
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**PUERTO RICO DISABILITY
DETERMINATION PROGRAM**

June 2012

A-06-11-01132

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:

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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: June 21, 2012

Refer To:

To: Beatrice Disman
Regional Commissioner
New York

From: Inspector General

Subject: Puerto Rico Disability Determination Program (A-06-11-01132)

OBJECTIVE

For our audit of Federal Fiscal Year (FY) 2008 through 2010 administrative costs claimed by the Puerto Rico Disability Determination Program (PR-DDP), our objectives were to determine whether

- PR-DDP administrative costs claimed were allowable, supported, and accurately reported;
- indirect costs were valid and allowable; and
- PR-DDP's parent agency, the Puerto Rico Department of the Family (PR-DF), established a timeframe for resuming full responsibility for the issuance of PR-DDP administrative expense-related payments.

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.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.

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.*

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). (See Appendix B for additional background, scope, and methodology.)

We initiated this audit at the request of SSA’s Office of Disability Determinations staff, which stated that in FY 2008, PR-DF stopped paying PR-DDP medical consultants. To prevent the loss of these services, in December 2008, SSA’s Office of Finance assumed responsibility for paying PR-DDP’s medical consultants. Since that time, the Office of Finance has assumed responsibility for paying other PR-DDP expenses, which totaled approximately \$6.7 million in FY 2010.

RESULTS OF REVIEW

PR-DDP administrative costs were generally allowable. However, PR-DF could not provide documentation supporting the validity of approximately \$2 million in unliquidated obligations² or reconcile approximately \$61,000 in reported disbursements. In addition, contradictory SSA policy allowed PR-DDP to charge about \$55,000 in indirect costs through inclusion of some medical-related costs in the indirect cost base. Finally, in April 2012, SSA returned responsibility for processing some payments to PR-DF. If PR-DF demonstrates it can make timely and accurate payments for these services, SSA plans to return full payment responsibility by September 2012.

UNSUPPORTED UNLIQUIDATED OBLIGATIONS

PR-DF could not support approximately \$2 million in unliquidated obligations reported on Forms SSA-4513.

| FY | Amount Reported³ | Amount Supported⁴ | Amount Unsupported⁵ |
|--------------|------------------------------------|-------------------------------------|---------------------------------------|
| 2008 | \$267,763 | \$3,568 | \$264,195 |
| 2009 | \$461,524 | \$243,706 | \$217,818 |
| 2010 | \$2,056,800 | \$533,244 | \$1,523,556 |
| Total | \$2,786,087 | \$780,518 | \$2,005,569 |

² Unliquidated obligations represent obligations for which payment has not been made.

³ Unliquidated obligation balances reported for FYs 2008 through 2010 were as of March 2011.

⁴ Amounts represent unpaid indirect costs claimed on Forms SSA-4513.

⁵ Forms SSA-4513 submitted to SSA after completion of our audit fieldwork indicated that PR-DDP deobligated approximately \$1.5 million of the unsupported unliquidated obligations.

SSA policy states that valid unliquidated obligations should be supported by documents/records that describe the nature of the obligations and support the amounts recorded.⁶ SSA policy also provides that State agencies should review unliquidated obligations at least once each month to cancel those that are no longer valid and screen consultative examination authorizations to determine whether the unliquidated obligation represents an authorization still in effect.⁷ The PR-DDP officials stated they did not review unliquidated obligations monthly.

PR-DDP could not support unliquidated obligations primarily because PR-DF accounting staff did not reduce unliquidated obligation amounts to reflect SSA Office of Finance disbursements made for PR-DDP. PR-DF accounting staff acknowledged they did not reduce unliquidated obligation balances to reflect payments SSA made without written notification from PR-DDP.

DISBURSEMENTS LESS THAN AMOUNTS CLAIMED ON FORM SSA-4513

PR-DDP could not provide documentation to support approximately \$61,000 in disbursements reported on Form SSA-4513. PR-DDP reports disbursements on two Forms SSA-4513: one for payments issued by PR-DF, and one for payments issued by SSA's Office of Finance (referred to as the Form SSA-4513 addendum). The Office of Finance provided transaction details for all payments it issued on PR-DDP's behalf. We attempted to reconcile the payments with disbursements reported on the Form SSA-4513 addendum. As shown in Table 2, disbursements reported for FYs 2008 through 2010 exceeded the value of the Office of Finance's payments by about \$61,000.

| Table 2: Office of Finance PR-DDP Administrative Cost Disbursements | | | |
|--|---|--|-------------------|
| Fiscal Year | Reported on Form SSA-4513 Addendum | Disbursements Per SSA's Office of Finance | Difference |
| 2008 | \$375,030 | \$339,011 | \$36,019 |
| 2009 | \$5,371,626 | \$5,408,037 | (\$36,411) |
| 2010 | \$6,683,356 | \$6,622,288 | \$61,068 |
| Total | \$12,430,012 | \$12,369,336 | \$60,676 |

SSA's Office of Finance accounting staff stated they previously identified instances where they erroneously reported disbursements in the incorrect FY, and they may not have identified and corrected all errors.

