

# Report Summary

Social Security Administration Office of the Inspector General

March 2010



## Objective

To (1) evaluate the Arizona Disability Determination Services' (AZ-DDS) internal controls over the accounting and reporting of administrative costs; (2) determine whether costs claimed were allowable and funds were properly drawn; and (3) assess limited areas of the general security controls environment.

## Background

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

SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization.

To view the full report, visit <http://www.ssa.gov/oig/ADO/BEPDF/A-09-09-19020.pdf>

## **Administrative Costs Claimed by the Arizona Disability Determination Services (A-09-09-19020)**

### Our Findings

We found the costs claimed by AZ-DDS were generally allowable and funds were properly drawn. However, we determined that AZ-DDS and/or Arizona Department of Economic Security (AZ-DES) improperly paid an estimated \$563,812 for missed consultative examinations (CE); could have saved an estimated \$334,410 in CE costs incurred at remote locations or locally on weekends; improperly paid \$134,506 for CE fees in excess of the maximum allowable rates; improperly charged \$29,805 in costs that did not benefit SSA; overstated unliquidated obligations by approximately \$1.8 million; did not allocate approximately \$6,000 of State-wide indirect costs to SSA's programs; and needed to improve controls to adequately protect sensitive information.

### Our Recommendations

We recommended that SSA:

1. Instruct AZ-DDS to refund \$563,812 paid for missed CE appointments or request an exemption to the no-pay policy.
2. Ensure AZ-DDS schedules, to the extent possible, the maximum number of CEs or modify its contract to pay only for CEs actually scheduled.
3. Determine whether it was necessary for AZ-DDS to exceed the highest allowable rates for CE fees.
4. Instruct AZ-DDS to refund \$29,805 for non-SSA work.
5. Ensure AZ-DDS improves controls over estimates of unliquidated obligations.
6. Ensure AZ-DDS monitors and properly adjusts unliquidated obligations timely.
7. Ensure AZ-DES improves controls over the allocation of State-wide Indirect Costs.
8. Ensure AZ-DDS improves controls over sensitive documents.

SSA agreed with our recommendations.