
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF NEW YORK
FOR THE FISCAL YEAR ENDED
MARCH 31, 2005**

November 2006 A-77-07-00003

**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: November 22, 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 New York for the Fiscal Year Ended March 31, 2005 (A-77-07-00003)

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, 2005. 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 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 New York 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 New York Department of Social Services, Office of Temporary and Disability Assistance (OTDA), is the DDS' parent agency.

The single audit reported:

1. Indirect costs were allocated to the New York DDS based on cost allocation plan methodologies that were pending HHS' approval. The corrective action plan indicated that OTDA submitted the cost allocation plan to HHS as required and are working with the Federal program staff to clarify and resolve issues to get outstanding plans approved (see Attachment - pages 1 through 4).
2. Payroll expenses were miscoded in the accounting system which may have resulted in improper charges to various Federal programs, including SSA. The corrective action plan indicated that OTDA will continue to stress the importance of using proper accumulator codes, and appropriate corrections were made to the employee timesheets (see Attachment - pages 5 through 8).
3. Procedures were not in place to track changes made to time and accumulator code records. The corrective action plan indicated that policies and procedures will be implemented to ensure changes are tracked (Attachment - pages 9 through 12).

Our Office is currently conducting an audit of Administrative Costs Claimed by the New York DDS (A-02-07-17046) that covers the same time period as this single audit. The administrative cost audit will review the areas where the single audit reported findings – indirect costs, personnel, and internal controls – and report any problems. Accordingly, we are not making recommendations on these single audit findings.

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.



Patrick P. O'Carroll, Jr.

Attachment

STATE OF NEW YORK
Schedule of Findings and Questioned Costs
March 31, 2005

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: 05-10

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 the Department of Health, on a quarterly basis, create Central Office Cost Allocation Claims (COCACs) which accumulate 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 \$763 million in allocated costs covering 56 separate allocation methodologies during the period April 1, 2004 through March 31, 2005. The methodologies were established to allocate overhead costs related to the programs formerly administered by the Department of Social Services. Effective October 1, 1996 the Department of Health became the Single State Agency for Medicaid, with DSS submitting other State agencies' claims to DOH for Medicaid reimbursement based on the DSS COCACs. Effective with the January 1, 1998 reorganization of DSS to create the Office of Children and Family Services and the Office of Temporary and Disability Assistance, OCFS and OTDA revised and implemented cost

STATE OF NEW YORK
Schedule of Findings and Questioned Costs
March 31, 2005

allocation methodologies regarding the programs which they then administered 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 there were 20 separate allocation methodologies with \$73 million in allocated costs related to the Office of Children and Family Services and \$161 million related to the Office of Temporary and Disability Assistance that had not yet been approved by the Federal government as of the State fiscal year ended March 31, 2005. Federal regulation allows the Offices to submit claims derived from cost allocation methodologies that have been submitted to the Federal government but are pending approval.

A similar finding was included in the prior year single audit report as finding 04-10 on page 36.

Questioned Costs

Cannot be determined

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

NEW YORK STATE CORRECTIVE ACTION PLAN

**Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2005**

State Agency: Office of Children and Family Services

Single Audit Contact: Robert Metacarpa

Title: Outside Audit Liaison

Telephone: (518) 474-2553

E-mail: ay3580@dfa.state.ny.us

Federal Program(s) (CFDA #|s): State Administrative Matching Grants for Food Stamp Program (10.561)
Temporary Assistance for Needy Families (93.558)
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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)

Audit Report Reference: 05-10

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 Cannot Be Determined

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

The Offices and the Department of Health, on a quarterly basis, create Central Office Cost Allocation Claims (COCACs) which accumulate 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 \$763 million in allocated costs covering 56 separate allocation methodologies during the period April 1, 2004 through March 31, 2005. The methodologies were established to allocate overhead costs related to the programs formerly administered by the Department of Social Services. Effective October 1, 1996 the Department of Health became the Single State Agency for Medicaid, with DSS submitting other State agencies' claims to DOH for Medicaid reimbursement based on the DSS COCACs. Effective with the January 1, 1998 reorganization of DSS to create the Office of Children and Family Services and the Office of Temporary and Disability Assistance, OCFS and OTDA revised and implemented cost allocation methodologies regarding the programs which they then administered to reflect the current organizational structure of the two Human Service agencies.

NEW YORK STATE CORRECTIVE ACTION PLAN

**Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2005**

As part of the test work, the auditors analyzed the dates that the allocation methodologies were federally reviewed and noted that there were 20 separate allocation methodologies with \$73 million in allocated costs related to the Office of Children and Family Services and \$161 million related to the Office of Temporary and Disability Assistance that had not yet been approved by the Federal government as of the State fiscal year ended March 31, 2005. Federal regulation allows the offices to submit claims derived from cost allocation methodologies that have been submitted to the federal government but are pending approval.

