



*Audit Report*

Information Technology and Related  
Staff Costs Claimed by the Minnesota  
Disability Determination Services



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: February 14, 2018

Refer To:

To: Phyllis Smith  
Regional Commissioner  
Chicago Region

From: Assistant Inspector General for Audit

Subject: Information Technology and Related Staff Costs Claimed by the Minnesota Disability Determination Services (A-05-17-50284)

The attached final report presents the results of our review. Our objective was to review specific information technology and related staff costs for Fiscal Years 2013 through 2016 at the Minnesota Disability Determination Services, as requested by the Social Security Administration.

If you wish to discuss the final report, please call me or have your staff contact Elizabeth Ochoa at (312) 575-5056.

A handwritten signature in black ink that reads 'Rona Lawson'.

Rona Lawson

Attachment

cc:

Gary S. Hatcher, Senior Advisor for Audit Liaison Staff  
Susan Kehoe-Katula, Director, Minnesota Disability Determination Services  
Shawntera Hardy, Commissioner, Minnesota Department of Employment and Economic Development

# Information Technology and Related Staff Costs Claimed by the Minnesota Disability Determination Services

## A-05-17-50284



February 2018

Office of Audit Report Summary

### Objective

To review specific information technology (IT) and related staff costs for Fiscal Years (FY) 2013 through 2016 at the Minnesota Disability Determination Services (DDS), as requested by the Social Security Administration (SSA).

### Background

DDSs in each State or other responsible jurisdiction perform disability determinations under the Disability Insurance and Supplemental Security Income programs in accordance with Federal law and regulations.

SSA reimburses each State for 100 percent of allowable program expenditures up to the limit of its funding authority. The Minnesota Department of Employment and Economic Development (DEED) is the parent agency for the DDS in Saint Paul, Minnesota. The Office of Minnesota Information Technology Services (MN.IT) provides IT services to DEED.

### Findings

Based on our review of personnel costs directly charged to the Minnesota DDS for seven MN.IT employees in State FYs 2013 through 2016, we determined the State accurately tracked IT staff time for these employees and appropriately charged their personnel costs to the DDS in accordance with Office of Management and Budget guidance. Our review of documentation for about \$555,000 in MN.IT expenditures charged to SSA in Federal FYs 2015 and 2016 concluded these charges were appropriate and claimed in accordance with policy.

However, we found that DEED did not provide the DDS with details on the expenditures charged to SSA's disability program for MN.IT-related expenditures before we initiated this review. Accordingly, the DDS did not verify that all MN.IT-related expenditures were allowable and reimbursable. Additionally, we found the controls over long-distance telephone and over-the-phone interpreter services needed improvement. Finally, given the lack of SSA and DDS direct access to DDS back-up tapes in the event of an emergency, we question whether the MN.IT facility is the most appropriate storage facility for Minnesota DDS back-up tapes.

### Recommendations

We recommend the Chicago Regional Commissioner work with:

1. DEED and the Minnesota DDS to ensure a process is in place to certify expenditures charged to SSA's disability program for MN.IT-related services are allowable and reimbursable.
2. DEED to ensure proper controls are in place to prevent individuals outside the DDS from using Minnesota telephone and interpreter services at SSA's expense.
3. The Regional Security Officer to determine whether the MN.IT facility is an appropriate storage facility for Minnesota DDS back-up tapes.

SSA agreed with our recommendations. DEED agreed with all but one of our recommendations.

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## ABBREVIATIONS

C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
DEED	Department of Employment and Economic Development
FY	Fiscal Year
IT	Information Technology
MN.IT	Office of Minnesota Information Technology Services
MOU	Memorandum of Understanding
OIG	Office of the Inspector General
OMB	Office of Management and Budget
POMS	Program Operations Manual System
RSO	Regional Security Officer
SSA	Social Security Administration
U.S.C.	United States Code
VoIP	Voice over Internet Protocol

## OBJECTIVE

Our objective was to review specific information technology (IT) and related staff costs for Fiscal Years (FY) 2013 through 2016 at the Minnesota Disability Determination Services (DDS), as requested by the Social Security Administration (SSA).

