
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ADMINISTRATIVE COSTS CLAIMED BY
THE CONNECTICUT DISABILITY
DETERMINATION SERVICES**

October 2012 A-01-12-12104

AUDIT 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.

MEMORANDUM

Date: October 18, 2012

Refer To:

To: Michael F. Bertrand
Regional Commissioner
Boston

From: Inspector General

Subject: Administrative Costs Claimed by the Connecticut Disability Determination Services (A-01-12-12104)

For our audit of Federal Fiscal Year (FY) 2009 and 2010 administrative costs claimed by the Connecticut Disability Determination Services (CT-DDS), our objectives were to

- evaluate CT-DDS' internal controls over the accounting and reporting of administrative costs;
- determine whether costs claimed by CT-DDS were allowable and funds were properly drawn; and
- assess limited areas of the general security controls environment.

BACKGROUND

Disability determination services (DDS) in each State or other responsible jurisdiction perform disability determinations under the Social Security Administration's (SSA) Disability Insurance and Supplemental Security Income programs in accordance with Federal law and regulations.¹ Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations.

To make proper disability determinations, SSA authorizes each DDS to purchase medical examinations, X rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources. SSA reimburses the DDS for 100 percent of allowable reported expenditures up to its approved funding authorization, based on a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513).² (See Appendix B for additional background, scope, and methodology.)

¹ *Social Security Act* §§ 221 and 1614, 42 U.S.C. §§ 421 and 1382c. See also, 20 C.F.R. §§ 404.1601, *et. seq.*, and 416.1001 *et. seq.*

² 20 C.F.R. §§ 404.1626 and 416.1026.

RESULTS OF REVIEW

We determined that costs claimed on Forms SSA-4513 for the period October 1, 2008 through September 30, 2010 were allowable and properly allocated and the system of internal controls over accounting and reporting administrative costs was effective. In addition, cumulative drawdowns did not exceed cumulative disbursements during our audit period. (See Appendix C for costs reported on Forms SSA-4513.) Finally, our limited review of CT-DDS' controls over its physical security and personally identifiable information showed that controls were in place.

CONCLUSION

Overall, CT-DDS had effective internal controls over the accounting and reporting of administrative costs for FYs 2009 and 2010. Also, CT DDS' controls for general security and personally identifiable information were satisfactory.

AGENCY COMMENTS

See Appendices D and E for SSA's comments and the DDS parent agency's comments.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Background, Scope, and Methodology

APPENDIX C – Schedule of Total Costs Reported on Forms SSA-4513—*State Agency Reports of Obligations for SSA Disability Programs*

APPENDIX D – Agency Comments

APPENDIX E – Disability Determination Services Parent Agency Comments

APPENDIX F – OIG Contacts and Staff Acknowledgment

Acronyms

Act	<i>Social Security Act</i>
C.F.R.	Code of Federal Regulations
CT-DDS	Connecticut Disability Determination Services
DDS	Disability Determination Services
DI	Disability Insurance
FY	Fiscal Year
Form SSA-4513	<i>State Agency Report of Obligations for SSA Disability Programs</i>
OMB	Office of Management and Budget
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Background, Scope, and Methodology

BACKGROUND

The Disability Insurance (DI) program, established under Title II of the *Social Security Act* (Act), provides benefits to wage earners and their families in the event the wage earner becomes disabled.¹ The Supplemental Security Income (SSI) program, established under Title XVI of the Act, provides benefits to financially needy individuals who are aged, blind, or disabled.²

The Social Security Administration (SSA) is responsible for implementing policies for the development of disability claims under the DI and SSI programs. Disability determinations under the DI and SSI programs are performed by disability determination services (DDS) in each State, Puerto Rico, and the District of Columbia. Such determinations are required to be performed in accordance with Federal law and underlying regulation.³ In carrying out its obligation, each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. To assist in making proper disability determinations, SSA authorizes each DDS to purchase medical examinations, X rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources.

SSA reimburses the DDS for 100 percent of allowable reported expenditures up to its approved funding authorization.⁴ The DDS withdraws Federal funds through the Department of the Treasury's Automated Standard Application for Payments System to pay for program expenditures. Funds drawn down must comply with Federal regulations⁵ and intergovernmental agreements entered into by the Department of the Treasury and States or other responsible jurisdiction, under the *Cash Management Improvement Act of 1990*.⁶ An advance or reimbursement for costs under the program must comply with Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. At the end of each quarter

¹ *Social Security Act* § 223(a)(1); 42 U.S.C. § 423(a)(1).