⁶ SSA, POMS, DI 39506.203 (March 12, 2002).

⁷ Id.

MEDICAL-RELATED COSTS INCLUDED IN DIRECT COST BASE

SSA generally reimbursed PR-DDP for indirect costs in accordance with the approved indirect cost rate agreements. However, we determined that contradictory language in SSA policy allowed PR-DDP to include some medical costs in its direct cost base, resulting in about \$55,000 in additional indirect cost reimbursements from SSA.

The PR-DDP indirect cost rate agreement states that the ". . . total direct cost base to which the indirect cost rate is applied excludes . . . medical costs for (a) Consultative Examinations (CEs) and (b) Medical Evidence of Record (MER)."⁸ SSA policy states "Medical costs reflect the total costs incurred for the purchase of consultative examinations (CE) and medical evidence of records (MER) for all SSA disability programs. . . ."⁹ However, the same SSA policy also states that ". . . If . . . the DDS contracts out the functions of copying reports, these copies are 'contracting out' costs."¹⁰

As illustrated in Table 3, PR-DDP classified the MER-related expenditures as contract costs, included the costs in the direct cost base, and applied the applicable indirect cost rate to the expenditures.

| Table 3: Indirect Costs Paid for MER Claimed as Contracted Costs | | | | |
|---|---------------------------------|---|-------------|----------------------------|
| FY | Rate Period | MER Claimed as Contracted Costs¹¹ | Rate | Indirect Costs Paid |
| 2008 | October 2007- June 2008 | \$78,075 | 12.5% | \$9,759 |
| 2008 | July 2008- September 2008 | \$45,255 | 14.0% | \$6,336 |
| 2009 | October 2008- September 2009 | \$120,255 | 14.0% | \$16,836 |
| 2010 | October 2009- September 2010 | \$154,695 | 14.0% | \$21,657 |
| Total Paid | | \$398,280 | | \$54,588 |

SSA Office of Disability Determination staff stated this was the first case they had seen where a DDS contracted out MER copying expenses and applied indirect costs to the amounts paid. Wider application of this procurement method by other DDSs could result in higher overall indirect cost expenditures.

⁸ *State and Local Rate Agreement* between the Commonwealth of Puerto Rico – Department of the Family and the Department of Health and Human Services, approved November 6, 2008.

⁹ SSA, POMS, DI 39506.210 D.2 (March 12, 2002).

¹⁰ *Id.*

¹¹ Costs refer to amounts PR-DF paid a specific vendor to obtain and provide MER copies. We determined that PR-DDP correctly classified other MER-related expenditures as Medical Costs not subject to application of indirect costs.

In March 2012, the Office of Disability Determination and New York Regional staffs met to discuss this issue. Agency staff had reservations regarding the impact this issue had on the indirect cost base and the reporting of medical costs. Agency staff also agreed that SSA policies, as written, were contradictory and allowed DDSs to classify MER-related expenditures as contracted expenses but not report the full amount of medical costs on the medical cost line.

The Office of Disability Determination informed us it would review current policies and provide clear guidance on where DDSs should report medical costs on Forms SSA-4513. Office of Disability Determination officials also stated they will ask the PR-DF to remove “contracting out” costs associated with the procurement of MER from the next annual indirect cost agreement negotiations.

RESUMPTION OF ADMINISTRATIVE EXPENSE PAYMENT RESPONSIBILITY

In FY 2006, the Puerto Rico Treasury Department changed its funding practices, which resulted in payment delays to PR-DDP physicians and vendors. The payment delays affected PR-DDP’s ability to provide timely service to disabled residents of Puerto Rico. To ensure continued services, effective December 2008, SSA assumed responsibility for payments to PR-DDP medical consultants, CE providers, and certain MER providers. In FY 2009, SSA assumed responsibility for additional PR-DDP non-personnel cost.¹²

In July 2009, PR-DF officials informed SSA that the Puerto Rico Treasury Department had taken action regarding federally funded agencies and ordered immediate processing and release of payments. As a result, the PR-DF requested permission to resume full responsibility for payment of PR-DDP administrative costs.

