

Audit Report

Indirect Costs and Applicant Travel
Expenses Claimed by the Louisiana
Disability Determination Services

MEMORANDUM

Date: April 28, 2014

Refer To:

To: Sheila Everett
Regional Commissioner
Dallas

From: Inspector General

Subject: Indirect Costs and Applicant Travel Expenses Claimed by the Louisiana Disability Determination Services (A-06-13-13070)

The attached final report presents the results of our audit. Our objectives were to determine whether (1) indirect costs claimed for Federal Fiscal Years 2011 and 2012 were allowable and properly allocated and (2) applicant travel expenses were reasonable, properly authorized, and adequately supported.

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
Susan Sonnier, Secretary, Louisiana Department of Children and Family Services
Chris Kirby, Director, Louisiana Disability Determination Services

Indirect Costs and Applicant Travel Expenses Claimed by the Louisiana Disability Determination Services

A-06-13-13070



April 2014

Office of Audit Report Summary

Objective

We initiated this review at the Dallas Regional Commissioner's request. Our objectives were to determine whether (1) indirect costs claimed for Federal Fiscal Years (FY) 2011 and 2012 were allowable and properly allocated and (2) applicant travel expenses were reasonable, properly authorized, and adequately supported.

Background

The Louisiana Disability Determination Services (LA-DDS) is a component of the Louisiana Department of Children and Family Services (LA-DCFS). Each year, LA-DCFS prepares a Public Assistance Cost Allocation Plan that provides the cost allocation methodology for the distribution of support costs to the program components.

During FYs 2011 and 2012, SSA reimbursed LA-DDS approximately \$76 million for administrative costs, including \$8.5 million for LA-DCFS' indirect costs and about \$1 million for applicant travel expenses.

Our Findings

LA-DCFS' accounting system could not provide detailed information identifying specific indirect costs it allocated to LA-DDS from its various components. Because of this limitation, we could not determine whether indirect costs were allowable or properly allocated.

LA-DDS incorrectly charged approximately \$170,000 in lump-sum leave paid to terminating employees in FYs 2011 and 2012 as direct administrative expense. These costs should have been allocated as general administrative expenses across all activities of the governmental unit or component.

LA-DDS properly authorized and adequately supported payments to claimants for ordinary travel costs incurred to attend medical examinations or disability hearings. However, LA-DDS did not always properly authorize or adequately support unusual travel expenses (taxi fares).

Our Recommendations

We recommend that SSA:

1. Work with LA-DCFS to either simplify its cost allocation methodology or modify its accounting system so it allows for identification of indirect costs allocated from each LA-DCFS component.
2. Ensure LA-DDS correctly charges terminal leave payments.
3. Work with LA-DDS to remind employees of proper procedures for authorizing and supporting unusual travel expenses and determine whether it is cost-beneficial to pursue recovery of questionable taxi expenses.

SSA agreed with our recommendations. LA-DCFS agreed with Recommendation 3. Also, while it concurred in-part with Recommendation 2, its described actions taken and planned are fully responsive to Recommendation 2. However, LA-DCFS disagreed with Recommendation 1.

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ABBREVIATIONS

| | |
|---------|--|
| Act | <i>Social Security Act</i> |
| C.F.R. | Code of Federal Regulations |
| DDS | Disability Determination Services |
| DI | Disability Insurance |
| FY | Fiscal Year |
| LA-DCFS | Louisiana Department of Children and Family Services |
| LA-DDS | Louisiana Disability Determination Services |
| OIG | Office of the Inspector General |
| OMB | Office of Management and Budget |
| POMS | Program Operations Manual System |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |
| U.S.C. | United States Code |

OBJECTIVE

We initiated this review at the Dallas Regional Commissioner's request. Our objectives were to determine whether (1) indirect costs claimed for Federal Fiscal Years (FY) 2011 and 2012 were allowable and properly allocated and (2) applicant travel expenses were reasonable, properly authorized, and adequately supported.

