
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF MAINE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

March 2010 A-77-10-00006

**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: March 25, 2010

Refer To:

To: Candace Skurnik
Director
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of Maine for the Fiscal Year Ended June 30, 2008 (A-77-10-00006)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Maine for the Fiscal Year ended June 30, 2008. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Maine State Auditor 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 Maine State Auditor 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.¹

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 Maine 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 Maine Department of Health and Human Services (DHHS) is the Maine DDS' parent agency.

¹ In January 2009, the President's Council on Integrity and Efficiency was superseded by the Council of the Inspectors General on Integrity and Efficiency, *Inspector General Reform Act of 2008*, Pub. L. No. 110-409 §7, 5 U.S.C. App. 3 §11.

The single audit reported that DHHS did not allocate indirect costs in accordance with its new cost allocation plan (CAP) (Attachment A, Pages 1 and 2). The corrective action plan indicated that DHHS corrected the cost allocations and implemented procedures to ensure costs are correctly allocated (Attachment A, Page 2). We recommend that SSA ensure the indirect costs charged to the Maine DDS during State Fiscal Year 2008 were in accordance with the CAP.

The single audit also reported that:

1. Payroll certifications were not obtained for employees who worked solely on SSA's DI and SSI programs (Attachment A, Page 3).
2. Suspension and debarment certification language was not included in all contracts. In addition, the Excluded Parties Lists System Website was not checked to determine whether contractors were excluded from participation in Federal programs (Attachment A, Page 4).

We made recommendations to SSA in a prior report for corrective action on these two findings.² We confirmed that SSA had taken appropriate corrective actions to address these findings. Therefore, we will not repeat the recommendations in this report.

Please send copies of the final Audit Clearance Document to Shannon Agee. If you have questions contact Shannon Agee at (816) 221-0315, extension 1537.



Patrick P. O'Carroll, Jr.

Attachments

² SSA OIG, Management Advisory Report, *Single Audit of the State of Maine for the Fiscal Year Ended June 30, 2007* (A-77-09-00010), March 2009.

VARIOUS HEALTH AND HUMAN SERVICES PROGRAMS

(08-70)

Title: Costs not allocated in accordance with plan

Prior Year Finding: 07-91

State Department: Administrative and Financial Services

State Bureau: Health and Human Services Service Center

Federal Agency: U.S. Department of Health and Human Services

CFDA Title: Food Stamp Cluster

- Special Supplemental Nutrition Program for Women, Infants, and Children
- Child and Adult Care Food Program
- Public Health Emergency Preparedness
- Immunization Grants
- Temporary Assistance for Needy Families
- CCDF Cluster
- Child Support Enforcement
- Social Services Block Grant
- State Children's Insurance Program
- Medicaid Cluster
- Disability Insurance/SSI Cluster

CFDA #: 10.551; 10.561; 10.557; 10.558; 93.069; 93.268; 93.558; 93.575;
93.596; 93.563; 93.667; 93.767; 93.775; 93.777; 93.778; 96.001

Federal Award #: 4ME400401 (10.551); 4ME700701 (10.557); 4ME300302 (10.558);
5U90TP116972-08 (93.069); CCH122558-06 (93.268); 0802METANF (93.558);
0801MECCDF (93.675); 0804ME4004 (93.563); ME-SOSR08 (93.667);
07-05ME5021 (93.767); 0805ME5028; 0805ME5048 (93.778); 0804MEDI00 (96.001)

Compliance Area: Allowable costs/cost principles

Compliance Area: Significant Deficiency – Questioned costs

Known Questioned Costs: \$2,364,580 (Medicaid Cluster)
\$54,760 (Child Support Enforcement)

Likely Questioned Costs: \$2,364,580 (Medicaid Cluster)
\$54,760 (Child Support Enforcement)

Criteria: General Administration – Cost Allocation Plans (45 CFR §95.507, §95.519)

Condition: The Department did not allocate all costs in compliance with the Department of Health and Human Services' new cost allocation plan. We noted the following issues:

- Some allocated costs were incorrectly calculated
- Some data statistics were incorrectly computed
- Some programs did not report allocated costs correctly
- Not all accounting staff utilized the final receiver reports or did not use final version of this report

- Incorrect federal financial participation rates were used during the reconciliation process
- Some costs were allocated between federal programs incorrectly
- Some costs were incorrectly excluded from the plan
- Some costs were not appropriately allocated between State and federal funds

Context: We tested the costs allocated for one quarter of the fiscal year. As part of this testing we compared expenditure data to the State accounting records, recalculated allocations based on the underlying statistics, determined reasonableness of the statistics used for the costs being allocated, and agreed the calculations to the final receiver report. The following errors resulted in the questioned costs:

- The Medicaid Cluster was overcharged approximately \$2.4 million because a reconciling journal was not processed.
- Child Support Enforcement was overcharged approximately \$55 thousand because costs were allocated incorrectly to that program instead of being charged fully to Medicaid.

