
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF INDIANA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

January 2012 A-77-12-00003

**MANAGEMENT
ADVISORY REPORT**



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: January 27, 2012

Refer To:

To: Frances Cord
Director
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of Indiana for the Fiscal Year Ended June 30, 2010 (A-77-12-00003)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Indiana for the Fiscal Year ended June 30, 2010. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Indiana State Board of Accounts performed the audit. The results of the desk review conducted by the Department of Health and Human Services (HHS) 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 Indiana State Board of Accounts and the reviews performed by HHS. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

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 Indiana Disability Determination Bureau (DDB) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The DDB is reimbursed for 100 percent of allowable costs. The Family and Social Services Administration (FSSA) is the Indiana DDB's parent agency.

The single audit reported errors in the Schedule of Federal Financial Assistance (SFFA) report totaling \$134 million for various Federal programs, including the DI program (Attachment A, Page 1). The corrective action plan indicated procedures were developed and followed to produce the FY 2010 SFFA, and a review process was instituted to ensure accuracy of the SFFA at the time of its preparation

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(Attachment A, Page 2). We recommend that SSA verify with FSSA that correct DI program expenditures were reported on the SFFA.

Please send copies of the final Audit Clearance Document to Shannon Agee. If you have questions, contact Shannon Agee at (877) 405-7694, extension 18802.

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

Patrick P. O'Carroll, Jr.

Attachments

cc:

Lynn Bernstein

FINDING 2010 – FSSA-13, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - REPORTING ERRORS

Federal Agency: U.S. Department of Health and Human Services
Federal Program: Medical Assistance Program, Children's Health Insurance Program (CHIP), Temporary Assistance for Needy Families (TANF), Disability Insurance (DI)
CFDA Number: 93.778, 93.767, 93.558, 96.001
Auditee Contact Person: David Nelson
Title of Contact person: Director of Federal Funding, FSSA
Phone Number: 317-233-3045
Compliance Requirement: Reporting
Internal Control: Material Weakness

During our audit of FSSA, FSSA provided us a status of prior FINDING 2005 – FSSA-5, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - REPORTING ERRORS which stated that "FSSA currently has written procedures for the preparation of the Schedule of Federal Financial Assistance (SFFA) report. FSSA considers this issue closed." The finding had recommended that FSSA implement procedures for preparing the SFFA but also to "institute a thorough review process of the schedule to ensure accurate, current and complete disclosure of the financial results." Even though FSSA prepared written procedures, our testing of various FSSA federal programs found errors in the SFFA totaling over \$134 Million for the Medicaid, CHIP, TANF, and DI Programs. These errors were material to the CHIP, TANF, and DI programs. Even though we brought these errors to FSSA's attention and advised them that they should revise their status on FINDING 2005-FSSA-5 to unresolved due to the material control weakness still inherent in their processes in preparing an accurate, current, and complete SFFA, FSSA did not change their status. This continues to be a material control weakness.

45 CFR 92.20 states: "(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

OMB Circular A-133 Subpart C, section .315 states in part: "Audit findings follow-up. (a) General. The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings. . . . (b) Summary schedule of prior audit findings. The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards. . . . (2) When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken."

We recommended that FSSA correctly report their status on prior findings and implement a thorough review process of the SFFA to ensure accurate, current and complete disclosure of the financial results.

FSSA Response:

FSSA does not agree with the finding. The recommendation in the original finding, 2005-FSSA-5, stated "We recommended that FSSA develop formal written procedures in preparing the Schedule of Federal Financial Assistance and institute a thorough review process of the schedule to ensure accurate, current and complete disclosure of the financial results." FSSA developed and followed written procedures to produce the SFY 2010 Schedule of Federal Financial Assistance (SFFA), and instituted a review process to ensure the accuracy of the schedule at the time of its preparation. FSSA has requested detail of the amount in question cited in the finding. FSSA is agreeable to updating the SFFA to include the items noted once the information is received and reviewed.

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts 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 reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations 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 liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG 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. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.