² *Social Security Act* §§ 1602 and 1611; 42 U.S.C. §§ 1381a and 1382.

³ *Social Security Act* §§ 221 and 1614, 42 U.S.C. §§ 421 and 1382c; see also, 20 C.F.R. §§ 404.1601 *et. seq.*, and 416.1001 *et. seq.*

⁴ 20 C.F.R. §§ 404.1626 and 416.1026.

⁵ 31 C.F.R. § 205.1 *et. seq.*

⁶ *Cash Management Improvement Act of 1990*, Pub. L. No. 101-453, 104 Stat. 1058 (1990).

of the Fiscal Year (FY), each DDS submits a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) to account for program disbursements and unliquidated obligations.

SCOPE

To accomplish our objectives, we reviewed the administrative costs Connecticut Disability Determination Services (CT-DDS) reported on its Forms SSA-4513 for FYs 2009 and 2010. For the periods reviewed, we obtained evidence to evaluate recorded financial transactions and determine whether they were allowable under OMB Circular A-87 and appropriate, as defined by SSA's Program Operations Manual System (POMS).

We also:

- Reviewed applicable Federal laws, regulations, and SSA's POMS and other instructions pertaining to administrative costs incurred by CT-DDS and the draw down of SSA funds.
- Contacted staff at CT-DDS and SSA's Boston Regional Office.
- Evaluated and tested internal controls regarding accounting and financial reporting and cash management activities.
- Verified the reconciliation of official State accounting records to the administrative costs reported by CT-DDS on Forms SSA-4513 for FYs 2009 and 2010.
- Examined the administrative expenditures (Personnel, Medical, and All Other Non-personnel costs) incurred and claimed by CT-DDS for FYs 2009 and 2010 on Forms SSA-4513.
- Examined the indirect costs claimed by CT-DDS for FYs 2009 and 2010 and the corresponding Indirect Cost Allocation Plans.
- Compared the amount of SSA funds drawn to support program operations to the allowable expenditures reported on Forms SSA-4513.
- Reviewed the State of Connecticut Audit reports issued in 2009 and 2010.
- Conducted limited general control testing—which encompassed reviewing the physical access security in CT-DDS.
- Reviewed policies and procedures related to personally identifiable information to determine whether CT-DDS had controls in place to protect these data.

The electronic data used in our audit were sufficiently reliable to achieve our audit objectives. We assessed the reliability of the electronic data by reconciling them with the costs claimed on the Forms SSA-4513. We also conducted detailed audit testing on selected data elements in the electronic data files.

We performed our audit at the CT-DDS in Hartford, Connecticut, and the Office of Audit in Boston, Massachusetts, from April through August 2012. We conducted our audit in

accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

METHODOLOGY

Our sampling methodology encompassed the three general areas of costs as reported on Forms SSA-4513: (1) Personnel, (2) Medical, (3) All Other Non-personnel costs. We obtained computerized data from CT-DDS for FYs 2009 and 2010 for use in statistical sampling.

Personnel Costs

We sampled 117 employee salary items from 1 randomly selected pay period in FY 2010. We tested regular and overtime payroll and hours for each individual selected. We verified that approved time records were maintained and supported the hours worked. We tested payroll records to ensure the CT-DDS correctly paid employees and adequately documented these payments.

We also sampled 43 medical consultant cost items from 1 randomly selected pay period for FY 2010. We determined whether sampled costs were paid properly and ensured the selected medical consultants were licensed.

Medical Costs

We sampled 100 medical evidence and consultative examination records (50 items from each FY) using a proportional random sample. We determined whether sampled costs were properly reimbursed.

All Other Non-Personnel Costs

We stratified All Other Non-personnel costs into 10 categories: (1) Occupancy, (2) Contracted Costs, (3) Electronic Data Processing Maintenance, (4) New Electronic Data Processing Equipment/Upgrades, (5) Equipment Purchases, (6) Equipment Rental, (7) Communications, (8) Applicant Travel, (9) DDS Travel, and (10) Supplies. We selected a stratified random sample of 50 items from each FY based on the percentage of costs in each category (excluding the rent portion of Occupancy) to total costs. We also performed a 100-percent review of the rent portion of Occupancy expenditures.

