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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**ADMINISTRATIVE COSTS  
CLAIMED BY THE  
GEORGIA DISABILITY  
ADJUDICATION SERVICES**

**August 2008**

**A-04-08-18013**

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**AUDIT REPORT**

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## **Mission**

**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, 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**

**We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.**



## SOCIAL SECURITY

### **MEMORANDUM**

**Date:** August 20, 2008

**Refer To:**

**To:** Paul D. Barnes  
Regional Commissioner  
Atlanta

**From:** Inspector General

**Subject:** Administrative Costs Claimed by the Georgia Disability Adjudication Services  
(A-04-08-18013)

### **OBJECTIVE**

Our objectives were to

- evaluate the Georgia Disability Adjudication Services' (GA-DAS') internal controls over the accounting and reporting of administrative costs,
- determine whether costs GA-DAS claimed for Fiscal Years (FY) 2005 and 2006 were allowable and funds were properly drawn, and
- 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, according to Federal regulations.<sup>1</sup> Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. To make proper disability determinations, each State is authorized to purchase consultative examinations and medical evidence of record from the claimants' physicians or other treating sources. SSA pays the State agency 100 percent of allowable expenditures using a *State Agency Report of Obligation for SSA Disability Programs*, Form SSA-4513. The DDS withdraws Federal funds through the Department of the Treasury's (Treasury) Automated Standard Application for Payments (ASAP) system to pay for program expenditures.

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<sup>1</sup> 20 Code of Federal Regulations §§ 404.1601 *et seq.* and 416.1001 *et seq.*

GA-DAS is a division of the Georgia Department of Labor's (GA-DoL) Rehabilitation Services. It is located in Stone Mountain, Georgia, and has three branch offices in Thomasville, Athens, and Savannah, Georgia. GA-DoL maintains GA-DAS' official accounting records and prepares its Forms SSA-4513. For additional background, scope and methodology, see Appendix B.

## **RESULTS OF REVIEW**

GA-DAS' internal controls over the accounting and reporting of administrative costs for FY 2006 were generally adequate to ensure costs claimed were allowable and funds were properly drawn. However, for FY 2005, GA-DAS and its parent agency (GA-DoL) could not provide data by category to support most costs claimed on the Form SSA-4513. As such, we did not rely on the data to perform all of our audit tests for that year.

GA-DoL explained that a system error occurred in its accounting software during the first quarter of FY 2005 that resulted in the inadvertent allocation of indirect costs across direct cost transactions (for example, a portion of indirect costs was inadvertently added to transportation expenses). GA-DoL was unable to correct the error, which impacted how it reported costs on the Form SSA-4513 for the entire year. To adjust for the error, GA-DoL estimated the amounts claimed in each of the Form SSA-4513 cost categories except for the expenditures in the Medical Costs category, which were not affected by the error.

In total, costs claimed on the FY 2005 Form SSA-4513 reconciled with data in the GA-DoL accounting system. However, because GA-DoL had to estimate the amounts claimed in the separate Form SSA-4513 cost categories, its accounting system data did not reconcile to the Form SSA-4513 cost categories (except for the Medical Costs category). As such, we did not rely on the FY 2005 data other than Medical Costs and consequently deemed the scope of our audit to be limited. Specifically, for FY 2005, our audit was limited to tests of medical expenditures, cash management procedures and general security controls. Accordingly, we reported only on the controls and costs tested in FY 2005.

We did perform tests of *reasonableness* on the total costs claimed by the GA-DAS in FY 2005. That is, we compared the total costs with those claimed in previous periods and FY 2006. We concluded the total amount GA-DAS claimed in FY 2005 appeared reasonable. However, except for the Medical Costs—which we determined to be allowable—we could not report on whether all of the costs claimed on the Form SSA-4513 were allowable.

Regarding cash management, in FY 2006, GA-DAS withdrew \$10,277 more from its Treasury ASAP account than it reported in actual expenditures. Additionally, GA-DAS did not adjust unliquidated obligations totaling \$29,914 in FYs 2005 and 2006. We also determined that physical security controls could be improved at the three GA-DAS branch offices—Thomasville, Athens and Savannah.

For additional information related to our FY 2005 scope limitation, see Appendix B.

## CASH MANAGEMENT

### Cash Draws Exceeded Reported Expenditures

In FY 2006, GA-DAS withdrew \$10,227 more from its Treasury ASAP account than it reported in actual expenditures on its Form SSA-4513 (see Table 1).