BACKGROUND

The Disability Insurance (DI) program was established in 1954 under Title II of the *Social Security Act* (Act).¹ The DI program provides benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income (SSI) program under Title XVI of the Act.² The SSI program provides benefits to financially needy individuals who are aged, blind, or disabled.

The Social Security Administration (SSA) is responsible for implementing policies for the development of claims under the DI and SSI programs. Disability determination services (DDS) in each State perform disability determinations under both DI and SSI in accordance with Federal statutes and regulations.³ Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. SSA reimburses DDSs for 100 percent of allowable expenditures up to their approved funding authorization. At the end of each quarter of the Federal FY, each DDS submits a State Agency Report of Obligations for SSA Disability Programs (Form SSA-4513) to account for program disbursements and unliquidated obligations.

The Louisiana DDS (LA-DDS) is a component of the Louisiana Department of Children and Family Services (LA-DCFS) and has area offices in Baton Rouge, Shreveport, and New Orleans, Louisiana. LA-DCFS comprises program and support components. The program components administer specific programs, such as LA-DDS. The support components provide administrative services that support the program components, such as accounting, budgeting, and personnel. LA-DCFS allocates costs to the program components they support as indirect costs. Each year, LA-DCFS prepares a Public Assistance Cost Allocation Plan (Cost Allocation Plan) that provides the cost allocation methodology for the distribution of support components' costs to the program components.

The Department of Health and Human Services is the cognizant Federal agency that reviews and approves LA-DCFS' indirect cost allocation plan. During FYs 2011 and 2012, SSA reimbursed LA-DDS approximately \$76 million for administrative costs, including \$8.5 million for

¹ *Social Security Amendments of 1954*, Pub. L. 83-761, Title I, § 106, 68 Stat. 1052, 1079.

² *Social Security Amendments of 1972*, Pub. L. 92-603, Title III, § 301, 86 Stat. 1329, 1465.

³ *Social Security Act* §§ 221 and 1633, 42 U.S.C. §§ 421 and 1383b; see also 20 C.F.R. §§ 404.1601 et seq. and 416.1001 et seq.

LA-DCFS' indirect costs and about \$1 million for applicant travel expenses. For details about our scope and methodology, see Appendix A.

RESULTS OF REVIEW

LA-DCFS' accounting system could not identify specific indirect costs it allocated to LA-DDS from its various components. Because of this limitation, we could not determine whether indirect costs were allowable or properly allocated.

LA-DDS incorrectly charged approximately \$170,000 in lump-sum leave paid to terminating employees in FYs 2011 and 2012 as direct administrative expense. These costs should have been allocated as general administrative expense across all activities of the governmental unit or component.

LA-DDS properly authorized and adequately supported payments to claimants for ordinary travel costs incurred to attend medical examinations or disability hearings. However, LA-DDS did not always properly authorize or adequately support unusual travel expenses (taxi fares).

Indirect Costs

LA-DCFS could not identify specific indirect costs it allocated to LA-DDS from its various components. LA-DCFS' cost allocation plan described various allocation methodologies it employed on a multi-step basis for hundreds of reporting categories summarized under seven cost pool groupings. LA-DCFS officials stated the State programmed its accounting systems to generate indirect cost accruals based on the methodology described in the cost allocation plan. As indicated below, LA-DCFS allocated approximately \$8.5 million in indirect costs to LA-DDS in FYs 2011 and 2012:

Table 1: Indirect Costs LA-DCFS Allocated to LA-DDS and Reported on Quarterly Form SSA-4513

| | FY 2011 | FY 2012 |
|-------------------------|--------------------|--------------------|
| 1 st Quarter | \$1,209,203 | \$934,271 |
| 2 nd Quarter | \$1,298,797 | \$825,842 |
| 3 rd Quarter | \$256,704 | \$960,780 |
| 4 th Quarter | \$1,318,358 | \$1,743,332 |
| Total | \$4,083,062 | \$4,464,225 |

However, State officials explained that LA-DCFS' accounting system did not allow for identification of specific amounts allocated by each component. Officials informed us that attempting to trace allocations back to even one source component would require a "tedious manual process" and that ". . . it would not prove cost or time efficient to trace every expenditure across DCFS back to DDS."

