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SOCIAL SECURITY ADMINISTRATION

Audit Report

Administrative Costs Claimed by the
Georgia Disability Adjudication
Services

A-04-13-13058 | November 2013

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: November 4, 2013

Refer To:

To: Michael W. Grochowski
Regional Commissioner
Atlanta

From: Inspector General

Subject: Administrative Costs Claimed by the Georgia Disability Adjudication Services (A-04-13-13058)

The attached final report presents the results of our audit. Our objectives were to (1) evaluate the Georgia Disability Adjudication Services' internal controls over the accounting and reporting of administrative costs; (2) determine whether the costs claimed were allowable and funds were properly drawn; and (3) assess, on a limited basis, the general security controls environment for the 6-month period October 1, 2011 through March 31, 2012.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

cc:

Ann Robert, Acting Associate Commissioner for Disability Determinations
Carla Krabbe, Associate Commissioner for Financial Policy and Operations
Gary S. Hatcher, Senior Advisor for Records Management and Audit Liaison Staff
Greg Schmieg, Executive Director, Georgia Vocational Rehabilitation Agency
Awilda Danko, Director, Georgia Disability Adjudication Services

Administrative Costs Claimed by the Georgia Disability Adjudication Services

A-04-13-13058



November 2013

Office of Audit Report Summary

Objective

To (1) evaluate the Georgia Disability Adjudication Services' (GA-DAS) internal controls over the accounting and reporting of administrative costs; (2) determine whether the costs claimed were allowable and funds were properly drawn; and (3) assess, on a limited basis, the general security controls environment for the 6-month period October 1, 2011 through March 31, 2012.

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. DDSs must perform such determinations in accordance with Federal law and regulations. 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 evidence to supplement evidence obtained from the claimants' physicians or other treating sources. SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization.

Our Findings

The costs GA-DAS claimed for our audit period were allowable and properly allocated, and the system of internal controls over the accounting and reporting of administrative costs was effective. In addition, GA-DAS properly drew Federal funds for the costs it claimed on Form SSA-4513 for the period reviewed. Finally, our limited review of GA-DAS' controls over its physical security and personally identifiable information showed that controls were generally in place with the exception of two minor physical security weaknesses.

Our Conclusions

Overall, GA-DAS had effective internal controls over the accounting and reporting of administrative costs for the 6-month period October 1, 2011 through March 31, 2012. Our limited review of GA-DAS' controls over its physical security and personally identifiable information showed that controls were generally in place. However, we identified two minor physical security weaknesses. We discussed these issues with the regional office; GA-DAS; and GA-DAS' parent agency, the Georgia Vocational Rehabilitation Agency, for their consideration and action. Accordingly, we did not make any recommendations in this report.

In commenting on the draft report, SSA and GA-DAS confirmed they had taken corrective actions on the two minor physical security weaknesses we identified.

TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	2
General Security Controls	2
Conclusions	3
Agency Comments	3
Appendix A – Schedule of Total Costs Reported on Form SSA-4513— <i>State Agency Report of Obligations for SSA Disability Programs</i>	A-1
Appendix B – Background, Scope, and Methodology	B-1
Appendix C –Agency Comments	C-1
Appendix D – Georgia Disability Adjudication Services’ Comments	D-1
Appendix E – Major Contributors	E-1

ABBREVIATIONS

C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
GA-DAS	Georgia Disability Adjudication Services
GA-DHS	Georgia Department of Human Services
GA-DoL	Georgia Department of Labor
OIG	Office of the Inspector General
OMB	Office of Management and Budget
POMS	Program Operations and Manual System
Pub. L. No.	Public Law Number
SSA	Social Security Administration
U.S.C.	United States Code
<i>Form</i>	
SSA-4513	<i>State Agency Report of Obligations for SSA Disability Programs</i>

OBJECTIVE

To (1) evaluate the Georgia Disability Adjudication Services' (GA-DAS) internal controls over the accounting and reporting of administrative costs; (2) determine whether the costs claimed were allowable and funds were properly drawn; and (3) assess, on a limited basis, the general security controls environment for the 6-month period October 1, 2011 through March 31, 2012.

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. DDSs are required to perform such determinations 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 when medical and nonmedical evidence is insufficient to make a disability determination.² SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization for costs reported on a Form SSA-4513, *State Agency Report of Obligations for SSA Disability Programs*.³ The DDS withdraws Federal funds through the Department of the Treasury's Automated Standard Application for Payments system to pay for program expenditures.

