

Report Summary

Social Security Administration Office of the Inspector General

November 2010



Objective

To determine whether the indirect costs claimed by the California Disability Determination Services (DDS) were allowable and properly allocated.

Background

Disability determinations under the Social Security Administration's (SSA) Disability Insurance and Supplemental Security Income programs are performed by DDSs in each State or other responsible jurisdiction.

SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. Allowable expenditures include both direct and indirect costs. Indirect cost pools are used to allocate the costs of activities that benefit multiple program areas or the entire department.

To view the full report, visit <http://www.ssa.gov/oig/ADO/BEPDF/A-09-10-11079.pdf>

Indirect Costs Claimed by the California Disability Determination Services (A-09-10-11079)

Our Findings

Our review disclosed the California Department of Social Services (DSS) incorrectly charged indirect costs to SSA's programs. This occurred because DSS (1) charged the costs of activities that did not benefit SSA's programs to the departmental indirect cost pool and (2) used an incorrect cost allocation base to distribute departmental and State-wide indirect costs. As a result, SSA reimbursed DSS for \$8,128,431 in unallowable costs for Fiscal Years (FY) 2002 through 2009. Specifically, we found

- \$6,049,557 in indirect costs from the Information Systems Division did not benefit SSA's programs;
- \$1,293,632 in indirect costs from the Director's Office did not benefit SSA's programs; and
- \$785,242 in unallowable departmental and State-wide indirect costs was allocated to SSA's programs.

Our Recommendations

We recommend that SSA direct DSS to:

1. Refund \$8,128,431 in indirect costs that did not benefit SSA's programs for FYs 2002 through 2009.
2. Identify and refund any unallowable indirect costs for FY 2010 to the present.
3. Improve controls to ensure costs are properly charged to the departmental indirect cost pool.
4. Provide training to DSS staff in time reporting policies and procedures.
5. Review the departmental indirect cost pool for inappropriate charges on a periodic basis.

SSA and DSS generally agreed with our recommendations.