**Table 1: Cash Draws Exceeded Reported FY 2006 Expenditures**

ASAP Cash Draws	Expenditures Per Form SSA-4513	ASAP Draws Exceed Expenditures
\$48,008,557	\$47,998,330	\$10,227

Each year, SSA authorizes a budget to reimburse GA-DAS for its allowable expenditures. The total budgeted funds are not immediately available to GA-DAS. Rather, during the FY, SSA intermittently creates an “obligational authorization” that releases a portion of the budgeted funds to the Treasury ASAP account for GA-DAS’ use. GA-DAS has a separate ASAP account for each FY. In FY 2006, GA-DAS periodically withdrew funds from the ASAP account up to the SSA-authorized funding level. As of December 31, 2007,<sup>2</sup> GA-DAS had drawn \$10,227 more in ASAP funds than it claimed as expenditures on its Form SSA-4513.<sup>3</sup> Proper cash management and accounting practices dictate that cash draws match reported expenditures.

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<sup>2</sup> As of December 31, 2007, the FY 2005 and 2006 fund accounts for GA-DAS remained open. According to SSA’s Program Operations Manual System (POMS), DI 39506.203, the funding for a FY is considered open until all obligations have been liquidated. However, the fund account must be closed 5 years from end of the FY in which the funds were obligated. Accordingly, GA-DAS has 5 years to report obligations and expenditures on the Form SSA-4513. GA-DAS must submit a separate report (Form SSA-4513) for each quarter in which unliquidated obligations remain.

<sup>3</sup> In September 2007, SSA issued *Disability Determination Services Administrators Letter No. 742*, which detailed SSA’s revised procedures to monitor ASAP draws. These changes should improve SSA’s oversight of ASAP draws.

### **Unliquidated Obligations**

GA-DAS did not adjust unliquidated obligations, totaling \$29,914, for its FYs 2005 and 2006 authorizations (see Table 2). SSA policy requires that States review the status of unliquidated obligations at least once a month and cancel those that are no longer needed.<sup>4</sup>

**Table 2: Unliquidated Obligations FYs 2005 and 2006**

<b>Form SSA-4513 Cost Category</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>Total</b>
Personnel	\$ 0	\$0	\$0
Medical	10,263	16,245	26,508
Indirect	0	0	0
All Other	0	3,406	3,406
<b>Totals</b>	<b>\$10,263</b>	<b>\$19,651</b>	<b>\$29,914</b>

As of December 31, 2007, the FY 2006 Form SSA-4513, shows total expenditures and obligations that exceed SSA's authorized funding by \$9,424 (see Table 3).

**Table 3: FY 2006—Expenditures and Obligations Exceed Funding**

<b>SSA Authorized Funding</b>	<b>Form SSA-4513 Expenditures</b>	<b>Form SSA-4513 Unliquidated Obligations</b>	<b>Total Expenditures &amp; Obligations</b>	<b>Expenditures &amp; Obligations that Exceed Funding</b>
\$48,008,557	\$47,998,330	\$19,651	\$48,017,981	\$9,424

A GA-DAS official stated GA-DAS will need to investigate both the FYs 2005 and 2006 unliquidated obligations to determine whether the funds are still needed. If GA-DAS determines the FY 2006 funds are necessary, it will need to request additional funding from SSA to cover its expenditures. Conversely, if GA-DAS determines the funds are not necessary, it will need to return \$10,227 in ASAP draws that exceed the expenditures reported on the Form SSA-4513 (as of December 31, 2007). The refund would be required because, as previously discussed, GA-DAS has already drawn its entire authorized funding.

### **GENERAL SECURITY CONTROLS**

SSA's policy requires that DDSs adequately safeguard claimant/program information. Further, the Agency provides guidelines for protecting the DDS facilities and their personnel.<sup>5</sup> Although the physical security controls were adequate at the GA-DAS headquarters facility in Stone Mountain, Georgia, the physical security controls could be improved at all three branch offices.

<sup>4</sup> POMS, DI 39506.203.A.

<sup>5</sup> POMS, DI 39566.010.A and B.

### **Thomasville Branch Office—Perimeter Security Enhancements Needed**

Physical security controls at the Thomasville branch did not adequately prevent unauthorized access to the building. The Thomasville facility is located in a privately owned, single-story building and is occupied solely by GA-DAS. There are windows along three sides of the building, and three doors provide access to the building.

