monitor its daily cash balances to avoid maintaining positive cash balances as required by the Cash Management Improvement Act.

#### **AUDITEE'S PLAN FOR CORRECTIVE ACTION**

*"The Division of Vocational Rehabilitation agrees to monitor the cash balances more closely so as not to drawn down more funds than needed or to have a positive balance longer than the three days required by federal regulations. " Any questions should be addressed to Ms. Kris Brooks, Controller, Department of Labor.*

### **SOCIAL SECURITY - DISABILITY INSURANCE - CFDA 96.001**

#### **CASH MANAGEMENT**

01-61 **FINDING** - An agreed-upon procedures engagement was performed at the Department of Labor (DOL) to determine the State's compliance with the Cash Management Improvement Act Agreement of 1990 as amended between the State and the United States Department of Treasury. Through inquiry of the DOL management, drawdowns on the Social Security -Disability Insurance program are performed based on a daily review of the Delaware Financial Management System (DFMS) "APSF" screen for any positive balances. This is not in accordance with the average method agreed to in the Cash Management Improvement Act Amendment 99-1. Positive balances represent federal funds drawdown but not yet expended; interest could be owed to the federal government if funds were not disbursed within three business days. The date of the drawdown could not be determined. The 25 days listed below were selected and examined on the DFMS "APSF" screen for that day for all appropriations within the Social Security - Disability Insurance program to ensure there were no positive balances. Through examination of the aforementioned screens, there were no positive balances discovered. The days selected were: July11, August 2, September 15, October 4, November 8,

December 6 and 15, 2000, January 2, 22 and 26, February 5, 19 and 21, March 1, 12 and 23, April 6, 16 and 19, May 1, 2, and 8 and June 5, 13, and 15, 2001.

**RECOMMENDATION**

WE RECOMMENDED THAT the Department of Labor (DOL) should review the drawdown methods for each grant included in the Cash Management Improvement Act of 1990 to ensure compliance with the method agreed to in the signed Act.

**AUDITEE'S PLAN FOR CORRECTIVE ACTION**

*"The Office of the Budget has scheduled a review session with DOL personnel who oversee federal program funds management. The objective is to have a comprehensive discussion of CMA and at that time to identify any programs which may have experienced problems with the funding technique identified in the Agreement, and which may need a funding technique change reflected in the Agreement. " Any questions should be addressed to Mr. Thomas A. Kirkpatrick, Chief of Financial Management Services, Office of the Budget.*

## **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.