## BACKGROUND

DDSs in each State, or other responsible jurisdiction, perform disability determinations under the Disability Insurance and Supplemental Security Income programs in accordance with Federal law and regulations.<sup>1</sup> SSA reimburses each State for 100 percent of allowable program expenditures up to the limit of its funding authority.<sup>2</sup> The Minnesota Department of Employment and Economic Development (DEED) is the parent agency for the DDS in Saint Paul, Minnesota. The Office of Minnesota Information Technology Services (MN.IT) is the State agency that provides IT services to DEED.<sup>3</sup>

SSA's Chicago Regional Office requested that we conduct this audit because it had concerns about IT expenditures and personnel costs charged to the Minnesota DDS for MN.IT employees who performed IT services for the DDS. The Regional Office was concerned the DDS was unable to review, approve, or receive documentation on charges related to IT costs. Also, the Regional Office was concerned that these employees spent significant time away from the DDS, yet the State solely charged the DDS for their personnel costs. We reviewed how DEED charged the DDS for IT staff salaries and benefits for State FYs 2013 through 2016. Our review included all documentation of IT staff time and personnel costs related to support provided the DDS in State FYs 2013 through 2016.<sup>4</sup> Further, we reviewed all Voice over Internet Protocol (VoIP) and State Local Area Network charges at the DDS for Federal FYs 2015 and 2016, including documentation that these features benefited the DDS. Finally, we reviewed the MN.IT enterprise-wide cost formula used beginning in July 2017, service level agreements, and other correspondence between DEED and SSA. See Appendix A for our scope and methodology.

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<sup>1</sup> 42 U.S.C. § 421(a)(1) (2015).

<sup>2</sup> SSA, *POMS, DI-Disability Insurance*, ch. DI 395, subch. DI 39501.020, sec. B.1 and B.4 (February 28, 2002).

<sup>3</sup> Minnesota Statutes Chapter 16E, sec. 01, subd. 1a (2014).

<sup>4</sup> We reviewed this documentation to determine the appropriateness of direct personnel costs in accordance with Office of Management and Budget (OMB) guidance. OMB, *Cost Principles for State, Local, and Indian Tribal Governments, Circular A-87 (Revised)*, attachment A, section C, pp. 8-9 (May 10, 2004).

## RESULTS OF REVIEW

Based on our review of personnel costs directly charged to the Minnesota DDS for seven MN.IT employees in State FYs 2013 through 2016, we determined the State accurately tracked IT staff time for these employees and appropriately charged their personnel costs to the DDS in accordance with OMB guidance. Our review of documentation for about \$555,000 in MN.IT expenditures charged to SSA in Federal FYs 2015 and 2016 concluded these charges were appropriate and claimed in accordance with policy.

However, we found that DEED did not provide the DDS with details on the expenditures charged to SSA's disability program for MN.IT-related expenditures before we initiated this review. Accordingly, the DDS did not verify that all MN.IT-related expenditures were allowable and reimbursable. Additionally, we found the controls over long-distance telephone and over-the-phone interpreter services needed improvement. Finally, given the lack of SSA and DDS direct access to DDS back-up tapes in the event of an emergency, we question whether the MN.IT facility is the most appropriate storage facility for Minnesota DDS back-up tapes.

### IT Personnel Costs and Time Tracking

SSA's Chicago Regional Office requested that we review IT expenditures and personnel costs charged to the Minnesota DDS for MN.IT employees who performed IT services for the DDS. Specifically, the Regional Office was concerned that MN.IT staff assigned to perform IT services for the DDS spent significant time away from the DDS, yet the State charged SSA solely for their personnel costs.<sup>5</sup> To address SSA's concern, we reviewed the personnel costs directly charged to the Minnesota DDS for seven MN.IT employees in State FYs 2013 through 2016.<sup>6</sup> Specifically, we reviewed their time and attendance records, including records from the State's time-tracking system, and payroll documentation associating payroll and benefit costs with the tracked personnel time. Additionally, we reviewed DDS-maintained tracking sheets for time MN.IT staff spent outside the DDS facility.