The building was not protected with on-site security guard service. Additionally, neither an intrusion detection system (IDS) nor a surveillance system had been installed.<sup>6</sup> The perimeter doors were not solid wood core, metal sheathed, or protected with a 1-inch deadbolt or its equivalent. One of the emergency exit doors had restricted visibility and did not have a peephole. Also, GA-DAS management reported on SSA's *Annual Security Self Review Checklist and Risk Assessment* that the office windows were not well constructed and did not have adequate locks.<sup>7</sup>

Overall, the physical security controls did not adequately protect or limit access to the Thomasville office. GA-DAS and SSA regional officials stated they were aware of the limited physical security controls and that a relocation plan had been initiated by GA-DAS, but a site and date for the relocation had not been determined. A representative from the Atlanta Region Center for Disability explained that restricted budgets and the uncertainty as to how much longer GA-DAS will remain at the current site, had delayed SSA from funding major building improvements needed to enhance the physical security controls. However, given that there is no definite schedule in GA-DAS' plan to relocate the Thomasville office, SSA should consider funding cost-effective improvements that would enhance physical security.

### **Athens Branch Office**

The Athens office had neither an IDS nor a surveillance system. According to SSA policy, an IDS is required in all facilities unless determined unnecessary.<sup>8</sup> A GA-DAS risk assessment of the Athens branch office concluded that security could be improved with the installation of an IDS, pending funds availability.

The Athens office is located on the second floor of a privately owned, multi-tenant, two-story building. The public enters the office via the reception area, which is adjacent to the reception office. The two rooms are separated by a wall, and the only access to the GA-DAS is through a locked door. There are panic alarms in the reception area and the receptionist's office. With the exception of the main entrance door, all other external doors are locked. GA-DAS staff enter the office through a separate door that is protected with a pass code keypad lock.

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<sup>6</sup> POMS, DI 39566.010.B.2.g. An IDS is required in all facilities unless determined unnecessary.

<sup>7</sup> POMS, DI 39566.010. B.1.a. through f. provides suggested perimeter office security features for doors and windows. These security features were not present at the Thomasville branch office.

<sup>8</sup> POMS, DI 39566.010.B.2.g.

The second floor location and the existing perimeter security controls limit access to the GA-DAS. Nevertheless, in accordance with SSA policy, an IDS should be in place to improve 24-hour office security.

### **Savannah Branch Office**

The Savannah office does not have on-site security guard services or an IDS. According to SSA policy, an IDS is required in all facilities unless determined unnecessary.<sup>9</sup> A GA-DAS risk assessment of the Savannah branch office concluded that security could be improved with the installation of an IDS, pending funds availability.<sup>10</sup>

The Savannah office is located in a privately owned, two-story, multi-tenant building. Windows are present on both floors of the building. GA-DAS occupies portions of both floors, with most of the staff located on the second floor. Public access to GA-DAS is limited to the first floor from the lobby area. There is a security partition between the lobby and reception area, and access to the reception area is restricted through a door secured with a pass code keypad lock.

Although perimeter security controls generally limit access to GA-DAS, in accordance with SSA policy, an IDS should be in place to improve 24-hour office security and add an additional safeguard for claimants' personally identifiable information.

## **CONCLUSION AND RECOMMENDATIONS**

GA-DAS' internal controls over the accounting and reporting of administrative costs for FY 2006 were generally effective to ensure costs claimed were allowable and funds were properly drawn. However, because of an accounting system error, GA-DoL could not provide data by cost category to support most costs claimed on the FY 2005 Form SSA-4513. As such, we could not rely on the data to perform all of our audit tests for that year, which limited the scope of our audit. We did perform tests to determine the reasonableness on the total costs claimed for FY 2005, which appeared reasonable when compared to other years. Moreover, the accounting system error was corrected, and the FY 2006 data were reliable. However, even though the FY 2005 appeared reasonable, because of the scope limitation, we could not determine whether all costs claimed for FY 2005 were allowable. We encourage SSA and GA-DoL to closely monitor system controls to prevent a recurrence. Additionally, we will review these controls in future audits of GA-DAS' administrative costs.

