
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ADMINISTRATIVE COSTS CLAIMED
BY THE FLORIDA DIVISION OF
DISABILITY DETERMINATIONS**

June 2010

A-15-10-11051

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:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

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 28, 2010

Refer To:

To: Paul D. Barnes
Regional Commissioner
Atlanta

From: Inspector General

Subject: Administrative Costs Claimed by the Florida Division of Disability Determinations
(A-15-10-11051)

OBJECTIVE

The objectives of our audit were to evaluate the Florida Division of Disability Determinations' (FL-DDD) internal controls over the accounting and reporting of administrative costs; determine whether costs claimed were allowable and properly allocated and funds were properly drawn; and assess the general controls environment for the claims processing system. Our audit included the administrative costs claimed by the FL-DDD during Federal Fiscal Years (FY) 2008 and 2009.

BACKGROUND

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

The Social Security Administration (SSA) is responsible for implementing policies for the development of disability claims under the DI and SSI programs. Disability determinations under both DI and SSI are performed by disability determination services (DDS) in each State or other responsible jurisdiction in accordance with Federal regulations.¹ Such determinations must be performed in accordance with Federal law and underlying regulations.² In carrying out its obligation, each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. To assist in making proper disability

¹ 20 C.F.R. §§ 404.1601 *et seq.* and 416.1001 *et seq.*

² 42 U.S.C. § 421; 20 C.F.R. §§ 404.1601 *et seq.* and 416.1001 *et seq.*

determinations, each DDS is authorized 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.³

SSA reimburses the DDS for 100 percent of allowable reported expenditures up to its approved funding authorization. The DDS withdraws Federal funds through the Department of the Treasury's (Treasury) Automated Standard Application for Payments system to pay for program expenditures. Funds drawn down must comply with Federal regulations⁴ and intergovernmental agreements entered into by Treasury and States under the *Cash Management Improvement Act of 1990*.⁵ As of September 30, 2009 for FYs 2008 and 2009, the FL-DDD received authorized funding of \$99,804,199 and \$111,905,108, respectively.

An advance or reimbursement for costs under the program must comply with Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. At the end of each quarter of the FY, each DDS submits a *State Agency Report of Obligations for SSA Disability Programs* (SSA-4513) to account for program disbursements and unliquidated obligations.⁶ The SSA-4513 reports expenditures and unliquidated obligations for Personnel Service Costs, Medical Costs, Indirect Costs, and All Other Non-personnel Costs.

The Florida Department of Health (FL-DOH) is the FL-DDD's parent agency. The FL-DOH and FL-DDD central office are located in Tallahassee, Florida. The FL-DDD also has branch offices in Jacksonville, Miami, Orlando, Pensacola, and Tampa, Florida.

RESULTS OF REVIEW

Generally, the FL-DDD had effective controls over the accounting and reporting of administrative costs; costs claimed by the FL-DDD were allowable and properly allocated; and funds were properly drawn. Also, during our assessment of the FL-DDD general security controls environment, nothing came to our attention to suggest deficiencies in these controls. We did find an instance where occupancy costs for five FL-DDD leased buildings in Tallahassee, Florida were overcharged in FY 2009 by \$20,551. We found the error occurred because of a transposition in the rate calculation. As a result of the overcharge, the FL-DDD sought and received a repayment of the amount from the landlord in the form of reduced lease payments for April 1 through October 31, 2010. Since the FL-DDD will be paying its Tallahassee landlord a reduced

³ 20 C.F.R. §§ 404.1623-1624 and 416.1023-1024

⁴ 31 C.F.R. § 205.1 *et seq.*

⁵ Pub. L. No. 101-453, 104 Stat. 1058, (codified as amended in scattered sections of 31 U.S.C. §§ 3335, 6501 and 6503).

⁶ SSA, Program Operations Manual System, DI 39506.200 B.4, (Providing that ". . . [u]nliquidated obligations represent obligations for which payment has not yet been made. Unpaid obligations are considered unliquidated whether or not the goods or services have been received.")

lease amount for 7 months, the FL-DDD will be drawing down less money from SSA; therefore, SSA will have effectively received its complete overpayment refund by October 31, 2010. After reviewing this matter with the FL-DDD staff, we do not believe this is a systemic problem. FL-DDD staff has shown sufficient evidence that this was a one-time occurrence. We verified future lease payment amounts for FYs 2010 and 2011 and found they were being computed as stated in the lease agreement. We are not making a recommendation on this issue, since we believe the problem has been adequately addressed.

CONCLUSION

Our review of administrative costs generally found the FL-DDD had effective controls over the FY 2008 and 2009 accounting and reporting of administrative costs. Further, we found costs claimed by the FL-DDD were allowable and properly allocated and funds were properly drawn with the exception of an error in calculation of lease payments resulting in a \$20,551 overpayment in FY 2009. We found the conditions of the overcharge and repayment have been adequately addressed. We therefore are not making any recommendation on that issue. Also, during our assessment of the FL-DDD general security controls environment, nothing came to our attention to suggest deficiencies in these controls.