We obtained data from SSA's Office of Disability Determination summarizing more than \$4.3 billion in administrative costs SSA paid for DDS activities in all 50 States during FYs 2011

and 2012 (see Appendix B). Comparison of these costs indicated that LA-DDS' indirect costs were among the highest in the nation. LA-DDS' indirect costs as a percentage of total administrative costs (11.27 percent) were much higher than the national average (6.48 percent).

Narrowing the comparison to the 13 States that had total administrative costs within \$20 million of LA-DDS' revealed that LA-DDS' indirect costs as a percentage of total administrative costs were more than double the average of its peers.

Table 2: Cumulative FY 2011 and 2012 Indirect and Administrative Costs Reported by DDSs with Administrative Costs Comparable with LA-DDS (Administrative Costs in Descending Order)

| State | Indirect Costs | Administrative Costs (Total Obligations) | Indirect Costs as a Percent of Administrative Costs |
|----------------|--------------------|--|---|
| WA | \$2,697,282 | \$92,708,127 | 2.91% |
| KY | \$4,127,358 | \$91,571,994 | 4.51% |
| MA | \$3,065,951 | \$88,800,289 | 3.45% |
| VA | \$8,795,881 | \$86,633,156 | 10.15% |
| SC | \$4,959,813 | \$84,744,540 | 5.85% |
| AR | \$580,458 | \$83,592,146 | 0.69% |
| MO | \$2,336,853 | \$81,949,371 | 2.85% |
| OK | \$5,105,564 | \$76,364,991 | 6.69% |
| AZ | \$3,063,027 | \$70,439,139 | 4.35% |
| MD | \$5,373,449 | \$68,054,891 | 7.90% |
| WI | \$993,354 | \$66,813,671 | 1.49% |
| MS | \$2,627,090 | \$61,252,962 | 4.29% |
| OR | \$3,579,634 | \$56,574,542 | 6.33% |
| Average | \$3,638,901 | \$77,653,832 | 4.69% |
| LA | \$8,547,287 | \$75,869,140 | 11.27% |

Federal cost standards state that costs must be adequately documented⁴ and chargeable or assignable to such cost objective in accordance with relative benefit received.⁵ Because LA-DCFS' accounting system did not allow for identification of specific amounts charged by its various components, we could not determine whether indirect costs were charged to LA-DDS in accordance with relative benefits received.

⁴ OMB Circular A-87, Attachment A, Section C.1 (j) (Revised 5/10/04).

⁵ OMB Circular A-87, Attachment A, Section C.3 (a) (Revised 5/10/04).

Payment of Unused Leave to Terminating Employees Charged Incorrectly

During FYs 2011 and 2012, LA-DDS incorrectly charged approximately \$170,000 in lump-sum leave paid to terminating employees in FYs 2011 and 2012 as direct administrative expense

Table 3: LA-DDS Lump-Sum Payments for Unused Leave to Terminating Employees

| LA-DDS Lump-Sum Payments of Unused Leave to Terminating Employees | | |
|--|---------------------|-----------------------|
| FY | Transactions | Total Payments |
| 2011 | 20 | \$123,615 |
| 2012 | 6 | \$48,612 |
| Total | 26 | \$172,227 |

Federal cost standards state that payments for unused leave for employees who terminate their employment through retirement or other separation are allowable provided they are allocated as a general administrative expense to all activities of the governmental component.⁶ Thus, these costs were not allowable as direct expenses.

An LA-DCFS official attributed these errors to a department-wide reorganization in FY 2010. Since the reorganization, LA-DCFS had not made the necessary adjustments to remove these expenses from personnel costs (direct expense) and allocate them as indirect costs.

Applicant Travel

LA-DDS properly authorized and adequately supported payments to claimants for ordinary travel expenses (mileage or public transportation fare reimbursements) incurred to attend medical examinations or disability hearings. However, LA-DDS did not always properly authorize or adequately support unusual travel expenses (taxi fares). Controls over authorization and use of unusual travel expenses should ensure such costs are incurred only when necessary, and payments for these services are valid and accurate.