When these individuals were away from the DDS, the State's time-tracking system recorded them in leave status. In addition, these individuals met off-site with their managers regarding services provided to the DDS. The off-site meeting times documented on the tracking sheets were minimal—ranging from 1 to 6 hours per week. Finally, we interviewed three MN.IT employees assigned to perform DDS activities at the time of our review to ascertain the work they performed during this period. During the interviews, the three employees informed us they worked solely on DDS activities while assigned to the DDS. Based on our review of time and attendance and payroll documentation and interviews with MN.IT staff, we determined the State

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<sup>5</sup> At the time of our review, the MN.IT staff could not perform DDS IT services remotely. Accordingly, they needed to be on-site at the DDS to perform IT services.

<sup>6</sup> See Appendix B for direct costs we reviewed during this audit.

accurately tracked IT staff time for these employees and appropriately charged their personnel costs to the DDS in accordance with OMB guidance.<sup>7</sup>

## VoIP and Local Area Network Data Lines

The SSA Chicago Regional Office requested that we review expenditures charged to the DDS related to VoIP and State Local Area Network services provided by MN.IT. The Regional Office was concerned whether these expenditures benefitted the DDS because the State did not provide documentation detailing the expenditures. Accordingly, we reviewed detailed documentation from DEED for about \$555,000 in MN.IT expenditures charged to SSA in Federal FYs 2015 and 2016. Of this amount, about \$406,000 related to a DDS case processing system.<sup>8</sup> The Regional Office informed us that these expenditures were necessary and appropriate. The remaining approximately \$149,000 related to other telephone and data charges. We discussed the detailed documentation for these remaining charges with the Regional Office staff and concluded these charges benefitted the DDS and therefore were allowable.

However, we found that DEED did not provide the DDS with details on the expenditures charged to SSA's disability program for MN.IT-related expenditures before we initiated this review. Accordingly, the DDS did not verify that all MN.IT-related expenditures were allowable and reimbursable. We recommend the Chicago Regional Commissioner work with DEED and the Minnesota DDS to ensure a process is in place to certify that expenditures charged to SSA's disability program for MN.IT-related services are allowable and reimbursable.

We also found the controls over long-distance telephone and over-the-phone interpreter services needed improvement. Specifically, the State's long-distance telephone and interpreter service systems did not track the exact origin of calls. Accordingly, we were unable to identify the workstations or employees who placed the calls or requested interpreter services. The interpreter service relied on an access code assigned to the DDS, but there were no controls to prevent individuals outside the DDS from using the code. Therefore, we found insufficient controls in place to prevent staff outside the DDS from using these services at SSA's expense. We recommend the Chicago Regional Commissioner work with DEED to ensure proper controls are in place to prevent individuals outside the DDS from using Minnesota telephone and interpreter services at SSA's expense.

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<sup>7</sup> See Footnote 4.

<sup>8</sup> MN.IT charged SSA for the case processing system called Iron Data. See Table B-3 for the charges for FYs 2015 and 2016 for this line item.



## Enterprise-wide Cost Formula

At the SSA Chicago Regional office's request, we assessed the enterprise-wide cost formula to ensure the cognizant agency reviewed and approved indirect costs related to MN.IT expenditures.<sup>9</sup> The State informed us that SSA was not involved in the enterprise-wide cost formula arrangement, and all indirect costs charged to SSA were included in the indirect cost rate agreement approved by the cognizant agency.<sup>10</sup> We reviewed the indirect cost rate agreement effective July 1, 2017 and found the cognizant agency reviewed and approved all indirect costs related to the indirect cost rate agreement. We also reviewed direct and indirect expenditures DEED claimed for FYs 2015 and 2016, and found DEED billed direct and indirect costs in accordance with Federal regulation.<sup>11</sup>

## Back-up Tape Storage

The SSA Chicago Regional Office staff expressed concerns that SSA and DDS staff did not have direct access to DDS back-up tapes stored in an MN.IT facility. At the time of our review, MN.IT staff would have had to provide SSA and DDS staff access to the back-up tapes in the event of an emergency.<sup>12</sup> According to SSA policy, a copy of all programs should be stored in a fireproof vault at an off-site location for emergencies. DDS back-up tape storage locations are subject to the same security requirements as those of SSA components, and the Regional Security Officer (RSO) has responsibility for approving all system security matters. Therefore, the back-up tape storage location is subject to Regional Office approval via the RSO.<sup>13</sup> Given SSA's direct access concerns, we recommend the Chicago Regional Commissioner work with the RSO to determine whether the MN.IT facility is an appropriate storage facility for Minnesota DDS back-up tapes.