SSA was reluctant to relinquish payment responsibility to PR-DF without concrete details of the “. . .action [taken] regarding federally funded agencies.” In August 2009, SSA requested that PR-DF provide an action plan, including details of any directives issued to the Puerto Rico Treasury Department as well as a description of the enforcement mechanism used if these procedures were not followed.

In November 2011, PR-DF provided the New York Region a draft action plan stating its commitment to providing timely payments to suppliers. Between December 2011 and March 2012, the New York Region and PR-DF revised and clarified the action plan.

Effective April 1, 2012, PR-DF resumed processing all payments related to Electronic Data Processing Maintenance, Miscellaneous (Parking), and Other Costs (Occupancy, Utilities, and Contracting Out of MER Retrieval Service). A New York Region official stated that SSA will evaluate payment performance. If PR-DF demonstrates it can make timely and accurate payments for these services, SSA plans to return responsibility for Personnel Costs (Medical Consultants) in July 2012 and Medical Costs (Consultative Examinations) in September 2012.

¹² In FY 2010, SSA paid directly approximately \$6.7 million of PR-DDP administrative cost expenses.

CONCLUSION AND RECOMMENDATIONS

PR-DDP administrative costs were generally allowable. However, PR-DDP could not provide documentation to support the validity of approximately \$2 million in unliquidated obligations or reconcile \$61,000 in disbursements reported on Forms SSA-4513. SSA generally reimbursed indirect costs in accordance with approved indirect cost rate agreements; however, inconsistencies in SSA policy allowed PR-DDP to apply indirect costs to some medical-related expenditures, resulting in approximately \$55,000 in additional indirect costs. Finally, SSA has been working since August 2009 to return responsibility for PR-DDP administrative expense payments to PR-DF. In April 2012, PR-DF resumed responsibility for processing some additional payments. If PR-DF demonstrates it can timely and accurately pay for these services, SSA plans to return full payment responsibility by September 2012.

We recommend that:

1. PR-DDP review unliquidated obligations at least once each month and deobligate balances that are no longer valid or supported.
2. PR-DDP and PR-DF maintain support of unliquidated obligations that describes the nature of each unliquidated obligation and supports the amounts recorded.
3. PR-DDP work with SSA's Office of Finance to reconcile the disbursement details with PR-DDP fiscal ledgers used for reporting purposes and, if appropriate, reduce Form SSA-4513 disbursements by \$60,676.

AGENCY COMMENTS

SSA agreed with the recommendations. PR-DF also provided comments. See Appendices D and E for the full texts of SSA and PR-DF's comments, respectively.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

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

APPENDIX D – Agency Comments

APPENDIX E – Puerto Rico Department of the Family Comments

APPENDIX F – OIG Contacts and Staff Acknowledgments

Acronyms

| | |
|---------------|---|
| CE | Consultative Examination |
| C.F.R. | Code of Federal Regulations |
| DDS | Disability Determination Service |
| Form SSA-4513 | <i>State Agency Report of Obligations for SSA Disability Programs</i> |
| FY | Fiscal Year |
| MER | Medical Evidence of Record |
| POMS | Program Operations Manual System |
| PR-DDP | Puerto Rico Disability Determination Program |
| PR-DF | Puerto Rico Department of the Family |
| SSA | Social Security Administration |
| U.S.C. | United States Code |

Scope and Methodology

SCOPE

We identified and reviewed the administrative costs the Puerto Rico Disability Determination Program (PR-DDP) reported to the Social Security Administration (SSA) on the *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) for the period October 1, 2007 through September 30, 2010.