**Table 4: LA-DDS Total Applicant Travel Expenditures
FY 2011 Through 2012**

| Mileage or Public Transportation | Taxi Fares | Unliquidated Obligations | Total Obligations |
|---|-------------------|---------------------------------|--------------------------|
| \$750,506 | \$237,831 | \$26,782 | \$1,015,119 |

⁶ OMB Circular A-87, Attachment B, Section 8.d (3) (Revised 5/10/04).

Payments for Taxi Fares

Controls over authorization and use of taxis to transport claimants to and from medical evaluations needed to be improved. Based on our review of 20 taxi company invoices, totaling \$21,386, for fares incurred transporting 134 claimants to and from medical evaluations, we determined LA-DDS did not always maintain adequate documentation supporting payments to taxi companies. We also found, in a small number of cases, LA-DDS issued erroneous or questionable payments to taxi companies.

Lack of Required Documentation

LA-DDS did not always adequately document authorization and use of taxis to transport claimants to and from medical evaluations.

Use of Taxis Not Justified

SSA classifies taxi fares as “unusual travel expenses”⁷ and requires that DDS personnel determine the reasonableness and necessity of unusual travel before payment can be made.⁸ DDS travel policy further requires that DDS personnel write a detailed description of why the claimant needs taxi transportation. However, LA-DDS could not provide documentation justifying \$20,359 in taxi fares paid on 16 of 20 invoices reviewed. This occurred primarily because DDS employees in the Shreveport, Louisiana, office did not effectively implement the controls established in LA-DDS travel policy.

Taxi Invoices Paid Without Required Verification

LA-DDS travel policy requires that DDS personnel obtain claimants’ signatures verifying service completion before authorizing payment for taxi fares. LA-DDS procedures also require that supervisors review and certify taxi invoices before paying them. However, in 15 of 134 transactions reviewed, LA-DDS paid the taxi company without obtaining the claimants’ signatures. This error occurred because DDS employees in the Shreveport, Louisiana, office did not effectively implement the controls established in LA-DDS travel policy. Also, 1 of 20 invoices we reviewed was not signed by a supervisor before payment. We believe this error was a management oversight.

Erroneous or Questionable Payments

LA-DDS erroneously paid a \$120 taxi fare twice. In this instance, the taxi company submitted duplicate invoices for the same service, but LA-DDS did not detect this billing error and paid both invoices.

⁷ SSA, POMS, DI 39525.001A.6 (August 28, 1996).

⁸ SSA, POMS, DI 39525.005A.2.b. (June 7, 1999).

LA-DDS issued a questionable \$300 payment to a taxi company, allegedly to transport a claimant to a medical evaluation. According to LA-DDS records, the taxi company was supposed to transport the claimant approximately 80 miles to and from a medical evaluation. However, the taxi company invoice indicated the taxi transported the claimant approximately 190 miles to and from a city not associated with the medical provider. LA-DDS did not appear to notice these discrepancies before paying the invoice. LA-DDS also paid invoices including two transactions totaling \$260 where the taxi company provided no trip details for LA-DDS staff to use to confirm whether the services were authorized or rendered.

These discrepancies occurred because LA-DDS did not always effectively review and approve taxi company invoices before payment.

CONCLUSIONS

We could not determine whether indirect costs were allowable or properly allocated because LA-DCFS' accounting system could not provide detailed information identifying specific indirect costs it allocated to LA-DDS from its various components.

LA-DDS incorrectly charged approximately \$170,000 in lump-sum leave paid to terminating employees in FYs 2011 and 2012 as direct administrative expense.

LA-DDS properly authorized and adequately supported payments to claimants for mileage and public transportation costs incurred to attend medical examinations or disability hearings. However, LA-DDS did not always properly document authorization or adequately support payment of taxi fares.