Patrick P. O'Carroll, Jr.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Florida Division of Disability Determinations Reported Costs

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Acronyms

Act	<i>Social Security Act</i>
CE	Consultative Examination
C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
DI	Disability Insurance
FL-DDD	Florida Division of Disability Determinations
FL-DOH	Florida Department of Health
FY	Fiscal Year
OIG	Office of the Inspector General
SSA	Social Security Administration
SSI	Supplemental Security Income
Treasury	Department of the Treasury

Scope and Methodology

SCOPE

To achieve our objectives, we:

- Reviewed applicable Federal laws and regulations, pertinent parts of the Social Security Administration's (SSA) Program Operations Manual System, and other criteria relevant to administrative costs claimed by the Florida Division of Disability Determinations (FL-DDD) and the draw down of SSA funds.
- Interviewed staff and officials at the FL-DDD, Florida Department of Health, SSA's Atlanta Regional Office, and Headquarters Finance Office.
- Evaluated and tested internal controls regarding accounting, financial reporting, and cash management activities.
- Reconciled State accounting records to the administrative costs reported by the FL-DDD on the *State Agency Report of Obligations for SSA Disability Programs* (SSA-4513) for Federal Fiscal Years (FY) 2008 and 2009.
- Examined specific administrative expenditures (Personnel, Medical Services, and All Other Non-personnel Costs) incurred and claimed by the FL-DDD for FYs 2008 and 2009 on the SSA-4513. We used statistical sampling to select expenditures to test for documentation of the Medical Services, Personnel, and All Other Non-personnel Costs.
- Examined and recalculated indirect costs claimed by the FL-DDD for FYs 2008 and 2009.
- Compared the amount of SSA funds drawn to support FL-DDD operations to the cost records as reported on SSA-4513.

We determined the data provided by FL-DDD used in our audit were sufficiently reliable given the audit objectives and intended use of the data. As part of our assessment of the reliability of the data, we reconciled it to the costs claimed on the SSA-4513. We also conducted detailed audit testing on selected data elements in the electronic data files. We performed our audit work at the FL-DDD central office in Tallahassee, Florida, along with limited work in the Tampa, Florida, branch office. We also conducted work in our Office of Audit at SSA Headquarters. We conducted fieldwork from October 2009 through May 2010. Our audit was conducted in accordance with generally accepted government auditing standards.

METHODOLOGY

Our sampling methodology encompassed the four general areas of costs reported on the SSA-4513 as follows: (1) Personnel, (2) Medical, (3) Indirect, and (4) All Other Non-personnel Costs. We obtained electronic records that supported the Personnel, Medical, and All Other Non-personnel costs for FYs 2008 and 2009 for use in sampling. These records were obtained from the Florida Accounting Information Resource system used by the State of Florida and the FL-DDD for the preparation of the SSA-4513. Analytical work was conducted for the indirect costs (see the Indirect Cost section below).

Personnel Costs

We randomly selected 1 pay period in the most recent year under review. We then selected a random sample of 50 regular employees. We tested FL-DDD payroll records to ensure FL-DDD correctly paid employees and adequately documented these payments.

For medical consultant costs, we selected 1 pay period in the most recent year under review. We then selected a random sample of 50 consultants. We verified that the medical consultants were paid in accordance with the approved contract.

Medical Costs

We sampled 100 items (50 items from each FY) using a stratified random sample of Medical costs based on the proportion of medical evidence of record and consultative examination (CE) costs to total medical costs claimed. Additionally, we conducted analytical work to determine whether the FL-DDD CE rates exceeded the highest rate paid by Federal or other agencies in the State for the same or similar types of service.

Indirect Costs

We calculated the FL-DDD indirect costs for FYs 2008 and 2009 by applying the federally approved rates¹ to the payroll cost bases (direct salaries and wages including all fringe benefits). For FY 2008, a provisional rate of 5.1 percent was used from October 2007 to May 2008; starting in June 2008 a final rate was assigned at 6.6 percent. For FY 2009, we calculated indirect cost using the 6.6-percent rate. The Indirect Cost agreement indicated the final rate of 6.6 percent was to be followed as a provisional rate after June 30, 2008.

¹ Rates approved by the Department of Health and Human Services (Federal cognizant agency) for the State Department of Health (the parent agency of the FL-DDD).

All Other Non-personnel Costs

We selected a stratified random sample of 100 items (50 items for each FY) from the All Other Non-personnel Costs category (except for occupancy). Before selecting the sample items, we stratified the transactions in the nine cost categories. We then distributed the 50 sample items for each year between categories based on the proportional distribution of the costs. We conducted a 100-percent review of the FL-DDD occupancy costs for 1 randomly selected month in FYs 2008 and 2009. Also, we reviewed the occupancy costs for the final month contained in our electronic data files for FY 2008.²

² For FY 2008, occupancy costs through September 30, 2009 were included in our electronic files.

Florida Division of Disability Determinations Reported Costs

Reported Costs on Form SSA-4513

**Federal Fiscal Year 2008
For the Period Ended 09/30/2009**

Cost Areas	Disbursements	Unliquidated Obligations	Total Obligations
Personnel	\$ 54,145,189	\$0	\$ 54,145,189
Medical Service	\$31,345,615	\$1,055	\$31,346,670
Indirect	\$2,948,442	\$0	\$2,948,442
All Other Non-personnel	\$11,337,423	\$10,000	\$11,347,423
Total	\$ 99,776,669	\$ 11,055	\$ 99,787,724

**Federal Fiscal Year 2009
For the Period Ended 09/30/2009**

Cost Areas	Adjustment of Lease Overcharge	Disbursements	Unliquidated Obligations	Total Obligations
Personnel		\$ 55,839,368	\$ 2,919,631	\$ 58,758,999
Medical Service		32,593,187	3,762,066	36,355,253
Indirect		3,026,694	126,308	3,153,002
All Other Non-personnel	\$ (20,551)	10,017,252	3,137,669	13,154,921
Total	\$ (20,551)	\$ 101,476,501	\$ 9,945,674	\$ 111,422,175

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Deborah Kinsey, Audit Manager

Acknowledgments

In addition to those named above:

Sig Wisowaty, Senior Auditor

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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.

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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.

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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.