Cause:

- Lack of communication and training
- Staff turnover
- Failure to reconcile final receiver report expenditures to the State's accounting records

Effect: Not properly allocating costs could result in the following issues with federal assistance programs:

- Inaccurate financial reports
- Cash shortages or overages
- Unallowable costs claimed
- Possible match deficiencies

Recommendation: We recommend that the Department continue in its efforts to develop a revised final receiver report that more accurately reflects the new cost allocation plan and current operations. We further recommend that data statistics entered are reviewed, cost allocation journals be processed timely and a standard procedure be established to ensure that the program accountants are notified of any revisions to final receiver reports.

Management's Response/Corrective Action Plan: *The Department of Health and Human Services agrees with the finding.*

As of July 1, 2008, Service Center personnel corrected the cost allocations. Statistical data that had been incorrectly computed was discontinued prior to fiscal year 2009. There is a training program in progress to clarify the information concerning reporting allocated costs correctly. The accounting staff is reconciling the final receiver reports to accounting records for grants that use receiver reports.

In addition, a review process has been instituted to ensure that federal financial participation rates are correct and costs are allocated between federal programs correctly.

All requests for new units are made through the Cost Allocation Administrator. The request includes a description of the unit and cost allocation method. Program personnel are reviewing the narratives on annual basis.

Contact: Donna Wheeler, Financial Analyst, 287-1860

DISABILITY INSURANCE/SSI CLUSTER

(08-68)

Title: Cost principles related to personal services not followed

Prior Year Finding: 07-82

State Department: Health and Human Services

State Bureau: Disability Determination Services

Federal Agency: Social Security Administration

CFDA Title: Disability Insurance/SSI Cluster

CFDA #: 96.001

Federal Award #: 0804MEDI00; 0704MEDI00

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant Deficiency

Known Questioned Costs: None

Likely Questioned Costs: None

Criteria: Cost Principles for State, Local, and Indian Tribal Governments (2 CFR Part 225)

Condition: Payroll certifications were not obtained for all employees who worked solely on this program. Furthermore, certifications did not include coverage for the entire fiscal year.

Context: Payroll certifications did not include eight employees who worked solely on this program. Payroll certifications only covered the last six months of fiscal year 2008.

Cause: Misunderstanding of payroll certification requirements

Effect: Lack of support for salaries and wages charged to the program

Recommendation: We recommend that the Department implement better controls to ensure all employees who have worked for the Social Security Administration during the time period being certified are included as part of the certifications.

Management's Response/Corrective Action Plan: *The Department of Health and Human Services agrees with the finding.*

Effective January 1, 2008, the Director of Disability Determination has signed certifications on file for all employees who work on the SSDI/SSI programs. The certifications are updated every six months.

By July 1, 2009, a system will be implemented to ensure that all employees of DDS are certified.

Contact: Scott Mack, Director, Disability Determination, 377-9501.

(08-69)

Title: Noncompliance with suspension and debarment requirements

Prior Year Finding: 07-83

State Department: Health and Human Services
State Bureau: Disability Determination Services
Federal Agency: Social Security Administration
CFDA Title: Disability Insurance/SSI Cluster
CFDA #: 96.001
Federal Award #: 0804MEDI00; 0704MEDI00

Compliance Area: Procurement and suspension and debarment

Type of Finding: Material Weakness/Material Noncompliance

Known Questioned Costs: None

Likely Questioned Costs: None

Criteria: Government-wide Debarment and Suspension – Non-procurement (20 CFR §436)

Condition: The Department did not include suspension and debarment certification language in all contracts or check the Excluded Parties Lists System (EPLS) website to determine that contractors were not excluded or disqualified.

Context: The Department entered into 14 contracts exceeding the \$25,000 suspension and debarment threshold, totaling \$1.1 million. These contracts should have included suspension and debarment language. Corrective action has been taken for contracts relating to the fiscal year 2009.

Cause: Starting in fiscal year 2007, contracts were sent out to providers by purchasing personnel, rather than program personnel. Purchasing personnel were not informed that suspension and debarment language must be included in the contracts. The Department was also unaware that the EPLS website could be checked to determine if the contractor was excluded or disqualified.

Effect: Potential payments to suspended or debarred parties, resulting in questioned costs

Recommendation: We recommend that the Department continue to implement the corrective action that was recently initiated.

Management's Response/Corrective Action Plan: *The Department of Health and Human Services agrees with this finding.*

The contracts that were effective as of July 1, 2008 contained the suspension and debarment language required by 20 CFR §436. In addition, contracts are checked against the Excluded Parties List System to prevent payments to suspended or debarred parties.

Contact: Scott Mack, Director, Disability Determination, 377-9501

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.