RECOMMENDATIONS

We recommend that SSA:

1. Work with LA-DCFS to either simplify its cost allocation methodology or modify its accounting system so it allows for identification of indirect costs allocated from each LA-DCFS component.
2. Ensure LA-DDS correctly charges terminal leave payments.
3. Work with LA-DDS to remind employees of proper procedures for authorizing and supporting unusual travel expenses and determine whether it is cost-beneficial to pursue recovery of questionable taxi expenses.

AGENCY COMMENTS AND OIG RESPONSE

SSA agreed with our recommendations. See Appendix C for the text of the Agency's comments.

LA-DCFS agreed with Recommendation 3. Also, while it concurred in-part with Recommendation 2, its described actions taken and planned are fully responsive to the Recommendation.

LA-DCFS disagreed with Recommendation 1. In its response, LA-DCFS confirmed that it could not identify specific indirect costs it allocated to LA-DDS from its various components. LA-DCFS acknowledged the complexity of its indirect cost allocation system and stated tracing these costs to the applicable reporting categories was unreasonably burdensome—requiring 2,500 work hours.

While LA-DCFS offered to attempt to identify costs allocated from one reporting category for 1 month’s activity as an alternative demonstration of the accuracy of their accounting system, we did not agree with this alternative. Even if we had agreed to undergo the tedious manual process LA-DCFS had previously indicated would be necessary just to identify amounts it allocated for 1 month for one of its hundreds of reporting categories, such a test would not provide assurance that indirect costs were allowable, properly allocated, or charged in accordance with the relative benefit SSA received. See Appendix D for the full text of LA-DCFS’ comments.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

Scope

We reviewed the indirect costs and applicant travel expenses reported by the Louisiana Department of Children and Family Services (LA-DCFS) and its component, the Louisiana Disability Determination Services (LA-DDS), on its *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) for Federal Fiscal Years (FY) 2011 and 2012. For the items tested, we reviewed LA-DCFS and LA-DDS' compliance with applicable laws and regulations.

To accomplish our objectives, we:

- Reviewed applicable sections of Office of Management and Budget Circular A-87, the Code of Federal Regulations, the Social Security Administration's (SSA) Program Operations Manual System, and LA-DCFS' indirect cost allocation plan.
- Interviewed employees from LA-DCFS and LA-DDS.
- Identified LA-DDS indirect costs claimed on Forms SSA-4513 for FYs 2011 and 2012. We also obtained and compared similar cost data for the rest of the 50 states.
- Attempted to identify the specific indirect costs that LA-DCFS components allocated to LA-DDS. LA-DCFS' accounting records did not provide sufficient details to allow identification of specific amounts charged by LA-DCFS components. We subsequently requested LA-DCFS provide a detailed summary of costs each of its components allocated to LA-DDS during the audit period. However, State officials explained that LA-DCFS' accounting system did not allow for identification of specific amounts allocated by each component. Officials informed us that attempting to trace costs back to their sources would require a "tedious manual process" and that ". . . it would not prove cost or time efficient to trace every expenditure across DCFS back to DDS." Because of this scope limitation, we terminated further work on this objective and disclaimed any opinion regarding the allowability of these costs or the propriety of their allocation.
- Obtained and reviewed LA-DDS lump-sum terminal leave payment data for FYs 2005 through 2012.
- Reconciled applicant travel costs reported by LA-DCFS on its Form SSA-4513 for FYs 2011 and 2012 to the related accounting records.

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 performed detailed testing on selected data in the electronic data files.

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. With the exception of the scope limitation described above, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We performed our audit from April through December 2013 at the SSA regional office in Dallas, Texas.

Methodology

The sampling methodology for applicant travel expenses for FYs 2011 and 2012 encompassed the sampling of 2 audit populations: (1) 19,237 claimant payments totaling \$750,506 and (2) 561 taxi or other fare based payments totaling \$237,831.

Claimant Payments

We sampled 50 randomly selected claimant payments. For each transaction, we determined whether LA-DDS authorized the travel in advance, maintained adequate supporting documentation, and reimbursed claimants based on State approved mileage rates.