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<sup>9</sup> A cognizant agency is the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed on behalf of SSA. See OMB, *Cost Principles for State, Local, and Indian Tribal Governments, Circular A-87 (Revised)*, attachment A, section B, p. 7 (May 10, 2004). At the time of our review, the Department of Labor was serving as the cognizant agency reviewing SSA's indirect cost rate agreements with the State of Minnesota.

<sup>10</sup> The enterprise-wide cost formula was an agreement between MN.IT and other State entities. Despite any new agreement with MN.IT, DEED followed appropriate procedures related to cognizant agency approval of the indirect cost rate agreement with SSA.

<sup>11</sup> 2 C.F.R. part 200, app. V (2015).

<sup>12</sup> SSA did not have a Memorandum of Understanding (MOU) in place regarding IT services provided by MN.IT, including back-up tape storage (see the Other Matter section of this report).

<sup>13</sup> SSA, *POMS, DI-Disability Insurance*, ch. DI 395, subch. DI 39536.220, sec. C (January 23, 1990).

## CONCLUSIONS

Based on our review of personnel costs directly charged to the Minnesota DDS for seven MN.IT employees in State FYs 2013 through 2016, we determined the State accurately tracked IT staff time for these employees and appropriately charged their personnel costs to the DDS in accordance with OMB guidance. Our review of documentation for about \$555,000 in MN.IT expenditures charged to SSA in Federal FYs 2015 and 2016 concluded these charges were appropriate and claimed in accordance with policy. However, we found that DEED did not provide the DDS with details on the expenditures charged to SSA's disability program for MN.IT-related expenditures before we initiated this review. Accordingly, the DDS did not verify that all MN.IT-related expenditures were allowable and reimbursable. Additionally, we found the controls over long-distance telephone and over-the-phone interpreter services needed improvement. Finally, given the lack of SSA and DDS direct access to DDS back-up tapes in the event of an emergency, we question whether the MN.IT facility is the most appropriate storage facility for Minnesota DDS back-up tapes.

## RECOMMENDATIONS

We recommend the Chicago Regional Commissioner work with:

1. DEED and the Minnesota DDS to ensure a process is in place to certify expenditures charged to SSA's disability program for MN.IT-related services are allowable and reimbursable.
2. DEED to ensure proper controls are in place to prevent individuals outside the DDS from using Minnesota telephone and interpreter services at SSA's expense.
3. The RSO to determine whether the MN.IT facility is an appropriate storage facility for Minnesota DDS back-up tapes.

## AGENCY COMMENTS

SSA agreed with our recommendations. DEED agreed with all but one of our recommendations. See Appendix C and Appendix D for SSA and DEED comments, respectively.

## OTHER MATTER

Most DDSs provide IT staff needed for carrying out the disability determination process, which includes operating the related computer network systems. Under this arrangement, DDS management has direct supervision of the IT staff. However, staff assigned to the Minnesota DDS who deliver IT resources do not report to DDS management. Rather, staff from MN.IT perform IT services for the DDS. Given that an outside State agency performs the IT services at the Minnesota DDS, the SSA Chicago Regional Office has attempted since 2014 to establish an MOU with the State. The SSA-proposed MOU for delivery of IT resources by MN.IT included such requirements as funding and billing, equipment and materials, IT service requirements, and safeguarding and reporting requirements for personally identifiable information. DEED suggested significant changes to the proposed MOU and submitted it for SSA consideration in

2016. However, the appropriate parties did not reach agreement on an MOU. While SSA policy encourages an MOU in these circumstances, one is not required.<sup>14</sup> However, the absence of this formal, written agreement could result in the State making IT resource decisions that SSA and DDS do not agree are in the best interest of its disability determination process.<sup>15</sup> At the time of our review, MOU negotiations had been suspended, and it was uncertain if the parties would reach future agreement on an MOU.



Rona Lawson  
Assistant Inspector General for Audit

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<sup>14</sup> According to policy, “A memorandum of understanding *should* be worked out between the State and the regional commissioner, outlining the arrangements that have been made to absorb the additional workload and stating specifically how this additional responsibility will affect SSA workload responsibilities.” SSA, *POMS, DI-Disability Insurance*, ch. DI 395, subch. DI 39563.210, sec. D.1.a (June 7, 1999).