Regarding cash management, FY 2006 ASAP cash draws exceeded the total disbursements and obligations reported on GA-DAS' Forms SSA-4513 by \$10,227. Also, GA-DAS did not adjust unliquidated obligations of \$10,263 and \$19,651 for its

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<sup>9</sup> Id.

<sup>10</sup> We did not visit the GA-DAS Savannah office. We relied on the results of a self assessment that were included as part of the Annual Security Plan.

FYs 2005 and 2006 authorizations, respectively. Lastly, the physical security controls at the three branch offices could be improved.

Accordingly, we recommend that SSA:

1. Instruct GA-DAS to review unliquidated obligations totaling \$29,914 in FYs 2005 and 2006, and cancel those that are no longer needed. If GA-DAS determines the FY 2006 unliquidated obligations are not needed, GA-DAS will need to return \$10,227 due to the excess ASAP cash draws.
2. Assess the physical security controls at the Thomasville branch office and determine what cost-effective improvements should be made to enhance physical security.
3. Install an IDS in the Athens and Savannah branch offices.

## **AGENCY COMMENTS**

In commenting on our draft report, SSA and GA-DoL generally agreed with our recommendations. See Appendices D and E, respectively, for the full text of SSA's and GA-DoL's comments.

## **OTHER MATTERS**

In September 2005, we issued a report on *Disability Determination Services' Use of Social Security Numbers on Third-Party Correspondence*. In this report, we recommended that SSA:

Clarify existing policy to define what third parties may be provided a claimant's SSN [Social Security number] as a part of the DDS's disability determination process. To ensure SSN integrity, we believe the SSN should only be disclosed when it is critical to a third party's ability to adequately respond to the DDS's information request.

SSA agreed with this recommendation and stated:

A claimant's SSN should only be disclosed when it is critical to a third party's ability to adequately respond to a DDS's information request. We will review and, to the extent necessary, clarify our existing policy to more clearly define which third parties should be provided a claimant's full or partial SSN as part of the DDS evidence collection process.

We asked GA-DAS if it disclosed claimants' SSN's on documents sent to third parties. GA-DAS confirmed that it includes claimants' SSN's on requests for medical evidence of record and consultative examinations requests, and has been doing so for many years. We believe GA-DAS should take steps to exclude the SSN from documents it sends to third parties.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr."

Patrick P. O'Carroll, Jr.

# **Appendices**

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[\*\*APPENDIX A\*\*](#) – Acronyms

[\*\*APPENDIX B\*\*](#) – Background, Scope and Methodology

[\*\*APPENDIX C\*\*](#) – Schedule of Total Costs Reported on Forms SSA-4513—State Agency Report of Obligation for SSA Disability Programs

[\*\*APPENDIX D\*\*](#) – Agency Comments

[\*\*APPENDIX E\*\*](#) – Georgia Department of Labor Comments

[\*\*APPENDIX F\*\*](#) – OIG Contacts and Staff Acknowledgments

## ***Appendix A***

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### **Acronyms**

Act	<i>Social Security Act</i>
ASAP	Automated Standard Application for Payments
C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
DI	Disability Insurance
Form SSA-4513	State Agency Report of Obligation for SSA Disability Programs
FY	Fiscal Year
GA-DAS	Georgia Disability Adjudication Services
GA-DoL	Georgia Department of Labor
IDS	Intrusion Detection System
OMB	Office of Management and Budget
POMS	Program Operations Manual System
SSN	Social Security Number
SSA	Social Security Administration
SSI	Supplemental Security Income
Treasury	Department of the Treasury

# **Background, Scope, and Methodology**

## **BACKGROUND**

The Disability Insurance (DI) program, established under Title II of the *Social Security Act* (Act), provides benefits to wage earners and their families in the event the wage earner becomes disabled. The Supplemental Security Income (SSI) program, established under Title XVI of the Act, provides benefits to financially needy individuals who are aged, blind, or disabled.

The Social Security Administration (SSA) is responsible for implementing policies for the development of disability claims under the DI and SSI programs. Disability determinations under both the DI and SSI programs are performed by disability determination services (DDS) in each State, Puerto Rico and the District of Columbia in accordance with Federal regulations.<sup>1</sup> In carrying out its obligation, each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. To assist in making proper disability determinations, each DDS is authorized 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.

SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. The DDS withdraws Federal funds through the Department of the Treasury's (Treasury) Automated Standard Application for Payments system to pay for program expenditures. Funds drawn down must comply with Federal regulations<sup>2</sup> and intergovernmental agreements entered into by Treasury and States under the *Cash Management Improvement Act of 1990*.<sup>3</sup> An advance or reimbursement for costs under the program must comply with the Office of Management and Budget's (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. At the end of each quarter of the Fiscal Year (FY), each DDS submits a *State Agency Report of Obligation for SSA Disability Programs*, Form SSA-4513, to account for program disbursements and unliquidated obligations.

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<sup>1</sup> 20 Code of Federal Regulations (C.F.R.) §§ 404.1601 et seq. and 416.1001 et seq.

<sup>2</sup> 31 C.F.R. Part 205.

<sup>3</sup> Public Law Number: 101-453.

## **SCOPE**

To accomplish our objectives, we reviewed the administrative costs Georgia Disability Adjudication Services (GA-DAS) reported on its Forms SSA-4513 for FYs 2005 and 2006. However, our audit tests were limited in FY 2005.

### **Scope Limitation**

For FY 2005, we could not rely on the electronic data submitted by Georgia Department of Labor (GA-DoL) to support the administrative costs claimed on the Form SSA-4513. Specifically, the FY 2005 electronic data did not reconcile by cost category with the costs claimed on the Form SSA-4513, except for the medical expenditure transactions in the Medical Costs category. The GA-DoL explained that an electronic accounting system error occurred in the first quarter of FY 2005. The error occurred when an accounting systems application was executed to compute the first quarter indirect costs. The system application inadvertently allocated indirect costs throughout the individual direct cost transactions. GA-DoL was unable to correct the error, and the error impacted the costs reported on the Form SSA-4513 for the entire FY.

A GA-DoL official explained the total costs reported on the Form SSA-4513 were accurate. However because of the system error, GA-DoL had to estimate the costs claimed in each cost category identified on the Form SSA-4513, except for the expenditures in Medical Costs. The Medical Costs claimed on the Form SSA-4513 were accurate because the system application that caused the problem was not executed on the medical expenditure transactions.

Because of the accounting system error, we could not rely on the FY 2005 data, except for the data supporting the Medical Costs. Consequently, we determined the scope of our audit to be limited. For FY 2005, we limited our audit tests to the Medical Costs transactions, cash management procedures and select general security controls. Accordingly, we reported only on the controls and costs tested in FY 2005.

For the periods reviewed, we obtained evidence to evaluate recorded financial transactions and determine whether they were allowable under OMB Circular A-87, as appropriate, as defined by SSA's Program Operations Manual System (POMS).

We also:

- Reviewed applicable Federal laws, regulations and pertinent parts of POMS, DI 39500, *DDS Fiscal and Administrative Management*, and other instructions pertaining to administrative costs incurred by GA-DAS and draw down of SSA funds.
- Interviewed staff at GA-DAS and the SSA regional office.
- Evaluated and tested internal controls regarding accounting and financial reporting and cash management activities.

- Verified the reconciliation of official State accounting records to the administrative costs reported by GA-DAS on Forms SSA-4513 for FYs 2005 and 2006.
- Examined the administrative expenditures (Personnel, Medical, and All Other Non-personnel Costs) incurred and claimed by GA-DAS for FY 2006. For FY 2005 our tests were limited to Medical Costs.
- Examined the indirect costs claimed by GA-DAS for FY 2006 and the corresponding Indirect Cost Allocation Plan.
- Compared the amount of SSA funds drawn to support program operations to the allowable expenditures reported on Forms SSA-4513. Tests were performed on both FYs 2005 and 2006 Forms SSA-4513.
- Determined the reasonableness of the costs claimed on the FY 2005 Form SSA-4513 by comparing the cost for that year with the costs claimed for other FYs Forms SSA-4513.
- Reviewed the State of Georgia's Single Audit reports issued in 2005 and 2006.
- Conducted limited general controls testing—which encompassed reviewing the physical access security in the GA-DAS. Specifically, we visited and performed tests of the general security controls at the Stone Mountain, Thomasville, and Athens, Georgia, offices. For the Savannah office, we reviewed the GA-DAS *Annual Security Plan* and interviewed SSA regional office and GA-DAS staff.