Taxi and Other Fare-Based Payments

We sampled 20 payments using a stratified random sample. The highest payment in the population was \$4,480, the lowest payment was \$6, and the median payment was \$260. We sorted the population by payment amount and selected the 5 highest and 5 lowest payments as well as the 10 payments closest to the median value. For each sampled payment, we determined whether LA-DDS maintained documentation supporting trip authorization and justified use of this method of transportation. We also determined whether mileage claimed appeared reasonable. In addition, we verified that the DDS did not sole source the taxi fares to one company. We reviewed available documentation and found no indication that LA-DDS sent claimants' personally identifiable information to taxi companies.

Appendix B – FISCAL YEAR 2011 AND 2012 DISABILITY DETERMINATION SERVICES PROGRAM COSTS

This table summarizes cumulative indirect and administrative costs for fiscal years 2011 and 2012, as reported by each of the 50 State disability determination services, per SSA's Office of Disability Determinations *National Report of Obligations for Disability Programs, DDS Summary of Quarterly SSA-4513 Reports, 18th Month Cumulative Report*.

| State | Indirect Costs | Admin Costs (Total Obligations) | Indirect / Admin Costs | State | Indirect Costs | Admin Costs (Total Obligations) | Indirect / Admin Costs |
|--------------|----------------------|---------------------------------|------------------------|-------|----------------|---------------------------------|------------------------|
| CA | \$42,413,277 | \$437,138,329 | 9.70% | DE | \$3,079,201 | \$13,566,588 | 22.70% |
| NY | \$32,139,778 | \$304,108,620 | 10.57% | MA | \$3,065,951 | \$88,800,289 | 3.45% |
| TX | \$26,344,070 | \$289,696,739 | 9.09% | AZ | \$3,063,027 | \$70,439,139 | 4.35% |
| NJ | \$15,049,539 | \$117,035,702 | 12.86% | WA | \$2,697,282 | \$92,708,127 | 2.91% |
| OH | \$9,707,644 | \$169,169,150 | 5.74% | WV | \$2,654,642 | \$39,372,523 | 6.74% |
| VA | \$8,795,881 | \$86,633,156 | 10.15% | MS | \$2,627,090 | \$61,252,962 | 4.29% |
| LA | \$8,547,287 | \$75,869,140 | 11.27% | NM | \$2,596,837 | \$26,104,713 | 9.95% |
| FL | \$7,893,871 | \$263,025,358 | 3.00% | MO | \$2,336,853 | \$81,949,371 | 2.85% |
| GA | \$7,807,119 | \$138,433,189 | 5.64% | KS | \$2,168,639 | \$29,174,265 | 7.43% |
| IN | \$7,805,630 | \$101,639,763 | 7.68% | CO | \$1,718,182 | \$46,090,027 | 3.73% |
| AL | \$7,712,917 | \$115,700,507 | 6.67% | HI | \$1,672,539 | \$13,929,865 | 12.01% |
| IL | \$7,078,589 | \$164,522,690 | 4.30% | UT | \$1,392,276 | \$24,034,767 | 5.79% |
| TN | \$6,388,985 | \$126,222,936 | 5.06% | NE | \$1,114,086 | \$20,299,720 | 5.49% |
| MI | \$6,251,370 | \$164,954,501 | 3.79% | ME | \$1,037,732 | \$17,046,691 | 6.09% |
| MD | \$5,373,449 | \$68,054,891 | 7.90% | WI | \$993,354 | \$66,813,671 | 1.49% |
| CT | \$5,127,223 | \$44,507,630 | 11.52% | ID | \$989,426 | \$16,728,433 | 5.91% |
| OK | \$5,105,564 | \$76,364,991 | 6.69% | NH | \$767,055 | \$13,576,290 | 5.65% |
| SC | \$4,959,813 | \$84,744,540 | 5.85% | AK | \$745,390 | \$9,366,007 | 7.96% |
| NC | \$4,504,972 | \$127,072,183 | 3.55% | RI | \$680,306 | \$16,736,932 | 4.06% |
| IA | \$4,138,887 | \$47,905,441 | 8.64% | VT | \$639,394 | \$10,489,115 | 6.10% |
| KY | \$4,127,358 | \$91,571,994 | 4.51% | AR | \$580,458 | \$83,592,146 | 0.69% |
| NV | \$3,842,522 | \$30,091,173 | 12.77% | SD | \$545,169 | \$7,386,694 | 7.38% |
| PA | \$3,681,328 | \$221,965,858 | 1.66% | ND | \$519,054 | \$6,191,514 | 8.38% |
| OR | \$3,579,634 | \$56,574,542 | 6.33% | WY | \$438,395 | \$5,783,896 | 7.58% |
| MN | \$3,497,833 | \$50,338,998 | 6.95% | MT | \$400,598 | \$11,051,244 | 3.62% |
| TOTAL | \$280,397,476 | \$4,325,827,010 | 6.48% | | | | |

