
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ADMINISTRATIVE COSTS
CLAIMED BY THE NORTH DAKOTA
DISABILITY DETERMINATION
SERVICES**

September 2002

A-15-02-12036

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the 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

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



SOCIAL SECURITY

MEMORANDUM

Date: September 25, 2002

Refer To:

To: James C. Everett
Regional Commissioner
for Denver

From: Assistant Inspector General
for Audit

Subject: Administrative Costs Claimed by the North Dakota Disability Determination Services
(A-15-02-12036)

OBJECTIVES

Our objectives were to:

- evaluate the adequacy of internal controls over the accounting and reporting of administrative costs claimed and the draw down of Social Security Administration (SSA) funds at the North Dakota Disability Determination Services (ND-DDS) and North Dakota Department of Human Services (ND-DHS) to determine whether the controls were sufficient to ensure the proper draw down of funds and accounting and reporting of administrative costs;
- determine whether costs claimed on the *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) for the period October 1, 1997 through September 30, 2000 were allowable and properly allocated; and
- determine whether the aggregate of the SSA funds drawn down agreed with total expenditures reported for disability determinations in Fiscal Years (FY) 1998 through 2000.

BACKGROUND

The Disability Insurance (DI) program provides benefits to wage earners and their families in the event the wage earner becomes disabled. The Supplemental Security Income (SSI) program is a nationally uniform program that provides income to financially needy individuals who are aged, blind and/or disabled. SSA implements the general policies governing development of disability claims under the DI and SSI

programs. A designated agency in each State performs disability determinations according to Federal regulations. Each agency determines claimants' disabilities and is required to maintain adequate evidence to support its determinations. To assist in making proper disability determinations, SSA authorizes each agency 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.

The designated agency for the State of North Dakota is the ND-DDS, a division within the ND-DHS. Parent agencies, such as the ND-DHS, often provide administrative services (such as accounting, purchasing, and personnel) to the State designated Disability Determination Services (DDS) agency. SSA reimburses each DDS for 100 percent of the allowable expenditures reported quarterly on Form SSA-4513.

SCOPE AND METHODOLOGY

We obtained evidence to evaluate the appropriateness of recorded financial transactions under the provisions of Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and SSA's *Program Operations Manual System* (POMS).

We reviewed \$5,240,193 in administrative costs the ND-DHS reported for ND-DDS operations for the period October 1, 1997 through September 30, 2000. This amount included costs associated with SSA's Automation Investment Funds and Information Technology System funding activities. We also;

- reviewed applicable Federal regulations and pertinent parts of SSA's POMS, section DI 39500, *DDS Fiscal and Administrative Management*;
- interviewed ND-DHS and ND-DDS staff;
- documented our understanding of the ND-DHS's and ND-DDS's systems of internal controls over the accounting and reporting of administrative costs;
- evaluated and tested internal controls regarding accounting and financial reporting;
- traced the administrative expenditures ND-DHS reported on Forms SSA-4513 to its accounting records;
- documented our understanding of the ND-DHS's procedures and internal controls for drawing down SSA funds;
- analyzed ND-DHS draw downs of SSA funds and reconciled them with reported expenditures;

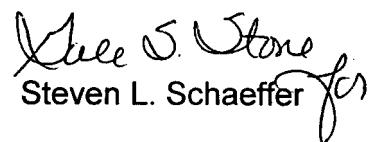
reviewed the North Dakota State auditors' Single Audit reports and related working papers as they were related to indirect costs for the period July 1, 1996 through June 30, 2000; and

- conducted a physical inventory of equipment items ND-DHS purchased during our audit period and selected computer hardware items SSA provided to ND-DDS.

We performed work at the ND-DHS, ND-DDS and the North Dakota State auditors' office in Bismarck, North Dakota. We conducted our audit from October 2001 through June 2002 in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW AND CONCLUSION

Based on our examination of accounting practices and procedures, and sampling of financial transactions for the period under audit, we concluded that the ND-DDS and ND-DHS complied with laws, regulations, policies and procedures governing expenditures and obligations incurred for SSA's Disability program for FYs 1998 through 2000. Specifically, we concluded that ND-DHS and ND-DDS had adequate internal controls over accounting and reporting of administrative costs and draw downs of SSA funds for the period under review. Tests of the amounts the ND-DHS reported on Forms SSA-4513 provided reasonable assurance that the ND-DHS had accurately reported the administrative costs ND-DDS incurred for disability determination activities during our audit period. Our tests of ND-DDS's claimed costs also showed that there were no material instances of noncompliance regarding whether sampled expenditures were allowable and allocable. We also did not identify cumulative draw downs that exceeded cumulative disbursements during our audit period.



Steven L. Schaeffer

Appendix

Appendix

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Carl Markowitz, Deputy Director, Financial Audits, (410) 965-9742

Acknowledgments

In addition to those named above:

Sigmund Wisowaty, Senior Auditor

Donna Parris, Auditor

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Office of Audit

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations and cash flow. Performance audits review the economy, efficiency and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

Office of Executive Operations

The Office of Executive Operations (OEO) supports the Office of the Inspector General (OIG) by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the *Government Performance and Results Act*. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

Office of Investigations

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.