

Administrative Costs Claimed by the District of Columbia Disability Determination Division A-15-18-50628



August 2019

Office of Audit Report Summary

Objectives

To evaluate internal controls over the accounting and reporting of administrative costs and determine whether the administrative costs claimed by the District of Columbia Disability Determination Division (DC-DDD) for Fiscal Years (FY) 2016 and 2017 were allowable and properly allocated.

Background

Disability determination services (DDS) perform disability determinations under the Social Security Administration's (SSA) Disability Insurance (DI) and Supplemental Security Income (SSI) programs in accordance with Federal regulations. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations.

SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. Allowable expenditures include both direct and indirect costs.

The District of Columbia Department on Disability Services (Parent Agency) provides information, oversight, and coordination of services for people with disabilities. The Parent Agency supports the DC-DDD, which makes Social Security disability claim determinations.

Findings

Generally, the Parent Agency and DC-DDD had adequate internal controls to ensure administrative costs claimed were allowable and properly allocated. However, we identified deficiencies in the Parent Agency's development of final indirect costs and the Parent Agency and DC-DDD's internal controls over classifying administrative costs.

We questioned \$1,668,715 in indirect costs reimbursed to DC-DDD. In addition, we found the Parent Agency charged \$15,039 in unallowable costs for unused leave when employees retired or terminated employment, did not have supporting documentation for \$7,596 in communications costs, and reported \$43,372 in direct costs in the incorrect FY and cost category.

Recommendations

We recommend the SSA Regional Commissioner instruct the Parent Agency and DC-DDD to:

1. Refund \$1,668,715 to SSA associated with the FYs 2016 and 2017 indirect costs.
2. Establish a separate DC-DDD FY 2016 and 2017 indirect cost rate to properly assign indirect costs to the DC-DDD.
3. Provide the FY 2018 and future year indirect cost proposals to SSA to ensure these DC-DDD indirect costs are reasonable.
4. Refund \$15,039 of direct costs for unused leave for employees who retired or terminated employment.
5. Determine the validity of the unsupported communications costs of \$7,596 and require a refund of any unsupported disbursements.
6. Modify its procedures to properly allocate all costs to the correct FY and cost category.

SSA agreed with our recommendations.