GA-DAS' main office is in Stone Mountain, Georgia, and its four branch offices are in Athens, Dalton, Savannah, and Thomasville, Georgia. GA-DAS is a component of the Georgia Vocational Rehabilitation Agency, within the Georgia Department of Human Services (GA-DHS). On July 1, 2012, after our audit period, the State of Georgia organizationally transferred GA-DAS from the Georgia Department of Labor (GA-DoL) to the newly created Georgia Vocational Rehabilitation Agency.⁴ Before this transfer, GA-DoL accounted for GA-DAS' disbursements, completed Forms SSA-4513, and prepared requests to transfer cash from the Department of the Treasury to the State Treasurer. After the transfer, GA-DoL

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

² SSA, POMS, DI 39545.120.A. (April 20, 2007).

³ SSA, POMS, DI 39501.020 B. (February 28, 2002), DI 39506.001.B. (March 12, 2002), and DI 39506.202.A. (March 12, 2002).

⁴ On April 19, 2012, Georgia's Governor signed Georgia House Bill 1146 that created the Georgia Vocational Rehabilitation Agency, effective July 1, 2012. The new agency is administratively attached to GA-DHS. GA-DHS provides the Georgia Vocational Rehabilitation Agency with administrative support services in human resources, contracts, procurement, financial, legal, facilities, and information technology.

continued supporting GA-DAS and will do so until all its responsibilities are transferred to GA-DHS.

For the 6-month audit period, October 1, 2011 through March 31, 2012, GA-DAS claimed total costs of about \$31 million. See Appendix A for the costs GA-DAS reported on Form SSA-4513 for the four major cost categories.

This is the second of a two-part audit of GA-DAS. In December 2012, we issued our first report on *Personnel Costs and Hiring Practices of the Georgia Disability Adjudication Services* (A-04-12-22135). For the first audit, we limited our work to the personnel costs GA-DAS claimed on its Forms SSA-4513 for the 6-month audit period. Our current audit reviewed Medical, Indirect, and All Other Non-personnel costs GA-DAS claimed on its Forms SSA-4513. For additional background, scope, and methodology, see Appendix B.

RESULTS OF REVIEW

The costs GA-DAS claimed for our audit period were allowable and properly allocated, and the system of internal controls over the accounting and reporting of administrative costs was effective. In addition, GA-DAS properly drew Federal funds for the costs it claimed on Forms SSA-4513 for the 6-month period reviewed. Finally, our limited review of GA-DAS' controls over its physical security and personally identifiable information showed that controls were generally in place. However, we identified two minor physical security weaknesses, which we shared with the regional office; GA-DAS; and GA-DAS' parent agency, the Georgia Vocational Rehabilitation Agency, for their consideration and action.

General Security Controls

SSA's policy provides mandatory standards for adequately safeguarding systems and claimant data along with discretionary guidelines for protecting DDS facilities and personnel. SSA encourages DDSs to use the discretionary procedures to ensure ongoing security of personnel and property.⁵

⁵ SSA, POMS, DI 39567.010.A. (October 2, 2008).

Although our limited review of GA-DAS' general security controls environment showed the controls were generally effective, we identified two minor issues. First, GA-DAS needed to better protect claimant folders and the sensitive personally identifiable information they contained at its Thomasville office's claims file room. Second, GA-DAS' Security Plan did not contain current information for its Athens office, which relocated in May 2012. Specifically, its Security Plan did not accurately reflect the building's physical description, evacuation meeting place, and server room access for the new location. We discussed these issues with the regional office; GA-DAS; and GA-DAS' parent agency, the Georgia Vocational Rehabilitation Agency, for their consideration and action.

CONCLUSIONS

Overall, GA-DAS had effective internal controls over the accounting and reporting of administrative costs for the 6-month period October 1, 2011 through March 31, 2012. Our limited review of GA-DAS' controls over its physical security and personally identifiable information showed that controls were generally in place. However, we identified two minor physical security weaknesses. We discussed these issues with the regional office; GA-DAS; and GA-DAS' parent agency, the Georgia Vocational Rehabilitation Agency, for their consideration and action. Accordingly, we did not make any recommendations in this report.