A similar finding was included in the prior year single audit report as finding 04-10 on page 36.

Agency Response:

The Office of Children and Family Services (OCFS) along with the Office of Temporary and Disability Assistance (OTDA) submitted cost allocation plans to the Division Of Cost Allocation (DCA) on a timely basis as required by regulation.

KPMG is correct that as of the end date of the audit period, some plans were at DCA and had not yet been approved. While the "Finding" states that the State was "claiming costs based on unapproved methodologies," this statement is misleading since the regulation requires the State to submit the plans. The Offices have submitted plans as required, and are claiming consistent with the pending plans. OCFA and ODTA are continues to work diligently with Federal program staff and DCA to clarify and resolve issues and get the outstanding plans approved.

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Social Security-Disability Insurance (96.001)

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

Reference: 05-11

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). In the review of the employees' time sheets, we noted that all Office of Children and Family timesheets were missing the appropriate language certifying that the correct accumulator code was being charged.

STATE OF NEW YORK
Schedule of Findings and Questioned Costs
March 31, 2005

During our test work, we selected a sample of 65 employees with total salaries of \$6,330,583 from PACS. Fifty-six employees with total salaries of \$5,374,596 were from the Office of Temporary and Disability Assistance (OTDA) and 9 employees with total salaries of \$955,987 were from the Office of Children and Family Services (OCFS). We noted six employees with total annual salaries of \$543,540 with the following exceptions:

- Three OTDA individuals with accumulator codes listed on the timesheet, which did not match the accumulator codes in PACS and were coded to the incorrect accumulator code in PACS. This was noted through the personal service questionnaires returned by two of the employees, which supported a different accumulator code than the individuals charged on their timesheets and in PACS. The third employee was no longer employed by OTDA and the questionnaire was completed by a supervisor, which supported a different accumulator code than the individuals charged on their time sheet and in PACS.
- One OTDA employee did not submit a timesheet therefore we were unable to perform our procedures.
- One employee listed the accumulator code on their timesheet which matched the accumulator code in PACS however the employee was on loan to another agency during the period selected for review.
- One OTDA employee with an accumulator code on their timesheet that did not match the accumulator code in PACS; however, the accumulator code in PACS was appropriate.

Furthermore, we selected a sample of 70 non-personal service vouchers for a total of \$3,712,982. Sixty-five vouchers totaling \$3,394,114 were from OTDA and five totaling \$318,868 were from OCFS. During our testwork we noted one OTDA voucher totaling \$150,000 that was charged to one program but was determined to benefit two programs.

A similar finding was included in the prior year single audit report as finding 04-11 on page 38.

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

Questioned Costs

Cannot be determined

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

NEW YORK STATE CORRECTIVE ACTION PLAN

**Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2005**

State Agency: Office of Children and Family Services

Single Audit Contact: Robert Metacarpa

Title: Outside Audit Liaison

Telephone: (518) 474-2553

E-mail: ay3580@dfa.state.ny.us

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

State Administrative Matching Grants for Food Stamp Program (10.561)

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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)

Audit Report Reference: 05-11

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: Cannot be Determined

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). In the review of the employees' time sheets, The auditors noted that all Office of Children and Family timesheets were missing the appropriate language certifying that the correct accumulator code was being charged.

During the test work, the auditors selected a sample of 65 employees with total salaries of \$6,330,583 from PACS. Fifty-six employees with total salaries of \$5,374,596 were from the Office of Temporary and Disability Assistance (OTDA) and 9 employees with total salaries of \$955,987 were from the Office of Children and Family Services (OCFS). The auditors noted six employee exceptions with the total annual salaries of \$543,540 with the following exception:

NEW YORK STATE CORRECTIVE ACTION PLAN

**Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2005**

- Three OTDA individuals with accumulator codes listed on the timesheet, which did not match the accumulator codes in PACS and were coded to the incorrect accumulator code in PACS. This was noted through the personal service questionnaires returned by two of the employees, which supported a different accumulator code than the individuals charged on their timesheets and in PACS. The third employee was no longer employed by OTDA and the questionnaire was completed by a supervisor, which supported a different accumulator code than the individuals charged on their time sheet and in PACS.
- One OTDA employee did not submit a timesheet therefore the auditors were unable to perform the test procedures.
- One employee listed the accumulator code on their timesheet which matched the accumulator code in PACS however the employee was on loan to another agency during the period selected for review.
- One OTDA employee with an accumulator code on their timesheet that did not match the accumulator code in PACS; however, the accumulator code in PACS was appropriate.

Furthermore, the auditors selected a sample of 70 non-personal service vouchers for a total of \$3,712,982. Sixty-five vouchers totaling \$3,394,114 were from OTDA and five totaling \$318,868 were from OCFS. During the test work the auditors noted one OTDA voucher totaling \$150,000 that was charged to one program but was determined to benefit two programs.

A similar finding was included in the prior year single audit report as finding 04-11 on page 38.