Schedule of Total Costs Reported on Forms SSA-4513—*State Agency Reports of Obligations for SSA Disability Programs*

Connecticut Disability Determination Services

FISCAL YEARS (FY) 2009 and 2010 COMBINED

REPORTING ITEMS	DISBURSEMENTS	UNLIQUIDATED OBLIGATIONS	TOTAL OBLIGATIONS
Personnel	\$26,420,013	\$0	\$26,420,013
Medical	\$6,671,388	\$0	\$6,671,388
Indirect	\$4,823,890	\$0	\$4,823,890
All Other	\$2,397,968	\$0	\$2,397,968
TOTAL	\$40,313,259	\$0	\$40,313,259

FY 2009

REPORTING ITEMS	DISBURSEMENTS	UNLIQUIDATED OBLIGATIONS	TOTAL OBLIGATIONS
Personnel	\$12,540,602	\$0	\$12,540,602
Medical	\$3,058,421	\$0	\$3,058,421
Indirect	\$2,466,545	\$0	\$2,466,545
All Other	\$1,175,194	\$0	\$1,175,194
TOTAL	\$19,240,762	\$0	\$19,240,762

FY 2010

REPORTING ITEMS	DISBURSEMENTS	UNLIQUIDATED OBLIGATIONS	TOTAL OBLIGATIONS
Personnel	\$13,879,411	\$0	\$13,879,411
Medical	\$3,612,967	\$0	\$3,612,967
Indirect	\$2,357,345	\$0	\$2,357,345
All Other	\$1,222,774	\$0	\$1,222,774
TOTAL	\$21,072,497	\$0	\$21,072,497

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: October 1, 2012

Refer To:

S2D1G5/33525/ORC-
2012-S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Michael F. Bertrand
Regional Commissioner
Boston

Subject: Administrative Costs Claimed by the Connecticut Disability Determination Services
(A-01-12-12104)

Thank you for the opportunity to review and comment on the draft audit report of administrative costs claimed by the Connecticut Disability Determination Services (CT DDS) for fiscal years 2009 and 2010.

The draft report determined that costs claimed by the CT DDS on Forms SSA-4513 for the period October 1, 2008 through September 30, 2010 were allowable and properly allocated, and the system of internal controls over accounting and reporting administrative costs was effective. In addition, cumulative drawdowns did not exceed cumulative disbursements during our audit period. Also, the audit's limited review of CT-DDS' controls over its physical security and personally identifiable information showed that controls were in place.

The audit concluded that, overall, CT-DDS had effective internal controls over the accounting and reporting of administrative costs for FYs 2009 and 2010 and that controls for general security and personally identifiable information were satisfactory.

There were no findings requiring corrective action.

We are pleased with the absence of findings and have no comments to add to the draft report. We look forward to receipt of the final report and closure of this audit. Please call me if you wish to discuss the report or you staff may contact Lynne Curtis, Connecticut Disability Program Administrator, Boston Center for Disability, at 617-565-2390.

/s/

Michael F. Bertrand

Disability Determination Services Parent Agency Comments

October 01, 2012

Subject: Draft Report: Administrative Costs Claimed by the Connecticut DDS

David and Frank,

Thank you for the opportunity to review and comment on the draft report “Administrative Costs Claimed by the Connecticut Disability Determination Services” (A-01-12-12104). We are pleased with the assessment that the DDS’ internal controls over administrative cost accounting and reporting are effective, and that controls for general security and personally identifiable information are satisfactory.

In addition, we wish to thank you both for your professionalism and cooperation in conducting such a comprehensive review during a time of transition for our agency. This required some extra effort on your part, working closely with staff from the CT DDS, as well as staff from the previous parent agency, the Department of Social Services, and the current parent agency, the Department of Rehabilitation Services. We appreciate your patience and the open lines of communication during the review.

Thank you. It was a pleasure to work with you.

Amy

Amy Porter, Commissioner
Department of Rehabilitation Services
25 Sigourney Street
Hartford, CT 06106
(860) 424-4864 phone
(860) 424-4850 fax



OIG Contacts and Staff Acknowledgment

OIG Contacts

Judith Oliveira, Director, Boston Audit Division

David Mazzola, Audit Manager

Acknowledgment

In addition to those named above:

Frank Salamone, Senior Auditor

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-01-12-12104.

Overview of the Office of the Inspector General

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