To accomplish our audit objectives, we:

- Reviewed applicable Federal laws and regulations, pertinent parts of SSA's Program Operations Manual System, and other instructions pertaining to administrative costs incurred by PR-DDP and the drawdown of SSA funds.
- Obtained data from Puerto Rico's Department of the Family (PR-DF), PR-DDP, and SSA to support amounts reported on Forms SSA-4513 for Fiscal Years (FY) 2008 through 2010. We tested the reliability of the data by comparing disbursements, by category and in total, with amounts reported on the SSA-4513.
- Compared the amount of Federal funds drawn for support of program operations to the total expenditures on Form SSA-4513.
- Interviewed staff from SSA, PR-DF, and PR-DDP.
- Documented our understanding of PR-DF's system of internal controls over the accounting and reporting of administrative costs.
- Selected a random sample of Personnel, Medical Consultant, and Medical costs.
 - Reviewed a sample of 25 employees from 1 pay period in April 2010 and traced information to accounting records, timesheets, and personnel files.
 - Selected all 25 PR-DDP medical consultants paid during the March 2010 pay period to determine whether the consultants were licensed and payments to the consultants complied with the terms of their employment contract.
 - Sampled medical cost payments for Medical Evidence of Record payments and reviewed a batch with the highest amount paid for FY 2010.
 - Sampled medical cost payments for consultative examination payments and reviewed a batch with the highest amount paid in FY 2010.

- Evaluated the indirect cost rates claimed by PR-DDP for FYs 2008 through 2010 and the corresponding indirect cost rate agreements.

The electronic data we 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 conducted our fieldwork from June through January 2012 at PR-DF and PR-DDP in San Juan, Puerto Rico, and the Office of Audit in Dallas, Texas. 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 Personnel and Medical costs, as reported on Forms SSA-4513. We obtained computerized data from PR-DF for FY 2010 to use in statistical sampling.

Personnel Costs

We sampled 25 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 PR-DDP correctly paid employees and adequately documented these payments.

We also selected all PR-DDP medical consultants paid during the randomly selected pay period in FY 2010. We determined whether sampled costs were reimbursed properly and ensured the selected medical consultants were licensed.

Medical Costs

We sampled 50 medical evidence and consultative examination records from FY 2010 using a proportional random sample. We determined whether sampled costs were properly reimbursed.

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

| Puerto Rico Disability Determination Program | | | |
|---|----------------------|---------------------------------|--------------------------|
| FY 2008 | | | |
| REPORTING ITEMS | DISBURSEMENTS | UNLIQUIDATED OBLIGATIONS | TOTAL OBLIGATIONS |
| Personnel | \$7,905,008 | \$0 | \$7,905,008 |
| Medical | \$3,376,880 | \$39,126 | \$3,416,006 |
| Indirect | \$1,172,212 | \$3,568 | \$1,175,780 |
| All Other | \$1,534,191 | \$225,069 | \$1,759,260 |
| TOTAL | \$13,988,291 | \$267,763 | \$14,256,054 |
| FY 2009 | | | |
| REPORTING ITEMS | DISBURSEMENTS | UNLIQUIDATED OBLIGATIONS | TOTAL OBLIGATIONS |
| Personnel | \$7,899,903 | \$0 | \$7,899,903 |
| Medical | \$3,543,181 | \$146,897 | \$3,690,078 |
| Indirect | \$756,107 | \$243,706 | \$999,813 |
| All Other | \$1,710,991 | \$70,921 | \$1,781,912 |
| TOTAL | \$13,910,182 | \$461,524 | \$14,371,706 |
| FY 2010 | | | |
| REPORTING ITEMS | DISBURSEMENTS | UNLIQUIDATED OBLIGATIONS | TOTAL OBLIGATIONS |
| Personnel | \$7,550,821 | \$5,257 | \$7,556,078 |
| Medical | \$4,028,721 | \$1,373,387 | \$5,402,108 |
| Indirect | \$328,135 | \$533,244 | \$861,379 |
| All Other | \$1,527,298 | \$144,912 | \$1,672,210 |
| TOTAL | \$13,434,975 | \$2,056,800 | \$15,491,775 |

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Refer To:

Date: May 23, 2012

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

From: Regional Commissioner
New York

Subject: Puerto Rico Disability Determination Program (A-06-11-01132)

The New York Region appreciates the opportunity to comment on the draft report to determine whether the Puerto Rico Disability Determination Program (PR-DDP) administrative costs claimed were valid, supported, and accurately reported.

The three (3) recommendations for SSA included in your draft audit of this review are:

1. SSA should instruct the Puerto Rico Disability Determination Program (PR DDP) to review unliquidated obligations at least once each month and deobligate balances that are no longer valid or supported. (Questioned Costs \$2,005,569)
2. SSA should instruct the PR-DDP and the PR-DF to maintain support of unliquidated obligations that describe the nature of each unliquidated obligation and supports the amount recorded
3. SSA will instruct the PR DDP to work with SSA's Office of Finance to reconcile the disbursement details with the PR DDP fiscal ledgers used for reporting purposes and, if appropriate, reduce Form SSA 4513 disbursements by \$60,676.