The FY 2006 electronic data used in our audit were sufficiently reliable to achieve our audit objectives. Additionally, we determined GA-DAS' FY 2005 electronic data detailing the medical expenditure transactions in the Medical Costs category were reliable to achieve our objectives. We assessed the reliability of the electronic data by reconciling them with the costs claimed on the Forms SSA-4513. We also conducted detailed audit testing on selected data elements in the electronic data files.

We performed our audit at GA-DoL in Atlanta, Georgia; GA-DAS in Stone Mountain, Thomasville, and Athens, Georgia; and the Office of Audit in Atlanta, Georgia, from May 2007 through February 2008. We conducted this financial audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

## **METHODOLOGY**

Our sampling methodology encompassed the three areas of direct costs reported on Forms SSA-4513: (1) Personnel, (2) Medical, and (3) All Other Non-personnel Costs. We obtained computerized data from GA-DoL for FYs 2005 and 2006 for use in statistical sampling.

## **Personnel Costs**

We reviewed a random sample of 50 personnel transactions from 1 randomly selected pay period in FY 2006. Because the electronic data file is on a monthly pay basis and the pay period information is presented on a semi-monthly basis, we also reviewed the pay period following the one selected. In addition, we reviewed all 50 medical consultants' transactions from 1 randomly selected pay period in FY 2006. We tested payroll records to ensure GA-DoL correctly paid these employees and adequately supported the payments.

## **Medical Costs**

We reviewed 100 Medical Costs items from FYs 2005 and 2006 (50 items from each FY) using a stratified random sample. We distributed the sample items between medical evidence of record and consultative examinations based on the proportional distribution of the total medical costs for each year. We determined whether sampled costs were properly reimbursed.

## **All Other Non-Personnel Costs**

We stratified All Other Non-personnel Costs for FY 2006 into 10 categories: (1) Occupancy, (2) Contracted Costs, (3) Electronic Data Processing Maintenance, (4) Equipment Purchases, (5) Equipment Rental, (6) Communications, (7) Applicant Travel, (8) DDS Travel, (9) Supplies, and (10) Miscellaneous. To test occupancy costs, we randomly selected 1 month in the FY and reviewed all occupancy expenditures for that month, the months that preceded and followed the selected month (a total of 3 months were reviewed). Next, we randomly selected 50 transactions from the 9 remaining cost categories. The number of sample items selected from each of the nine cost categories for each year was based on the proportional distribution of the costs included in each cost category for that year.

## **Appendix C**

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### **Schedule of Total Costs Reported on Forms SSA-4513—*State Agency Report of Obligation for Social Security Administration Disability Programs***

<b>Georgia Disability Adjudication Services (As of December 31, 2007)</b>			
<b>FY 2005</b>			
<b>REPORTING ITEMS</b>	<b>DISBURSEMENTS</b>	<b>UNLIQUIDATED OBLIGATIONS</b>	<b>TOTAL OBLIGATIONS</b>
Personnel	\$29,784,265	\$0	\$29,784,265
Medical	13,319,699	10,263	13,329,962
Indirect	2,955,450	0	2,955,450
All Other	5,459,859	0	5,459,859
<b>TOTAL</b>	<b>\$51,519,273</b>	<b>\$10,263</b>	<b>\$51,529,536</b>
<b>FY 2006</b>			
<b>REPORTING ITEMS</b>	<b>DISBURSEMENTS</b>	<b>UNLIQUIDATED OBLIGATIONS</b>	<b>TOTAL OBLIGATIONS</b>
Personnel	\$28,675,955	\$0	\$28,675,955
Medical	11,087,805	16,245	11,104,050
Indirect	3,064,007	0	3,064,007
All Other	5,170,563	3,406	5,173,969
<b>TOTAL</b>	<b>\$47,998,330</b>	<b>\$19,651</b>	<b>\$48,017,981</b>

## ***Appendix D***

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### **Agency Comments**



## SOCIAL SECURITY

### MEMORANDUM

Date: July 24, 2008 Refer To: S2D4  
(D BHites 21419)

To: Inspector General

From: Regional Commissioner  
Atlanta

Subject: Administrative Costs Claimed by the Georgia Disability Adjudication Services  
(A-04-08-18013, Your Memorandum, 7/2/08)--REPLY

Thank you for the opportunity to comment on the validity of the facts and reasonableness of the recommendations presented in your draft audit report (A-04-08-18013) of the administrative costs claimed by the Georgia Disability Adjudication Services (GA-DAS).

