
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**REGIONAL REVIEWS MAY DISCLOSE
STATE DISABILITY DETERMINATION
SERVICES' USAGE OF SOCIAL
SECURITY ADMINISTRATION
COMPUTER EQUIPMENT FOR NON-
PROGRAM COMPUTER PURPOSES**

July 2002

A-15-00-20050

**MANAGEMENT
ADVISORY REPORT**



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SOCIAL SECURITY

MEMORANDUM

Date: July 30, 2002

Refer To:

To: The Commissioner

From: Inspector General

Subject: Management Advisory Report – Regional Reviews May Disclose State Disability Determination Services’ Usage of Social Security Administration Computer Equipment for Non-Program Purposes (A-15-00-20050)

OBJECTIVE

Our objectives were to present information to the Social Security Administration (SSA) on the need to enforce existing policies and procedures regarding State Disability Determination Services’ (DDS) non-SSA program computer usage costs and on the need to develop specific policies and procedures for the calculation and reimbursement of such costs.

BACKGROUND

SSA provides funds to each DDS for the necessary costs of making disability determinations.¹ In addition, some DDSs receive requests from various other State agencies to make disability determinations for claims not related to SSA benefits, claims commonly known as “Non-SSA Program” claims.² SSA’s Program Operations Manual System (POMS) procedures require a Memorandum of Understanding (MOU) between the State and the SSA Regional Commissioner (RC) to outline the specifics of the non-SSA work.³ The MOU should specify that SSA will not be charged for the costs of the DDS’ non-SSA program work. Costs of DDS staff and other resources should be shared and allocated between SSA and non-SSA programs.

In the past, as part of their fiscal year appropriations, DDSs were provided funds to purchase computer equipment. However, from May 1997 through September 2000, SSA purchased and distributed—to 48 of the 54 DDSs—computer equipment for the Intelligent Work Station/Local Area Network (IWS/LAN). Further, SSA plans to replace IWS/LAN computer equipment every 3 years in all SSA components, including DDSs.

¹ 20 CFR §§ 404.1626 and 416.1026.

² POMS, DI 39563.210 A.

³ POMS, DI 39563.210 D.1.a.

examination of policies and procedures provide sufficient information to warrant management attention. Our work was conducted at OD and OS at SSA Headquarters in Baltimore, Maryland, from June 2000 through November 2001.

RESULTS OF REVIEW

We found that SSA had funded and distributed over \$18.3 million in computer equipment to 17 DDSs identified as performing non-SSA work. However, the Agency did not attempt to ensure that States share the cost of using SSA computer equipment for non-SSA work. In addition, SSA's MOUs and POMS need to be updated and clarified.

SSA Had Not Taken Action To Assess Impact

During our interviews, we found OD had recognized the possibility that DDSs may be using IWS/LAN equipment for non-SSA program purposes. After our discussions, OD did a survey to determine whether equipment was actually used to process non-SSA workloads. OD found that 14 of the 17 States listed in Appendix A answered "yes" to the question, "Are SSA IWS/LAN personal computers being used to process non-SSA work?" The three States that replied "no" to the questions were Arkansas, California, and New York. The survey did not involve on-site review of non-SSA work activities in the DDSs. OD further informed us that it plans to ask SSA Regional Offices to do the formal on-site review, as we requested, after this report is issued in final.

Also, OD had not attempted either to identify costs associated with the equipment or pass along the necessary information for DDSs to identify such costs. Therefore, we contacted the Office of Telecommunications and Systems Operations, which supplied us with the cost information. For the period May 1997 through September 2000, SSA funded and distributed \$44.7 million in hardware, software installation, support, training, etc., to 48 of the 54 DDSs for IWS-LAN purposes. Based on information obtained from OD, we also determined that, during this same time period, SSA funded \$18.3 million for computer equipment and the associated costs for 17 of the 21 DDSs with MOUs (see Appendix A). Because SSA does not perform on-site reviews, the potential exists for a number of these DDSs to not report and share the cost of using SSA computer equipment for non-SSA work.

MOUs and POMS Need Updating and Clarification

We determined that MOUs between SSA and the States, as well as POMS procedures, had not been updated to reflect the potential current or future use of computer equipment for non-SSA program purposes. We examined 21 MOUs maintained by OD to determine whether they contained provisions to share the costs of SSA-funded and distributed computer equipment.

- None of these MOUs contained provisions that specified the requirement for the DDSs to reimburse SSA for computer-related costs used for non-SSA programs.