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: April 10, 2014

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

From: Sheila Everett
Regional Commissioner
Dallas

Subject: Indirect Costs and Applicant Travel Expenses Claimed by the Louisiana Disability Determination Services (A-06-13-13070) -- Reply

We appreciate the opportunity to comment on this draft audit report. We agree with the recommendations and are working with the Louisiana Disability Determination Services (DDS), the Louisiana Department of Children and Family Services (DCFS), and the Department of Health and Human Services (HHS) to implement necessary changes. We appreciate the willingness of the OIG Audit staff in the Dallas Region to work with us during the course of the audit.

Our responses to the recommendations contained in the narrative report are as follows:

1. Work with LA DCFS to either simplify its cost allocation methodology or modify its accounting system so it allows for identification of indirect costs allocated from each LA DCFS component.

We agree that DCFS should have an accounting system with internal controls adequate to protect the interests of both the State and Federal Government. We shared a draft copy of this audit with HHS, the cognizant agency, and will work with HHS and DCFS to develop and implement necessary changes.

2. Ensure LA DDS correctly charges terminal leave payments.

We agree that terminal leave payments should be charged as part of indirect costs as described in OMB A87. The Louisiana DDS indirect cost charges are allocated as part of DCFS' cost allocation plan, which is approved by HHS. During DCFS' reorganization in FY 2010, they did not fully allocate the expenses across all other activities in the governmental unit. This oversight was corrected in DCFS' December 2013, Public Assistance Cost Allocation Plan (PACAP) amendment submission to HHS.

We are currently working with DCFS and HHS on FY 2011 and 2012 collections or reimbursements by the State to SSA and other affected Federal agencies under the PACAP. Because of prior guidance provided by HHS to DCFS during the FY 2005 audit with similar findings, we expect that HHS will instruct DCFS that the terminal leave charges are non-refundable for retroactive years.

3. Work with the LA DDS to remind employees of proper procedures for authorizing and supporting unusual travel expenses and determine whether it is cost-beneficial to pursue recovery of questionable taxi expenses.

We concur. The DDS has reviewed and strengthened their applicant travel authorization process. They will provide refresher training for their examiner and supervisor staff. We do not believe that it is cost-beneficial to pursue recovery of the questionable taxi expenses.

If you would like to discuss this further, please call me. If members of your staff have any questions, please have them call Roberta Irwin at 214-767-0633 in Management and Operations Support, Center for Disability.

Appendix D – LOUISIANA DEPARTMENT OF CHILDREN AND FAMILY SERVICES COMMENTS



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Bobby Jindal, Governor
Suzy Sonnier, Secretary

April 9, 2014

Patrick P. O'Carroll, Jr.
Inspector General
Office of the Inspector General - Social Security Administration
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Attn.: Ron Gunia, Audit Director

RE: Indirect Costs and Applicant Travel Expenses Claimed by the Louisiana Disability Determination Services – Draft (A-06-13-13070)

Dear Mr. O'Carroll:

The Department of Children and Family Services (DCFS) is committed to providing high quality services and continuously evaluating how we can strengthen the systems that protect our most vulnerable citizens. We work in partnership with state, local and national organizations to identify and implement best-practice solutions and strive on a daily basis to ensure that disability claims are properly documented and determined.