AGENCY COMMENTS

SSA and GA-DAS confirmed they had taken corrective actions on the two minor physical security weaknesses identified in our audit (see Appendix C and Appendix D).

APPENDICES

**Appendix A – SCHEDULE OF TOTAL COSTS REPORTED ON
FORM SSA-4513—STATE AGENCY REPORT OF
OBLIGATIONS FOR SSA DISABILITY PROGRAMS**

Table A-1: Total Costs Reported on Form SSA-4513

Georgia Disability Adjudication Services (October 1, 2011 Through March 31, 2012)			
Reporting Items	Disbursements	Unliquidated Obligations	Total Obligations
Personnel	\$18,064,567	\$0	\$18,064,567
Medical	7,902,937	2,542,050	10,444,987
Indirect	1,870,333	0	1,870,333
All Other	3,052,338	629,790	3,682,128
Totals	\$30,890,175	\$3,171,840	\$34,062,015

Appendix B – BACKGROUND, SCOPE, AND METHODOLOGY

Background

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

The Social Security Administration (SSA) is responsible for implementing policies to develop disability claims under the Disability Insurance and Supplemental Security Income programs. Disability determination services (DDS) in each State, Puerto Rico, Guam, the U.S. Virgin Islands, and the District of Columbia perform disability determinations under both programs. Such determinations must 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 from the claimants' physicians or other treating sources when the evidence as a whole, both medical and nonmedical, is insufficient to make a disability determination.⁴

SSA reimburses the DDS for 100 percent of allowable reported expenditures up to its approved funding authorization. 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 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 of the Federal Fiscal Year, each DDS submits a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) to account for program disbursements and unliquidated obligations.

¹ *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

² *Social Security Act* § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*

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

⁴ SSA, POMS, DI 39545.120.A. (April 20, 2007).

⁵ 31 C.F.R. Part 205.

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

Scope

To accomplish our objectives, we reviewed the administrative costs the Georgia Disability Adjudication Services (GA-DAS) reported on its Forms SSA-4513 for the 6-month period October 1, 2011 through March 31, 2012. For this period, 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 pertinent parts of SSA's POMS pertaining to administrative costs claimed by GA-DAS and draw down of the SSA funds.
- Interviewed staff at GA-DAS, the Georgia Department of Labor, and SSA's Atlanta Regional Office.
- Evaluated and tested internal controls regarding accounting and financial reporting and cash management activities.
- Reconciled the State's electronic cost data to the administrative costs reported by GA-DAS on Forms SSA-4513 for the 6-month period October 1, 2011 through March 31, 2012.
- Examined the Medical and All Other Non-personnel costs GA-DAS claimed on Forms SSA-4513 for the 6-month audit period.
- Examined the indirect costs GA-DAS claimed for the 6-month audit period and the corresponding Cost Allocation Plan.
- Compared the amount of SSA funds drawn to support program operations to the allowable expenditures reported on Forms SSA-4513 for the 6-month audit period.
- Conducted limited general control testing, which encompassed reviewing the physical access security in GA-DAS branch facilities.
- Reviewed policies and procedures related to personally identifiable information to determine whether GA-DAS 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 Forms SSA-4513. We also conducted detailed audit testing on selected data elements in the electronic data files.

We conducted our audit at GA-DASs in Stone Mountain, Athens, Dalton, Savannah, and Thomasville, Georgia, as well as the Office of Audit in Atlanta, Georgia, from November 2012 through June 2013. 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

For this review, our sampling methodology encompassed three general areas of costs reported on Forms SSA-4513: Medical, Indirect, and All Other Non-personnel. We obtained computerized cost data from GA-DAS for our 6-month audit period October 1, 2011 through March 31, 2012. We used the computerized data to select a statistical sample for our control tests.

Medical Costs

We sampled 50 medical evidence records and consultative examinations using a proportional random sample.

Indirect Costs

We reviewed the indirect cost claimed during our audit period and the applicable cost allocation plan.

All Other Non-Personnel Costs

We stratified All Other Non-personnel costs into eight categories: (1) Contracted Costs, (2) Electronic Data Processing Maintenance, (3) Equipment Purchases and Rental, (4) Communications, (5) Applicant Travel, (6) DDS Travel, (7) Supplies, and (8) Miscellaneous. For our control tests, we selected a stratified random sample of 50 items based on the percentage of costs in each category—excluding the rent portion of Occupancy costs. For Occupancy costs, we tested 100 percent of the rent portion of the costs charged during our audit period.