Overall, we believe that the Office of Inspector General (OIG) audit for fiscal years (FYs) 2005 and 2006 was detailed and thorough. We concur with the finding that the GA-DAS's internal controls over the accounting and reporting of their administrative costs are generally effective to ensure that costs claimed are allowable and funds are being properly drawn. We have the same concerns, though, regarding the systems accounting error experienced by the GA-DAS's parent agency, the Georgia Department of Labor (GA-DOL), in the first quarter of fiscal year 2005 that prevented them from providing documentation by cost category to support the SSA-4513 for that same year. We believe from working with them for many years, however, that this statewide problem was an isolated incident, beyond the control of the GA-DAS, and that the data eventually provided to support the costs claimed was reasonable and consistent with other fiscal information. Please know that SSA will continue to work with both the GA-DAS and GA-DOL to monitor system controls.

We have reviewed the specific recommendations cited in your report regarding reconciliation of several cash draws and physical security controls at the GA-DAS's branch offices, and our comments are provided below:

- 1. Instruct GA-DAS to review unliquidated obligations totaling \$29,914 in FYs 2005 and 2006, and cancel those that are no longer needed. If GA-DAS determines the FY 2006 unliquidated obligations are not needed, GA-DAS will need to return \$10,227 due to the excess Automated Standard Application for Payments (ASAP) cash draws.**

While the GA-DAS did not initially adjust unliquidated obligations in the amount of \$10,263 and \$19,651 for FYs 2005 and 2006 respectively (totaling \$29,914 as noted in the draft report), this action has now been taken on subsequent SSA-4513s. In addition, the cash draw for \$10,227 in 2006 that exceeded the amount shown on an earlier SSA-4513 has been corrected with an adjustment for that same amount and documented on a subsequent SSA-4513.

Please know that SSA had notified both the GA-DAS and GA-DOL regarding these discrepancies and had requested the necessary adjustment, which was subsequently taken. We will continue to monitor fiscal controls to ensure that all records balance and that cash draws do not exceed obligations.

**2. Assess the physical security controls of the Thomasville branch office and determine what cost-effective improvements should be made to enhance physical security.**

We concur with the findings in the draft report regarding the need for additional security improvements and controls at the Thomasville office and have discussed the issue at length with the GA-DAS Director, Mickey Alberts. During the actual audit review, Ms. Alberts explained that she was not taking current action to make costly improvements to this office because they were in the process of putting together a cost benefit analysis and proposal to relocate the Thomasville office. Overall, since the GA-DAS sees the need to move that office due to critical space and health issues, in addition to security concerns that would require extensive renovations, they are not planning on making security improvements at this time.

The GA-DOL is supportive of the plan to relocate versus renovate the office, and SSA expects to receive the relocation request for approval shortly. Please know, though, SSA will work with the GA-DAS to identify any critical, short-term security improvements that can be made while the relocation process is moving forward, especially since the GA-DAS believes that it will take well over a year to relocate that office after final approval for the project is given by both SSA and GA-DOL.

**3. Install an Intrusion Detection System (IDS) in the Athens and Savannah branch offices.**

While both the Athens and Savannah branch offices of the GA-DAS have secure office space, with public access limited to a reception area that has a locked doorway between the lobby and work area, we concur with this OIG recommendation. No security problems have been reported in either of these offices to date due to the lack of an IDS; however, we agree that installation of such a system would certainly provide an additional safeguard for claimants' personally identifiable information, as well as general 24-hour security.

Please know that this issue has been discussed with Mickey Alberts, who had her staff obtain bids for installation of an IDS in both offices as a result of the OIG recommendation. The cost estimates were submitted to SSA last week, and both have been approved. Accordingly, the GA-DAS will be installing intrusion detection systems in the Athens and Savannah offices, and we expect the action to be completed before the end of this fiscal year.

Please contact me if you have any questions or concerns before our final comments are made. Staff questions should be referred to Barbara Hites in the Atlanta Region's Center for Disability at 404-562-1419 or Karen Killam in the Financial Management Team at 404-562-5727.