The recommendations cited appear to be reasonable and justifiable. Based on the results of the review, it is apparent that the PRDF continues to demonstrate its inability to manage the fiscal operation of the Puerto Rico Disability Determination program and its noncompliance with federal standards.

Since December of 2009, the region and the NY Center for Disability (NYCD) has requested corrective action on a number of unresolved OIG recommendations that pertain to three Single Audits of the Commonwealth of Puerto Rico Department of the Family for FY ending 2006, 2007, and 2009 (A-77-09-00011, A-77-09-00012, A-77-11-00013). The NYCD recently became aware of a fourth Single Audit that covered FY 2008 and was issued on June 2011 (A-77-11-00012).

During this two-year period, the PRDF failed to take corrective action on a number of findings that deal with accounting records, personnel file and payroll test, period of availability of federal funds, payroll costs claimed for federal reimbursement, and financial reporting. In their responses, the PRDF has shown inadequate corrective action, stating that findings were addressed partially or that prior findings still prevail. Although numerous notices requesting the PRDF to comply with federal standards have had little impact, we will continue to work with your office and the Office of Disability Determinations to find an effective resolution.

If your staff has any questions, they may call Joseph Cafaro, Director of CD, at (212) 264-7250, or Jose Colon, Deputy Director in the CD at 212-264-7252.

/s/

Beatrice M. Disman

Puerto Rico Department of the Family
Comments



June 8, 2012

Mr. Patrick O' Carroll
Office of the Inspector General
Social Security Administration

Dear Mr. O' Carroll:

This is in response to the findings cited in audit report Administrative cost claimed by the Commonwealth of Puerto Rico Disability Determination Program (A-06-11-01132)

I -Section: Results of Review:

..PR-DF could not provide documentation supporting the validity of approximately \$2 million in unliquidated obligations or reconcile approximately \$61,000 in reported disbursements. In Addition contradictory SSA policy allowed PR DDP to charge about \$55,000 in indirect costs through the inclusion of some medical related costs in the indirect cost base.

A: PR DDS and DF are conducting a careful review of accounts with obligations to reconcile payments of the open periods, which is a complex task, prior to determining if an obligation should be eliminated. Every payment or in which accounts were included are being reviewed, before establishing final disbursements and remaining obligations.

B: The Copy service provided by a private Company runs under Contracted Costs account.

POMS DI 39542.001 Contracting Out DDS Functions – General

2. CONTRACTING FOR PHOTOCOPY SERVICE

- a. Sources of medical evidence such as mental health clinics, VA hospitals, and similar institutions may be unable to provide the evidence promptly because of a lack of resources or other reasons.
- b. When this occurs, DDSs may consider other alternatives for obtaining the evidence including contracting with a private photocopying service.

- c. When contracting for photocopying services, DDSs must ensure that:
- o provisions for assuring the confidentiality of SSA records are included in the contract and are in place before the operation begins;
 - o a certification system assures that copies of evidence the DDS receives are true and exact copies of the original document. (This may be accomplished by a letter from the source's records librarian, a certification stamp on the back of the copy, etc.)

The Indirect Costs agreement indicates:

Disability Determination Program: The total direct cost base to which the indirect cost rate is applied excludes capital expenditures (buildings, individual items of equipment, alterations and renovations), subawards, flow-through funds, and medical costs for (a) Consultative Examinations (CE's) and (b) Medical Evidence of Record (MERs).

The photocopy service rendered by private company is not part of exclusions in the agreement to compute Indirect costs. Unless there is a change in Manual of Operations and the agreement, the indirect cost applied for photocopy services, were allowable and correct as part of the base from the Indirect Cost

II-Unsupported unliquidated obligations

"PR DF could not support approximately 2 million in unliquidated obligations reported on forms SSA 4513"

The base for Indirect Cost (IC) is determined by the Indirect Cost agreement, applying to already reported disbursements, excluding some items as established previously by the agreement: Equipment, EDP New, Medical Costs and IC per se.