<sup>15</sup> A service-level agreement in place between MN.IT and DEED at the time of our review did not adequately specify services provided by MN.IT and those provided by SSA at the DDS. SSA noted the service level agreement made no mention of SSA at all, which we confirmed during our review. Since MN.IT provides services directly to the DDS, any MOU established with respect to IT services at the Minnesota DDS should include DEED, MN.IT, and SSA to ensure transparency and agreement among the three parties.

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

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To accomplish our objectives, we performed the following steps.

- Reviewed policies and procedures relevant to our audit objective.
- Met with staff from the Social Security Administration’s (SSA) Chicago Regional Office, Minnesota Disability Determination Services (DDS), Minnesota Department of Employment and Economic Development, and Office of Minnesota Information Technology Services.
- Reviewed all salary and benefit charges related to information technology staff assigned to the Minnesota DDS during State Fiscal Years (FY) 2013 through 2016.
- Reviewed Voice over Internet Protocol and State Local Area Network charges at the Minnesota DDS for Federal FYs 2015 and 2016, including documentation that these features benefited the DDS.
- Reviewed all itemized expenditures and enterprise-wide costs related to information technology services provided to the DDS.

We conducted our audit from February through November 2017 in Chicago, Illinois. We determined the data used for this audit were sufficiently reliable to meet our audit objectives. The entities audited were SSA’s Chicago Regional Office and the Minnesota DDS. We conducted this performance 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.

## Appendix B – DIRECT COSTS REVIEWED

We reviewed all salary and benefit charges reported for the Office of Minnesota Information Technology Services (MN.IT) staff assigned to the Minnesota Disability Determination Services (DDS) during State Fiscal Years (FY) 2013 through 2016 (see Table B-1). We also reviewed all Voice over Internet Protocol (VoIP) and State Local Area Network charges provided by MN.IT at the Minnesota DDS for Federal FYs 2015 and 2016. Finally, we reviewed all itemized expenditures and enterprise-wide costs related to information technology (IT) services provided to the DDS. See Table B-2 and Table B-3 for the direct cost categories and itemized expenditures reviewed.

**Table B-1: Salary and Benefit Charges for MN.IT Staff Assigned to Minnesota DDS in State FYs 2013 Through 2016**

FY	Personnel Costs
2013	\$385,672
2014	\$320,786
2015	\$315,640
2016	\$315,050
<b>Total</b>	<b>\$1,337,148</b>

Note: Expenditures are rounded.

**Table B-2: Reviewed Minnesota DDS IT-Related Direct Cost Categories from Federal FYs 2015 and 2016**

Direct Cost Category	FY 2015 Costs	FY 2016 Costs	Total
Computing and Centralized IT Services	\$214,520	\$218,865	\$433,385
Telephone Services	\$50,603	\$57,416	\$108,019
Wide Area Network	\$6,342	\$7,164	\$13,506
<b>Total</b>	<b>\$271,465</b>	<b>\$283,445</b>	<b>\$554,910</b>

Note: Expenditures are rounded.

**Table B–3: Reviewed Minnesota DDS IT-Related Direct Costs from Federal  
FYs 2015 and 2016**

Description	FY 2015 Charges	FY 2016 Charges	Total
Iron Data Charges and Renewal	\$199,127	\$206,679	\$405,806
Hosted Internet Protocol Telephony Advanced Subscription	\$26,515	\$29,980	\$56,495
Over-the-Phone Interpreter Service	\$8,176	\$10,906	\$19,082
MN.IT Smartnet Renewal	\$8,952	\$3,706	\$12,658
Minnesota Network Access Facility	\$5,500	\$6,210	\$11,710
Dedicated Long Distance	\$5,066	\$5,057	\$10,123
DDS Robot Browser and Reports Annual Maintenance	\$1,695	\$4,087	\$5,782
DDS Help Star Software Renewal	\$2,754	\$2,796	\$5,550
Toll-free Calls Received	\$2,589	\$2,957	\$5,546
VoIP Voicemail Service	\$2,434	\$2,720	\$5,154
Centrex Prime Station	\$2,302	\$2,714	\$5,016
Toll-free Dedicated	\$1,328	\$1,295	\$2,623
Internet Protocol Telephony Activation	\$1,235	\$940	\$2,175
DDS Help Systems Renewal	\$1,954	\$0	\$1,954
Now Micro Software	\$0	\$1,586	\$1,586
Wide Area Network Access Device Service	\$732	\$830	\$1,562
Voicemail Activation	\$418	\$318	\$736
Federal Universal Service Fund Toll	\$247	\$319	\$566
Centron Universal Service Fee	\$143	\$114	\$257
Analog Voicemail Service	\$110	\$130	\$240
VoIP Basic Quality of Service Support	\$110	\$124	\$234
Back-up Tape Storage	\$37	\$10	\$47
Other VoIP, Long Distance, and International Call Charges	\$199	\$79	\$278
Credits	(\$158)	(\$112)	\$(270)
<b>Total</b>	<b>\$271,465</b>	<b>\$283,445</b>	<b>\$554,910</b>