- MOUs are outdated, with some dating back to 1974.
- Three of the MOUs⁴ contained provisions that specifically excluded computer hardware and software, software installation, and acquisition costs associated with SSA purchased equipment. Yet, these provisions provided for sharing maintenance costs. These exclusions do not comply with the POMS. The POMS states, “The Social Security Act (the Act) and the regulations providing for the administration of the disability programs permit appropriate funds to be used only for the purposes specified in titles II and XVI of the Act.”⁵

According to OD officials, the establishment of most MOUs preceded SSA’s furnishing of computer equipment. OD officials agreed that the MOUs should be reviewed and amended to reflect current policy and procedures.

We found POMS⁶ describes that DDSs may perform disability determination work for claims not related to SSA benefits and that all costs for non-SSA program work are borne by the State. However, POMS⁷ does not specifically address costs associated with the potential for SSA furnishing computer equipment for non-SSA program purposes. Therefore, we believe SSA should provide DDSs with guidance specifically describing the requirements and accounting methodology for DDSs to adjust claimed costs for non-SSA program use of SSA computer equipment. OD has begun to work on revisions to the POMS that address non-SSA computer work activities in the DDSs.

CONCLUSION AND RECOMMENDATIONS

We believe the conditions we have identified through our data analysis and current examination of policies and procedures provide sufficient information to warrant regional on-site reviews of SSA computer equipment usage by DDSs for non-SSA program purposes. Our review disclosed that SSA had neither conducted such reviews nor updated MOUs between the RCs and the States to include issues related to the use of SSA's funded and furnished computer equipment. Also, POMS guidance needs to be updated to specifically address costs associated with sharing SSA computer equipment used for non-SSA program purposes.

At the conclusion of our review, SSA conducted preliminary work to identify States using computer equipment for non-SSA work and to revise policies and procedures. In future engagements, we will review DDS' usage of computer equipment for non-program purposes as part of our administrative cost audits to determine whether such costs have been allocated to non-SSA programs.

We recommend SSA:

⁴ Idaho, Massachusetts and Vermont.

⁵ POMS, DI 39563.210 C.

⁶ See footnote 2.

⁷ See footnote 6.

1. Coordinate a formal on-site study of all DDSs usage of SSA IWS/LAN funded and distributed computer equipment to identify the extent to which DDSs have used SSA computer equipment for non-SSA program purposes.
2. Provide computer cost information to all DDSs so the States can quantify the allocation of non-SSA costs.
3. Amend the MOUs with the States and provide additional guidance in POMS, section DI 39563.210, to address potential current and future use of SSA computer equipment when it is used for non-SSA programs and to incorporate an appropriate allocation method to assure DDSs share the costs of such computer equipment.
4. Explore cost reimbursement in accordance with applicable policies and procedures from those States, which had significant usage of SSA funded computer equipment for non-SSA program purposes.

AGENCY COMMENTS AND OIG RESPONSE

SSA generally agreed with our recommendations. Regarding recommendation 3, SSA commented that different DDSs will require different allocation methods. SSA's position is not inconsistent with our recommendation. Our recommendation was intended to incorporate an appropriate allocation method for each DDS taking into consideration variances in operations.

In complying with our recommendations, SSA will develop and release an RC/DDS Administrator's Letter to the regions by September 30, 2002. This letter will detail the protocol for obtaining the necessary information for the study, detail the computer cost information to all DDSs, and request the allocation of non-SSA costs. Also, by September 30, 2002, SSA will update the POMS relating to the use of computer equipment for non-SSA program work. As SSA renegotiates the MOUs, it will ensure the proper allocation method for each State's share of the computer equipment costs is documented and agreed upon. SSA will also review the current MOUs to determine whether there is a basis for SSA to obtain cost reimbursement from the States. We believe SSA's response to this report provides an effective action plan for identifying computer usage costs of non-SSA programs and ensures such use is excluded from State DDS administrative costs claimed. (See Appendix B for the full text of SSA's comments.)



James G. Huse, Jr.