General Security Controls

We conducted limited general security control testing. Specifically, we reviewed the following eight areas relating to general security controls: (1) Perimeter Security, (2) Internal Security, (3) Physical Access Controls, (4) Visitor Access Guidelines, (5) Office Safety, (6) Personally Identifiable Information, (7) Security Plan, and (8) Other Security Controls.

Appendix C – AGENCY COMMENTS

September 24, 2013

To: Inspector General

From: Regional Commissioner
Atlanta

Subject: Draft Report – OIG Review of Administrative Costs Claimed by the Georgia Disability Adjudication Services A-04-13-13058 (Your Memorandum, 8/23/12)--
REPLY

Thank you for the opportunity to comment on the draft audit report of the Georgia Disability Adjudication Service's (GA-DAS) administrative costs for the period October 1, 2011, through March 31, 2012. We found this second phase of the Office of Inspector General's (OIG) audit of the GA-DAS to be detailed and comprehensive, focusing on those cost areas affecting the non-personnel portion of their budget, as well as the physical security of the GA-DAS's five case processing offices.

While the auditors had no recommendations resulting from their review, they did identify two minor physical security issues for consideration: removing paper folders from an unsecure private office in the Thomasville branch office and updating the DAS's Security Plan to reflect the new Athens branch office address. Both of these items were discussed during the exit conference with the GA-DAS and their parent agency, and both were resolved prior to release of the audit report.

Vicki Sincek for
Michael W. Grochowski

cc:
DCO

Appendix D – GEORGIA DISABILITY ADJUDICATION SERVICES' COMMENTS

September 30, 2013

Subject: RE: Signed Draft Report (A-04-13-13058)

Attached please find the GVRA response to the August OIG Report on Georgia's DAS. A hard copy of this response is also being mailed.

Thank you, and please let me know if you need anything additional.

Greg

Greg Schmieg
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STATE OF GEORGIA
Georgia Vocational Rehabilitation Agency

Nathan Deal
GOVERNOR

Gregory Schmieg
EXECUTIVE DIRECTOR

September 12, 2013

Mr. Patrick P. O'Carroll, Jr., Inspector General
Office of the Inspector General
Social Security Administration
6401 Security Boulevard
Baltimore, MD 21235-0001

RE: Georgia Vocational Rehabilitation Agency (GVRA) Reply to Draft OIG Audit Report on Administrative Costs Claimed by Georgia's Disability Adjudication Services (A-04-13-13058)

Dear Inspector General O'Carroll:

Thank you for the opportunity to review the SSA OIG draft audit report on the administrative costs claimed by the Georgia Disability Adjudication Services (DAS) for the six month period of October 1, 2011, through March 31, 2012; and the limited review of Georgia DAS's controls over its physical security and personally identifiable information.

I am pleased that the overall audit reports that the Georgia Disability Adjudication Services had effective internal controls over the accounting and reporting of administrative costs for the period of October 1, 2011, through March 31, 2012, and that your limited review of the Georgia DAS's controls over its physical security and personally identifiable information showed that controls were generally in place.

The two minor physical security weaknesses identified in the report have both been addressed. The first security weakness was that the Georgia Disability Adjudication Services' needs to better protect claimant folders and the sensitive personally identifiable information contained at the Thomasville branch office's claims file room. I am pleased to report that these files have been relocated to a workroom and secured area in the Thomasville branch office. The second security weakness was that the Georgia Disability Adjudication Services' security plan did not contain current information for the Athens branch office, which was relocated in May 2012. I am pleased to report that since the OIG audit the Georgia Disability Adjudication Services has updated the "Business Continuity Plan" to include the current information for the Athens branch office.

I appreciate the opportunity to respond in writing to the draft OIG audit report, and please consider the above as our written comments. Should you or your office need any additional information, please do not hesitate to contact me at (404) 232-1998.

Respectfully,

Greg Schmieg
Executive Director

cc: Mark Butler, Commissioner, Georgia Department of Labor
Awilda Danko, Director, Georgia Disability Adjudication Services

GVRA . Two Peachtree Street, NW . 6th Floor . Atlanta, GA . 30303-3142 . Tele (404) 232-1998 . Fax (404) 232-1800
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Appendix E – MAJOR CONTRIBUTORS

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Luis A. Ramirez, Audit Data Specialist

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