**Note:** Expenditures are rounded.

## Appendix C – AGENCY COMMENTS

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DATE: February 5, 2018

TO: Assistant Inspector General  
Audit

FROM: Regional Commissioner  
Chicago

SUBJECT: Information Technology and Related Staff Costs Claimed by the Minnesota Disability Determination Services (A-05-17-50284) – REPLY

Thank you for the opportunity to review the draft report, “Information Technology and Related Staff Costs Claimed by the Minnesota Disability Determination Services.” We agree with the 3 recommendations contained in the audit report, and will work with DEED and Minnesota DDS to implement.

Regarding the “Other Matter” section of the draft report, we agree it would be in the best interest of all parties to establish a Memorandum of Understanding, as long as the MOU adequately addresses SSA’s fiscal, privacy, and systems security concerns.

/s/  
Phyllis M. Smith



## Appendix D– STATE COMMENTS

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February 6, 2018

Rona Lawson, Assistant Inspector General for SSA, OIG Office of Audit  
Office of Inspector General  
Social Security Administration  
6401 Security Boulevard  
Baltimore, MD 21235-0001

RE: Signed Start Notice dated 2/16/17 (A-05-17-50284)  
IT Review of Minnesota Disability Determination Services  
Information Technology and Related Staff Costs Claimed  
Responses to DRAFT Audit Report

On February 16, 2017, the Social Security Administration (SSA) Chicago Regional Office submitted a start notice to the Office of the Inspector General (OIG) to initiate a review of specific information technology and related staff costs for Federal Fiscal Years (FFY) 2012 through 2016 claimed by the Minnesota Disability Determination Services (MN-DDS).

The SSA Chicago Regional Office expressed concerns with:

- personnel costs charged to MN-DDS for IT employees who supported both MN-DDS and the Department of Employment and Economic Development (DEED). They requested the OIG to review documentation on how DEED charged DDS for its staff time (salaries, benefits, and personnel costs) related to IT staff who supported DDS for FYs 2013 through 2016.
- data to support VOIP and LAN at DDS for FYs 2015 and 2016, including the services or features that benefit DDS.
- adequate assurances that the “enterprise FY18-19 rate package” beginning in July 2017 is negotiated and approved by the cognizant agency and any charges SSA incurs are fair and equitable.

OIG subsequently initiated the review and, upon conclusion, determined the following results and preliminary findings of the review and requested DEED’s response as to the validity of the facts presented.

### Finding #1

OIG reviewed personnel costs directly charged to the Minnesota DDS for seven MN.IT employees in State FYs 2013 through 2016 and determined the State accurately tracked IT staff time for these employees and appropriately charged their personnel costs to the DDS in accordance with OGM guidance. The review of documentation for about \$555,000 in MN.IT expenditures charged to SSA in Federal FYs 2015 and 2016 concluded these charges were appropriate and claimed in accordance with policy.

OIG found that DEED did not, however, provide DDS with details on the expenditures charged to SSA’s disability programs for MN.IT related expenditures before OIG initiated the review. Accordingly, DDS did not verify that all MN.IT related expenditures were allowable and reimbursable.

**Recommendation:** OIG recommends that the Chicago Regional Commissioner work with DEED and Minnesota DDS to ensure a process is in place to verify expenditures charged to the SSA’s disability program for MN.IT related services are allowable and reimbursable.