Otherwise, when obligations change to disbursements, it becomes part of the base for IC, increasing obligations of IC. This issue was brought in 2008 to the attention of federal authorities, but continues pending to be addressed. We have not received final instructions about this issue. Current IC's are:

| FY | Total Disbursements | Medical Costs | Equipment | EDP NEW | IC Claimed | Net BASE | 1st Rate | 2 nd Rate | Total IC | Obligation |
|------|---------------------|----------------|--------------|----------|--------------|-----------------|---|---|----------------|--------------|
| 2008 | \$13,736,592.38 | \$3,001,850.39 | \$155,348.44 | \$939.88 | \$1,172,212 | \$10,579,453.67 | 12.5% \$6,481,593=\$810,199 | X 14% \$4,097,860.67 =\$573,700.50 | \$1,383,899.50 | \$211,688 |
| 2009 | \$8,538,555.88 | \$519,586.80 | \$101,693.37 | \$1,500 | \$756,106.73 | \$7,159,668.98 | 14% x\$7,159,668.98= \$1,002,353.66 | | \$1,002,353.66 | \$246,246.93 |
| 2010 | \$6,771,727.07 | \$265,830 | \$4,946.33 | | \$328,135.39 | \$6,172,815.35 | 14% \$6,172,815.35= \$864,194.15 | x | \$864,194.15 | \$536,058.76 |

III- Disbursement Less than amount claimed on Form SSA 4513

PR-DDP could not provide documentation to support approximately \$61,000 in disbursements reported on Form SSA 4513. PR DDP reports disbursements on two Forms SSA 4513: one for payments issued by PR DF and one for payments issued by SSA's Office of Finance (referred to as the Form SSA 4513 addendum). The Office of Finance provided transaction details for all payments it issued on behalf of PR-DDP. We attempted to reconcile the payments with disbursements reported on the form SSA 4513 addendum. As shown in the Table 2, disbursement reported for FYs 2008 through 2010 exceed the value of the Office of Finance payments by about \$61,000.....SSA Office of Finance accounting staff stated they previously identified instances where they erroneously reported disbursements in the incorrect FY, and they may not have identified and corrected the errors.

A reconciliation report did by PR-DDS, about Central Office payments, was submitted to Federal authorities at the beginning of this year and establishes several findings (mistakes) about the Fiscal year reported of the payments by Federal office. At this moment, we do not have information about the action taken as result of the report.

PR-DDP payments are booked monthly verifying them one by one. The Reconciliation made by PR-DDP showed that Federal authorities are charging payments to incorrect FY, and a mismatch will obviously occurs. PR-DDP has background material of every recorded payment to support SSA 4513 for the proper year.

Resumption of Administrative Expense Payment Responsibility

Since April of this year, the process of payment is being gradually returning to PR Government successfully.

Conclusions and recommendations

- 1. PR-DDP review unliquidated obligations at least once each month and deobligate balances that are no longer valid or supported.*

Funds are deobligated by the end of every FY, when DF informed DDP that they have additional funds, not used. Medical evidence request (MER) funding and Consultative Exam (CE) funding are obligated based on system reports, quarterly. Since DDP response of MER is up to 70%, it is applied to deduct the full amount provided by system record and keep close to the real numbers. All other obligations correspond to payments in process.

Mr. Patrick O' Carroll

*Commonwealth of Puerto Rico Disability Determination
Program (A-06-11-01132)*

June 8, 2012

Page 4

2. *PR-DDP and PR-DF maintain support of unliquidated obligations that describes the nature of each unliquidated obligation and supports the amount recorded.*

PR-DDP keeps record of every unliquidated obligations as well as PR DF. Based on federal and Commonwealth accountability differences, they differ on the way they record payments. When the accounts are reconciled and the correct match is done, conciliated obligations discard those that no longer applies. Reconciliation of accounts was re-initiated late April, considering previous employees in charge of book and reconciliation of accounts retired.

3. *PR-DDP work with SSA's Office of Finance to reconcile the disbursement details with PR-DDP fiscal ledgers used for reporting purposes and, if appropriate, reduce Form SSA -4513 disbursements by \$60,676.*

PR DDP submitted to Federal Authorities a Reconciliation report already. No action reported as result of it. We believe this information reconciles the previous findings recognized by the Single Audit. For further information on this matter do not hesitate to contact me at Angel M. Figueroa Medina or amfigueroa@familia.gobierno.pr

Cordially,



Angel M. Figueroa Medina
Assistant Secretary of Administration

OIG Contacts and Staff Acknowledgments

OIG Contacts

Ron Gunia, Director, Dallas Audit Division

Neha Smith, Audit Manager, Denver Audit Office

Acknowledgments

In addition to those named above:

Clara Soto, Senior Auditor

Warren Wasson, Senior Auditor

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Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.