

NV-DDS overestimated unliquidated obligations for Medical costs by approximately \$607,000 in FYs 2008 and 2009.

Medical Cost Unliquidated Obligations			
	FY 2008	FY 2009	Total
Estimated & Reported	\$327,042	\$438,253	\$765,295
Actual	\$52,049	\$106,727	\$158,776
Overstated	\$274,993	\$331,526	\$606,519

According to SSA policy, valid unliquidated obligations should be supported by documents and records describing the nature of the obligations and supporting the amounts recorded. SSA policy further indicates that State agencies should review unliquidated obligations at least once each month and cancel those that are no longer valid.¹²

Personnel, Indirect, and All Other Non-Personnel Costs

NV-DETR understated unliquidated obligations for Personnel, Indirect, and All Other Non-Personnel costs at the end of FYs 2008 and 2009. This occurred because NV-DETR did not estimate obligations for the entire FY when it prepared its quarterly SSA-4513s. Instead, NV-DETR only estimated obligations for a few weeks following the end of the reporting quarter. As shown in the table below, NV-DETR underestimated unliquidated obligations for Personnel, Indirect, and All Other Non-Personnel costs by approximately \$1.4 million in FYs 2008 and 2009.

Personnel, Indirect, and All Other Non-Personnel Unliquidated Obligations			
	FY 2008	FY 2009	Total
Estimated & Reported	\$481,885	\$1,488,013	\$1,969,898
Actual	\$1,289,331	\$2,050,938	\$3,340,269
Understated	\$807,446	\$562,925	\$1,370,371

SSA's procedures state that unliquidated obligations represent obligations for which payment has not yet been made. Additionally, it states that unpaid obligations are considered unliquidated whether the goods or services have been received or not.¹³

INVENTORY CONTROLS

NV-DDS did not maintain adequate inventory records. Specifically, NV-DDS did not have a complete inventory list of SSA-purchased computer equipment or computer equipment that it had excessed. In addition, NV-DDS inventory records did not include all information required by SSA. According to SSA instructions, equipment inventory must include the following.

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

¹³ SSA, POMS, DI 39506.200 B.4 (March 2002).

1. Description
2. Source of funds used to purchase (for example, State vs. Federal)
3. Unit cost (for inventory purchased with State funds)
4. Inventory or serial number
5. Date purchased
6. Physical location, including building address and room or floor location¹⁴

NV-DDS' inventory listing did not include the source of funds used to purchase, date purchased, or the physical location for any of its computer equipment. Additionally, we found computers, monitors, laptops, servers, and printers that were not included on the inventory listing. Also, NV-DDS' procedures for disposing of computer equipment were inadequate. Specifically, NV-DDS had a storage room of equipment that was not in use and was awaiting disposal. This equipment should have been, but was not, on its inventory listing.

Most of these inventory errors occurred because of miscommunication between NV-DDS and NV-DETR regarding the tracking of computer equipment. At the time of our audit, NV-DDS and NV-DETR were resolving this issue. The State of Nevada had also identified inventory errors in a prior audit.

RISK OF UNAUTHORIZED ACCESS TO SENSITIVE INFORMATION

Our review disclosed that NV-DDS lacked physical security controls over personally identifiable information (PII). Specifically, NV-DDS did not keep sensitive records secured when cleaning services were provided during non-work hours. Although NV-DDS had a clean-desk policy; we found that its employees did not always adhere to the policy. For example, when staff left for the day, PII remained on desks and in unlocked bins overnight. These weaknesses increased the risk of unauthorized access and loss of sensitive information.

According to SSA policy, if offices are not cleaned during work hours, the DDS must take extra care to ensure documents containing PII are secured overnight,¹⁵ and the DDS should implement a clean-desk policy.¹⁶ Sensitive records awaiting destruction should be secured in locked bins or by other means to make the data unattainable to unauthorized personnel.¹⁷

¹⁴ SSA, POMS, DI 39530.020 B.1 (October 2002).

¹⁵ SSA, POMS, DI 39567.040 C. (October 2008).

¹⁶ SSA, POMS, DI 39567.020 A. (October 2008).

¹⁷ SSA, POMS, DI 39567.020 C. (October 2008).

CONCLUSION AND RECOMMENDATIONS

The costs claimed by NV-DDS were generally allowable. However, we found that NV-DDS and/or NV-DETR needed to improve controls over the (1) reporting of Medical costs, (2) reporting and review of unliquidated obligations, (3) inventory records, and (4) protection of sensitive information. Finally, we determined that NV-DETR should not charge SSA indirect costs for the IDP and R&A divisions.

We recommend that SSA:

1. Instruct NV-DETR to refund \$152,956 or provide supporting documentation for unsupported medical costs claimed for FY 2009.
2. Instruct NV-DETR to refund \$396,022 for unallowable indirect costs from IDP and R&A or provide documentation to support that the amounts charged were in accordance with the relative benefits received.
3. Identify and refund any unallowable indirect costs from IDP and R&A for FY 2010 to the present.
4. Ensure NV-DDS monitors and properly adjusts unliquidated obligations timely.
5. Instruct NV-DDS to track SSA-purchased computer equipment with an inventory system that complies with SSA policies.
6. Ensure NV-DDS enforces its clean-desk policy and keeps all sensitive documents secure.

AGENCY COMMENTS

SSA agreed with all our findings and recommendations. SSA also commented that it would resolve each recommendation after we issued our final report.

NV-DETR generally agreed with Recommendations 4 through 6. For Recommendation 1, NV-DETR stated the \$152,956 represents outstanding (unpaid) authorizations and as such, a refund was not justified. For Recommendations 2 and 3, NV-DETR did not believe a refund of unallowable indirect costs was justified and provided an explanation of the IDP and R&A benefits it provided to NV-DDS. However, NV-DETR commented that it was open to any SSA suggestions and assistance in updating its cost allocation plan, should it be deemed necessary.

See Appendices C and D for the full text of SSA's and NV-DETR's comments.

OIG RESPONSE

To resolve Recommendation 1, we believe SSA should obtain appropriate evidence to support NV-DETR's assertion that the \$152,956 difference was attributed to unliquidated obligations. For Recommendations 2 and 3, we believe additional evidence is needed to determine whether the IDP costs were charged in accordance with the relative benefits received. We also believe the services provided by R&A do not benefit NV-DDS.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

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