Minnesota Department of Employment and Economic Development  
332 Minnesota Street, Suite E200, St. Paul, Minnesota 55101  
Phone 651/259-7112 or 1-800-657-3858  
[mn.gov/deed](http://mn.gov/deed)

**DEED Response:**

DEED concurs with the finding that the personnel costs for the seven MN.IT employees that were directly charging their time to Minnesota DDS were appropriately tracked and charged to DDS in accordance with OMB guidance. Further, DEED concurs that these costs were appropriate and claimed in accordance with policy.

As for the itemization of expenses, this second part of the finding can be easily remedied. DEED already provides MN-DDS with detailed reports each month and quarterly in support of the expenses charged to SSA. DEED's current reporting breaks out the salaries into DDS salaries, MN.IT salaries, and Administrative and Financial Services (AFS) staff directly charging to DDS. This is currently done in an accumulated and consolidated fashion, but the detail is available and can be provided. Until a process is worked out with the SSA Chicago Regional Commissioner, DEED will begin to supply MN-DDS with sufficient details on the expenditures charged to SSA's disability programs for MN.IT, similar to the detail that was used to satisfy the audit, and will provide a mechanism for MN-DDS to verify that all MN.IT related expenditures are allowable and reimbursable.

**Finding #2**

OIG reviewed detailed documentation from DEED for about \$555,000 in MN.IT expenditures charged to SSA in Federal FYs 2015 and 2016. Of this amount, about \$406,000 related to DDS case processing system called Iron Data. The Regional Office informed OIG that these expenditures were necessary and appropriate. The remaining approximately \$149,000 related to other telephone and data charges. OIG discussed the detailed documentation for these remaining charges with the Regional Office staff and concluded that these charges benefitted the DDS and therefore were allowable.

OIG found, however, that the controls over long-distance telephone and over-the-phone interpreter services needed improvement. Specifically, the State's long-distance telephone and interpreter service systems did not track the exact origin of calls. Accordingly, OIG was unable to identify the workstations or employees who placed the calls or requested interpreter services. The interpreter service relied on an access code assigned to the DDS, but there were no controls to prevent individuals outside the DDS from using the code.

**Recommendation:** DEED work with the Chicago Regional Commissioner to ensure proper controls are in place to prevent individuals outside the DDS from using Minnesota telephone and interpreter services at SSA's expense.

**DEED Response:**

DEED agrees with the finding that that the significant expenditures for the DDS case process system called Iron Data were necessary and appropriate. DEED also concurs that the charges for the other telephone and data charges benefitted DDS and were allowable and appropriate.

*Long Distance Telephone Services*

As for controls over long-distance telephone services, the long distance calls are outbound calls, made directly from the listed phones. MN.IT Services is able to track the origin telephone number of the call and DEED can trace the telephone number back to a person. MN.IT is not able to identify the workstations or employee names of who placed the calls. MN.IT does not have additional details as to who made the calls, however it is generally assumed the calls are made from the primary person to whom the number is assigned. Theoretically, someone else could use an employee's telephone. Because this is trackable to the telephone number origin and the telephones are in a secure DDS work area,

Minnesota Department of Employment and Economic Development  
332 Minnesota Street, Suite E200, St. Paul, Minnesota 55101  
Phone 651/259-7112 or 1-800-657-3858  
[mn.gov/deed](http://mn.gov/deed)

this has been assessed as a low-risk item by DEED. Also, all work functions being conducted in the secure DDS work area are for MN-DDS work at SSA's expense. There is no cost allocation or other cost splitting that needs to occur because MN-DDS/SSA are the only entities that benefit from the long distance services. If a DDS employee uses the phone to make a non-business related long-distance call, DEED policy requires the employee to repay the expense at the non-State discounted rate. Also, the log of long distance services / charges is available for supervisory review to see if there are any problematic numbers such as personal calls based on the work being conducted by the MN-DDS employees on behalf of SSA. In the metro, local calling is anything in the Metro Calling Zone (which, for ease, is basically all 612, 651, 763, and 952 numbers). If a 1 is dialed in front of the area code, long distance charges will always be applied. The phone carrier bases this on the input of the 1+area code without consideration of the area code from where the call was placed. If employees are dialing a 1+ unnecessarily, this could be a training opportunity.

