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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 SOUTH CAROLINA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2005**

**December 2006      A-77-07-00005**

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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: December 4, 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 South Carolina for the Fiscal Year Ended June 30, 2005 (A-77-07-00005)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of South Carolina 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 South Carolina State Auditor 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 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.

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 South Carolina 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 South Carolina Vocational Rehabilitation Department (VR) is the South Carolina DDS' parent agency.

The single audit reported that the State's Cost Allocation Plan (CAP) contained incorrect cost allocation rates and incorrectly omitted allocable costs (Attachment A, pages 1 and 2). We previously reported this weakness to SSA and recommended that SSA work with VR to ensure indirect costs charged to its programs are distributed in an equitable manner.<sup>1</sup> According to the corrective action plan VR submitted a CAP revision to the cognizant agency for approval. The cognizant agency responded that the request was in process (Attachment A, page 3).

We recommend that SSA determine whether indirect costs charged to the DDS were in accordance with the cost allocation plan once it is approved by HHS, and if appropriate, collect any unallowable costs.

The single audit also disclosed that VR allowed reimbursement for travel expenditures that were not in accordance with State travel policies (Attachment B, pages 1 and 2). Although this finding was not specifically identified to SSA it may have an impact on DDS operations. I am bringing this matter to your attention as it represents a potentially serious service delivery and financial control problem for the Agency.

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



Patrick P. O'Carroll, Jr.

Attachments

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<sup>1</sup> *Single Audit of the State of South Carolina for the Fiscal Year Ended June 30, 2004 (A-77-06-00002).*

**STATE OF SOUTH CAROLINA**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Questioned  
Costs

SOUTH CAROLINA STATE AGENCY OF VOCATIONAL REHABILITATION  
(H73) (CONTINUED)

05H73-2. Cost Allocation Plan

This is a reportable condition.

This is a repeat finding.

Rehabilitation Services - Vocational Rehabilitation  
Grants to States  
CFDA No.: 84.126  
Grant No.: H126A050060

Supported Employment Services for Individuals with Severe  
Disabilities  
CFDA No.: 84.187  
Grant No.: H187A050061

Social Security - Disability Insurance  
CFDA No.: 96.001  
Grant No.: 04-05-04SCDI00

Social Security - Benefits Planning, Assistance, and  
Outreach Program  
CFDA No.: 96.008  
Grant No.: 16-T-10111-4-05

The prior year audit report included the following comment:

During our review of the State Agency's cost allocation plan (CAP) we found an error in the calculation of the composite rate which creates the potential for inequitable allocation of program costs. The State Agency calculates the composite rate by adding the percentages from each of the four bases included in the CAP and then, from these totals, calculates a percent-to-total for each of the Federal programs to which

**STATE OF SOUTH CAROLINA**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Questioned  
Costs

SOUTH CAROLINA STATE AGENCY OF VOCATIONAL REHABILITATION  
(H73) (CONTINUED)

05H73-2. Cost Allocation Plan (Continued)

it charges indirect costs. This results in each of the bases having an equal 25 percent impact on the calculation of the composite rate, even though the total cost for each base is not equal.

Additionally, the State Agency's federally approved CAP includes Public Information as an allocable indirect cost pool. We noted the Agency did not allocate public information expenditures as an indirect cost, but instead treated the cost as a direct cost. Therefore, there is a discrepancy in treatment between what is in the approved plan and the State Agency's cost allocation procedures.

Based on our audit procedures for the current period, which included inquiries of Agency management, we determined that the Agency had not implemented a plan to remedy the finding.

OMB Circular A-87, Attachment A, Section F.1. states in part that indirect cost pools should be distributed to benefited cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

We recommend the State Agency revise its CAP to properly calculate the composite rate. We also recommend the State Agency submit a plan revision for any changes to the grantor for approval.

Not  
Determinable

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SOUTH CAROLINA VOCATIONAL



REHABILITATION DEPARTMENT

*Enabling eligible South Carolinians with disabilities  
to prepare for, achieve, and maintain competitive employment.*

Larry C. Bryant, Commissioner

**South Carolina Vocational Rehabilitation Department (H73)  
July 1, 2004 – June 30, 2005 Audit Response**

**05H73-1 Travel Reimbursement**

We recommend the Agency develop and implement procedures to ensure that supervisors responsible for approving travel reimbursements are familiar with State travel policy and perform careful reviews of travel vouchers and related supporting documentation.

- Response:
1. The agency applied for the Governor's Quality Award and agreed to pay the expenses of the team of individuals conducting the examination of the agency. The expense for hotel bill was incurred by a team member and not a VR employee. The examination team members, in an effort to maintain their independence, do not discuss where they live and it would be impossible to dictate to the team how to conduct their business. In the future, we will ensure any such agreement we enter stipulates compliance with state travel regulations.
  2. The mileage in question was appropriate because the employee traveled to Marlboro Training Center in addition to the Florence Center. Supervisors and employees will be advised to provide greater detail on the travel support documentation when mileage varies significantly from the state mileage chart.

**05H73-2 Cost Allocation Plan**

We recommend the State Agency revise its CAP to properly calculate the composite rate. We also recommend the State Agency submit a plan revision for any changes to the grantor for approval.

- Response:
- We submitted a CAP revision to our Federal Cognizant Agency to reflect composite rates weighted for pro rata shares of administrative costs on March 4, 2005. A follow-up request was sent October 25, 2005 and again December 12, 2005. We received a response on November 8, 2005 and again on December 13, 2005 that the request was in process. We believe we have complied with this finding to the fullest of our ability, and will continue to follow-up with our Federal Cognizant Agency until it is resolved.

**STATE OF SOUTH CAROLINA**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Questioned  
Costs

SOUTH CAROLINA STATE AGENCY OF VOCATIONAL REHABILITATION  
(H73)

**05H73-1. Travel Reimbursement**

This is a reportable condition.

This is a repeat finding.

Rehabilitation Services - Vocational Rehabilitation Grants  
to States

CFDA No.: 84.126

Grant Nos.: H126A040060 and H126A050060

To follow up on a prior audit finding, we selected five travel vouchers to test for compliance with State laws, rules and regulations. The test of five travel vouchers disclosed the following:

1. The Agency reimbursed an employee for lodging that was within 13 miles of the employee's headquarters and/or residence.
2. The Agency reimbursed an employee for a round trip between Charleston and Florence. The employee was reimbursed 205 miles each way. The State Highway System Map lists the mileage as 110 miles each way. Reimbursement of 410 miles roundtrip appears to be excessive.

The projected likely questioned cost based on our sample size is estimated to be \$131,106. Similar errors were noted in our prior year audit.

South Carolina Budget and Control Board Regulations for reimbursement of travel and subsistence expenses states, "No reimbursement for overnight accommodations will be made within fifty (50) miles of the traveler's official headquarters and/or residence." Also, "Auto travel should be by the most direct route practicable, and substantial deviation from the distances shown by the current State Highway System Map of the South Carolina Department of Transportation should be explained."

**STATE OF SOUTH CAROLINA**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Questioned  
Costs

SOUTH CAROLINA STATE AGENCY OF VOCATIONAL REHABILITATION  
(H73) (CONTINUED)

05H73-1. Travel Reimbursement (Continued)

We recommend the Agency develop and implement procedures to ensure that supervisors responsible for approving travel reimbursements are familiar with State travel policy and perform careful reviews of travel vouchers and related supporting documentation.

\$310

# **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.