Appendices

APPENDIX A – Disability Determination Services with Memoranda of Understanding,
Doing Non-Social Security Administration Work and Using Social
Security Administration Distributed Computer Equipment

APPENDIX B – Agency Comments

APPENDIX C – OIG Contacts and Staff Acknowledgments

Appendix A

Disability Determination Services with Memoranda of Understanding, Doing Non-Social Security Administration Work and Using Social Security Administration Distributed Computer Equipment

State	Effective Date of Memorandum of Understanding	Equipment Installation Date	Total Costs*
Alaska	July 1982	October 1998	\$ 102,181
Arizona	August 1988	February 1998 – April 1999	730,834
Arkansas	October 1992	February 1998 – March 1998	305,842
California	February 1997	August 1998 – April 1999	4,271,589
Iowa	July 1989	December 1998 – January 1999	397,594
Kansas	July 1974	March 1998 – November 1998	386,951
Kentucky	October 1989	October 1998 – July 1999	1,402,953
Michigan	September 1999	November 1998 – October 1999	29,180
Mississippi	July 1998	August 1998 – April 1999	803,164
New Mexico	July 1994	September 1998 – October 1998	315,607
New York	January 1994	July 1997 – May 2000	3,153,379
North Carolina	July 1998	January 2000 – February 2000	1,943,918
South Carolina	January 1987	December 1998 – April 1999	1,148,908
Tennessee	September 1993	February 1999 – May 2000	1,394,690
Vermont	June 1981	April 2000	174,451
Washington	November 1974	January 1998 – April 1999	846,422
Wisconsin	October 1992	August 1997 – February 1998	847,598
Total			\$18,255,261

*Costs include hardware, software, installation, support training, etc.

Appendix B

Agency Comments



SOCIAL SECURITY

MEMORANDUM

32078-24-883

Date: May 31, 2002 Refer To: S1J-3

To: James G. Huse, Jr.
Inspector General

From: Larry Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Management Advisory Report, "Regional Reviews May Disclose State Disability Services Usage of Social Security Administration Computer Equipment for Non-Program Purposes" (A-15-00-20050)—INFORMATION

We appreciate the OIG's efforts in conducting this review. Our comments on the report content and recommendations are attached.

Please let us know if we may be of further assistance. Staff questions may be referred to Janet Carbonara on extension 53568.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT
MANAGEMENT ADVISORY REPORT, "REGIONAL REVIEWS MAY DISCLOSE STATE
DISABILITY SERVICES USAGE OF SOCIAL SECURITY ADMINISTRATION (SSA)
COMPUTER EQUIPMENT FOR NON-PROGRAM PURPOSES"
(A-15-00-20050)

We appreciate the opportunity to comment on the draft report. Following are our comments on the recommendations.

Recommendation 1

Coordinate a formal on-site study of all Disability Determination Services' (DDS) usage of SSA Intelligent Work Station/Local Area Network (IWS/LAN) funded and distributed computer equipment to identify the extent to which DDSs have used SSA computer equipment for non-SSA program purposes.

Comment

We agree. SSA will develop and release a Regional Commissioner/DDS Administrator's Letter to the Regions by September 30, 2002, which will detail the protocol for obtaining the necessary information for the study.

Recommendation 2

Provide computer cost information to all DDSs so the States can quantify the allocation of non-SSA costs.

Comment

We agree. The Regional Commissioner/DDS Administrator's Letter to all DDSs described above will detail the computer cost information and request the allocation of non-SSA costs.

Recommendation 3

Amend the Memoranda of Understanding (MOU) with the States and provide additional guidance in Program Operations Manual System (POMS) Section DI 39563.210 to address potential current and future use of SSA computer equipment when it is used for non-SSA programs and to incorporate an appropriate allocation method to assure DDSs share the costs of such computer equipment.

Comment

We agree with the first part of this recommendation. By September 30, 2002, SSA will update the POMS section that details non-SSA program work to address current and future use of equipment supplied directly to the DDSs by SSA. However, we do not agree that any one allocation method would be appropriate to assure equitable distribution of the costs between SSA and non-SSA program work. As with all aspects of DDS operations, different DDSs will require different

allocation methods to equitably allocate the costs. As SSA proceeds with State renegotiations of the MOUs, SSA will ensure that the proper allocation method for each State is documented and agreed upon.

Recommendation 4

Explore cost reimbursement in accordance with applicable policies and procedures for those States which had significant usage of SSA funded computer equipment for non-SSA program purposes.

Comment

We agree. We will review the current MOUs to see if there is a basis for SSA to obtain cost reimbursement.

Appendix C

OIG Contacts and Staff Acknowledgments

OIG Contacts

Frederick C. Nordhoff, Director, Financial Management and Performance Monitoring Audit Division, (410) 966-6676

Carl Markowitz, Audit Manager, (410) 965-9742

Acknowledgments

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