DEED would be happy to discuss options to remedy this second part of the finding with the SSA Chicago Regional Commissioner. There are authentication options for the telephones, but in general the cost of implementing often has exceeded the benefits. (NOTE: for example, long distance charges for the entire month of December 2016 from the main line of 651.259.7700 amounted to \$1.86.) If MN-DDS or the SSA Chicago Regional Commissioner would like to consider phone authentication for improved tracking, MN.IT would certainly discuss options available. Another option may be long distance telephone logging (which may identify the date of the call, person originating the call or originating workstation, telephone number called, reason for the call, call begin and end time, and number of minutes on the call), but DEED would need to look at the cost/benefit before this process would be implemented.

#### *Language Line (Interpreter Services)*

As for controls over the Language Line, the over the phone interpreter services, DDS employees are provided a MN-DDS access code for the service. Although MN.IT Services does not track the exact origin of the call (workstation or employee who placed the call or requested interpreter services), it does track the origin telephone number of the call and DEED is able to trace the telephone number back to an employee. Since the interpreter service relies on an access code assigned to DDS, there currently is no way to prevent individuals outside the DDS from using the code, if the code is shared. DEED's IT policy prohibits an employee from sharing system access codes, as well as appropriate Code of Conduct requirements. If an employee leaves, it is possible the code could continue to be used by the employee. The only way to completely ensure that a staff person that has left does not use the DDS code would be to have a new code issued by MN.IT.

Per the link below, if DDS is following the procedure of documenting when interpreter services are needed, there may be a mechanism to correlate the dates and times of the call billings to the notations in the SSA eCAT system.

<https://secure.ssa.gov/poms.nsf/lnx/0423040001>

*Document all LEP actions, except for actions requiring the use of a SSA Form 795, using the electronic claims analysis tool (eCAT) in the section titled "Claim communication." For non-eCAT claims, use a SSA Form 5002 to document all LEP actions, except when a SSA-795 is required.*

Unfortunately, MN.IT is not familiar with nor has access to this system. SSA Regional Office may have access or DDS would have the ability to reconcile each of the language line calls to the charges provided. DEED is willing to discuss options to remedy this second part of the finding with the SSA Chicago Regional Commissioner.

Minnesota Department of Employment and Economic Development  
332 Minnesota Street, Suite E200, St. Paul, Minnesota 55101  
Phone 651/259-7112 or 1-800-657-3858  
[mn.gov/deed](http://mn.gov/deed)

**Finding #3**

Given the lack of SSA and DDS direct access to DDS back-up tapes in the event of an emergency, the OIG questioned whether the MN.IT facility is the most appropriate storage facility for Minnesota DDS back-up tapes.

**Recommendation:** The SSA Regional Security Officer, in conjunction with the Chicago Regional Commissioner, determine whether the MN.IT facility is an appropriate storage facility of Minnesota DDS back-up tapes.

**DEED Response:**

MN.IT is currently storing back-up tapes in a Category 2 or 4 facility, which is off campus and provides the highest level of protection of the data. DEED recommends this finding be removed entirely from the review at this time since this item is only being questioned and there are not any definitive findings, conclusions, or recommendations. A determination has not yet been made whether the MN.IT facility is an inappropriate storage facility of Minnesota DDS back-up tapes, according to the SSA Regional Security Officer. If found unacceptable, it could be addressed in a future report, if DEED did not proactively take steps to remedy the situation. If this action is not acceptable, DEED recommends it be changed to a verbal finding at this time. MN-DDS/SSA proposed using the DDS location as a storage area for the back-up tapes so SSA would not incur additional expense, but this would not be an appropriate business continuity measure. In the event of a disaster, the tape back-up may be lost as well.

**No Findings**

Based on the supporting documentation provided by DEED that the "enterprise FY18-19 rate package" beginning in July 2017 is negotiated and approved by the cognizant agency and any charges SSA incurs are fair and equitable.

Thank you for the opportunity to respond to your preliminary findings. I appreciate your consideration of these responses. If you have any questions or need additional information, please contact me directly at [Shawntera.hardy@state.mn.us](mailto:Shawntera.hardy@state.mn.us) or 651-259-7112.

Regards,



Shawntera Hardy  
Commissioner

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