

Personnel and Indirect Costs Claimed by the Michigan Disability Determination Services for Fiscal Year 2014

A-07-19-50763



January 2020

Office of Audit Report Summary

Objective

To determine whether the Fiscal Year (FY) 2014 personnel and indirect costs the Michigan Disability Determination Services (MI-DDS) claimed for reimbursement from the Social Security Administration (SSA) were allowable.

Background

Disability determination services (DDS) in the 50 States, the District of Columbia, and Puerto Rico perform disability determinations for SSA. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations.

SSA reimburses DDSs for 100 percent of allowable expenditures up to the approved funding authorization for costs reported on the *State Agency Report of Obligations for SSA Disability Programs* (SSA-4513). The SSA-4513 cost categories include personnel, medical, other non-personnel, and indirect.

SSA's Chicago Regional Office requested that we audit MI-DDS' FY 2014 personnel and indirect costs. We audited the \$60.9 million in personnel costs and \$4.6 million in indirect costs reported to SSA for reimbursement by MI-DDS on the FY 2014 SSA-4513 dated May 2019.

Findings

The MI-DDS costs reported to SSA for reimbursement on the FY 2014 SSA-4513, dated May 2019, were overstated by approximately \$3.6 million. Specifically,

- personnel costs were overstated by \$3,302,029 because they included the salary and benefit costs of MI-DDS employees who did not perform SSA work or did not perform SSA work exclusively, and
- indirect costs were overstated by \$255,490 because they included costs that were not in accordance with the terms of the federally approved cost allocation plan.

Agency Actions Resulting from the Audit

In August 2019, we informed SSA's Chicago Regional Office that the personnel and indirect costs were overstated by approximately \$3.6 million. The Regional Office then worked with the State to resolve the overstated costs. In September 2019, MI-DDS submitted a revised SSA-4513 to SSA that reduced the personnel and indirect costs reported for reimbursement by the overstated amounts identified in our audit. Since SSA had not reimbursed the State for the overstated costs we identified, a recommendation is not warranted.