Recommendation:

The Offices and Department should strengthen existing procedures to ensure the proper accumulator codes are being charged.

Agency Response:

All the KPMG findings relate to OTDA. OTDA management has indicated that, with regard to personal service, they would submit accumulator code/claiming adjustments and reinforce the agency's policy on the importance of using the correct accumulator code and on timecard procedures. With regard to the NPS finding, OTDA indicated that although the NPS voucher appears to be a blend of expenses that may be primarily Food Stamps related, OTDA agreed it is not 100% correct, and an adjustment will be submitted.

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State Administrative Matching Grants for Food Stamp Program (10.561)
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Low Income Home Energy Assistance (93.568)
Social Security-Disability Insurance (96.001)

Office of Temporary and Disability Assistance

Reference: 05-12

Requirement

Personnel activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after the fact distribution of the actual activity of each employee, (b) They must account for the total activity for which each employee is compensated, (c) They must be prepared at least monthly and must coincide with one or more pay periods, and (d) They must be signed by the employee (OMB Circular A-87).

Finding

The Office used the Automated Time Card System and the PayPer System (until January 26, 2005) to accumulate time and effort and payroll information to be used in the allocation of personal service costs to the various Federal programs. Beginning on January 27, 2005, the information remained in the Automated Time Card System from which allocation information is reported to the Office's Finance Department. Each Office employee was assigned an accumulator code which best matched their work functions including the Federal programs in which they benefit. Using the Automated Time card system each employee indicates in the system the appropriate accumulator code for all hours shown on their time card and certifies electronically that the information is accurate. The time card is then forwarded to the employee's supervisor for review and electronic approval. The hours and accumulator code information in the Automated Time Card System was then sent to the PayPer System which interfaces with the State's payroll system (PayServ) to generate employee payroll payments. The current system, HRISnet, is used to process employee payroll adjustments, however, accumulator code information is not transmitted to or from HRISnet. The accumulator code and payroll information were used in the Central Office's Cost Allocation System to charge Federal and State programs with the appropriate amounts.

As part of our audit of the Automated Time Card and PayPer Systems we reviewed certain information technology controls to ensure that the data residing in these systems was complete and accurate. We noted the following based on our review:

The Bureau of Human Resources has four staff members with the ability to modify employee time and accumulator code records. During our review we noted that the Office does not have policies or procedures in place to know when changes were made by the staff members or what changed were made. As a result unauthorized or inappropriate changes could be made to the time and accumulator code records and go undetected.

STATE OF NEW YORK
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March 31, 2005

Requested changes to the Automated Time Card system are tracked, reviewed and authorized using SNAFU. During our audit we noted that SNAFU is not used in all cases to document approval of the requested system changes nor was there alternative documentation available to indicate the change was approved before it was migrated to the production environment. As a result system changes may be put into production with incomplete or inaccurate code.

Recommendation

Based on the above, the Office should modify their policies and procedures to ensure that system users have appropriate access and changes to the system are appropriate and authorized.

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

NEW YORK STATE CORRECTIVE ACTION PLAN

**Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2005**

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Christine Unson

Title: Coordinator for External Audit

Telephone: (518) 402-0128

E-mail: Christine.Unson@dfa.state.ny.us

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

Audit Report Reference: 05-12

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: None

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

The Office used the Automated Time Card System and the PayPer System (until 1/26/05) to allocate personal service costs to the various Federal programs. Beginning on 1/27/05, the information remained in the ATC from which allocation information is reported to the Finance Office. Each Office employee was assigned an accumulator code which best matched their work functions including the Federal programs in which they benefit. Using the Automated Time card system each employee indicates in the system the appropriate accumulator code for all hours shown on their time card and certifies electronically that the information is accurate. The time card is then forwarded to the employee's supervisor for review and electronic approval. The hours and accumulator code information in the Automated Time Card System was then sent to the PayPer System which interfaces with the State's payroll system, PayServ, to generate employee payroll payments. The current system, HRISnet is used to process employee payroll payments; however accumulator code information is not transmitted to or from HRISnet. The accumulator code and payroll information were used in the Central Office's Cost Allocation System to charge Federal and State programs with the appropriate amounts.

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NEW YORK STATE CORRECTIVE ACTION PLAN

**Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2005**

- Requested changes to the Automated Time Card system are tracked, reviewed and authorized using SNAFU. During our audit we noted that SNAFU is not used in all cases to document approval of the requested system changes nor was there alternative documentation available to indicate the change was approved before it was migrated to the production environment. As a result system changes may be put into production with incomplete or inaccurate code.

Based on the above, the Auditors recommend the Office should modify their policies and procedures to ensure that system users have appropriate access and changes to the system are appropriate and authorized.

Agency Response:

Agency will institute policy and procedure related to ATC requests/changes, required use of SNAFU to track said requests/changes and tracking the implementation of said requests/changes.

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.