The following is submitted in response to your request for comment relative to the aforementioned draft report:

Recommendation 1:

SSA to work with LA- DCFS to either simplify its cost allocation methodology or modify its accounting system so it allows for identification of indirect costs allocated from each LA-DCFS component.

Management's Response 1:

DCFS does not concur with this recommendation. The Department was requested to deconstruct all LA-DDS reported costs through the system back to their point of entry for a two year period. The manual effort necessary to satisfy this request would require approximately 2500 work hours as there are currently no automated reports that meet this specific request. As the manual effort was considered unreasonably burdensome, the Department offered as an alternative, to provide a comprehensive diagram of one reporting category for one month's activity as a sample in order to demonstrate the accuracy of the system.

The Department further offered auditors the opportunity to conduct an on-sight review of the system, documents and procedures to satisfy the inquiry, however these offers were not accepted. While the Department's cost allocation system is admittedly complex, it has been vetted by multiple federal partners, including SSA, and approved by the Department of Health and Human Services, Division of Cost Allocation. A comprehensive review of the system, the data produced through its use and the various reports provided, and the monthly analysis would indeed yield an assurance that the system accurately allocates costs to benefitting programs in proportion to the benefit received.

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Corrective Action Plan 1:

Attached DCFS has provided the aforementioned deconstruction of cost reporting for the month of October 2010 for Information Technology costs. The Department is again requesting consideration of this sample or the identification of other sample cost reporting categories by auditors to be considered as representative of the whole in determining reliability of the indirect cost reporting system and stand ready to work with SSA to complete such an assessment.

Recommendation 2:

SSA to ensure that LA-DDS correctly charges terminal leave payments.

Management's Response 2:

DCFS on behalf of LA-DDS concurs in-part with this recommendation. Costs associated with separating employees should be fully allocated across all activities for the governmental unit. In FYs 2011 and 2012, those costs were not fully allocated. However, a corresponding allocation of associated costs of separating employees for the remainder of the governmental unit's employees should have been allocated to LA-DDS as well. The off-setting adjustments would result in an increase in the Department's cost claiming to this grant.

Corrective Action Plan 2:

Attached hereto the LA-DCFS is providing a calculation of the referenced adjustment. The Department initiated contact with the appropriate SSA officials to provide a copy of the proposed adjustment and to determine how they would prefer to proceed. We are awaiting their review and reply. The Department will implement appropriate corrective action based on the guidance received and is prepared to submit the adjustments for FYs 2011 and 2012 if advised to do so.

Recommendation 3:

SSA to work with LA-DDS to remind employees of proper procedures for authorizing and supporting unusual travel expenses and determine whether it is cost-beneficial to pursue recovery of questionable taxi expenses.

Management's Response 3:

DCFS on behalf of LA-DDS concurs with the finding. As part of an internal review, La-DDS identified that the Shreveport Area office was not following the policy of obtaining Supervisory authorization for taxi tickets and immediately addressed this matter.

Corrective Action Plan 3:

In August of 2013 LA-DDS reminded all offices that when transportation is requested it must be approved by a Supervisor.

LA-DDS is also implementing the attached revised procedure to ensure sure that transportation requests are properly authorized and documented and that once the services have been provided; the invoices are verified before any payment is made.



We appreciate the opportunity to partner with the Office of the Inspector General regarding this audit. We await the opportunity to further discuss our response to this preliminary report or to provide additional information regarding any potential recommendations discussed. Please contact Bridget M. Depland, Interim BACS Director, at 225-342-1043 or bridget.depland@la.gov as needed to continue this work.

Sincerely,



Suzy Sonnier
Secretary

cc: Brent Villemarette, Deputy Secretary – Programs
Lisa Andry, Assistant Deputy Secretary – Programs
Sharon Tucker, Deputy Secretary – Operations
Sandra Broussard, Assistant Deputy Secretary – Operations
Etta Harris, Undersecretary
Kaaren Hebert, Policy Advisor
Charlie Dirks, Executive Counsel
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