Paul D. Barnes

cc:

Ms. Mickey Alberts, Director, GA-DAS

## ***Appendix E***

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### **Georgia Department of Labor Comments**



## GEORGIA DEPARTMENT OF LABOR

148 ANDREW YOUNG INTERNATIONAL BLVD., NE ♦ ATLANTA, GEORGIA 30303-1751

MICHAEL L. THURMOND  
COMMISSIONER

August 4, 2008

Ms. Kimberly A. Byrd  
Audit Director  
SSA Office of the Inspector General  
1200 8<sup>th</sup> Avenue North  
Birmingham, AL 35285

Dear Ms. Byrd:

This is in response to the recommendations presented in the draft OIG Audit Report of the Georgia DDS dated 7/2/08.

**Recommendation 1:**

Instruct Georgia Disability Adjudication Services (DAS) to review unliquidated obligations totaling \$29,914 in FYs 2005 and 2006, and cancel those that are no longer needed. If Georgia DAS determines the FY 2006 unliquidated obligations are not needed, Georgia DAS will need to return \$10,227 due to the excess ASAP cash draws.

**Response 1:**

**FFY2005**

As of the 4513 for the quarter ending June 30, 2008, all funds for FFY 2005 have been deobligated and monies returned to the ASAP.

**FFY2006**

FFY 2006 is still an open year. All outstanding obligations have been reviewed and needed deobligations performed. As of the quarter ending March 31, 2008 and reported on the standard 4513, expenditures were \$48,015,487 with obligations of \$15,861 for a total of \$48,031,347. Upon submission of the 4513, Obligational Authority in the amount of \$48,031,347 was received on 6/20/08.

As of the quarter ending June 30, 2008, total standard disbursements and obligations were in the amount of \$448,015,550 with an Obligational Authority in the amount of \$48,031,347.

An Equal Opportunity Employer/Program

Ms. Kimberly A. Byrd  
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However, this does not show the true picture because of an oversight by SSA in updating the ITS Obligational Authority. Standard items and ITS items have separate Obligational Authority forms and are reported on separate 4513's. The DDS has requested an update from the SSA Regional Office, and the Regional Office agreed to ask for the update from the SSA Central Office.

**Explanation of Oversight:**

The DDS was authorized on September 26, 2006 to spend 36,402 in ITS funds. The 4513 of December 2006 showed expenditure of ITS funds in the amount of \$7,356. ITS Obligational Authority from SSA, dated March 19, 2007 decreased this amount to \$7,356. However, the DDS, following SSA advice that special funds can be obligated for up to six months after the end of the FFY, had obligated/purchased additional items which had previously been authorized for a total on the ITS 4513 of March 2007 of \$32,502. A new Obligational Authority from SSA reinstating the needed funds should have been issued at that point for \$32,502.

**Current Status:**

Overall Obligational Authority (standard and ITS), as of June 30, 2008 is in the amount of \$48,038,703. Overall disbursements and obligations are in the amount of \$48,048,052. There are no monies to be returned; however, we are in need of the appropriate Obligational Authorities to be received from SSA in order to cover our full authorized costs.

**General**

The DDS continuously reviews obligated amounts and deobligates when appropriate. We will continue to do so. Once all items are expended in a fiscal year, any monies that might remain will be returned to the ASAP.

**Recommendation 2:**

Assess the physical security controls at the Thomasville branch office and determine what cost-effective improvements should be made to enhance physical security.

**Response 2:**

A proposal, including estimated costs, has been prepared and submitted to the SSA Regional Office for submission to the Central Office. This proposal includes a full explanation of the need to relocate the Thomasville branch office because of security, health, safety and space needs. Further action to relocate and improve the physical security will take place upon approval from SSA. The entire process is estimated to take 12-18 months, after receiving approval for funding by SSA.

**Recommendation 3:**

Install an IDS in the Athens and Savannah branch offices.

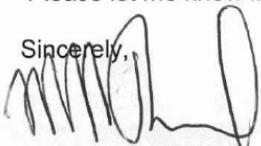
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**Response 3:**

Estimates have been obtained and funding approved by SSA. We have started the lease amendment process and estimate that both offices will have a working IDS during the second quarter of FFY 2009.

Please let me know if you have any additional questions concerning this response.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Thurmond".

Michael L. Thurmond

MLT:mab

# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Kimberly A. Byrd, Director, (205) 801-1650

Frank Nagy, Audit Manager, (404) 562-5552

### ***Acknowledgments***

In addition to those named above:

Luis Alberto Ramírez Robert, Program Analyst

Charles Lober, Information Technology Specialist

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[www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-04-08-18013.

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The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

### **Office of Audit**

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

### **Office of Investigations**

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

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