

Administrative Costs Claimed by the Tennessee Disability Determination Services

A-04-12-11298



May 2013

Office of Audit Report Summary

Objectives

For Federal Fiscal Years (FFY) 2010 and 2011, to (1) evaluate the internal controls over the accounting and reporting of administrative costs claimed by the Tennessee Disability Determination Services (TN-DDS); (2) determine whether the costs claimed were allowable and funds were properly drawn; and (3) assess, on a limited basis, the general security controls environment.

Background

Disability determination services (DDS) in each State or other responsible jurisdiction perform disability determinations under the Social Security Administration's (SSA) Disability Insurance and Supplemental Security Income programs. DDSs must perform such determinations in accordance with Federal law and regulations. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations.

To make proper disability determinations, SSA authorizes each DDS 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 reported expenditures up to its approved funding authorization. In FFYs 2010 and 2011, TN-DDS claimed administrative costs totaling \$121.2 million.

Our Findings

TN-DDS claimed \$409,107 and \$898,650 in unallowable costs for FFYs 2010 and 2011, respectively. Also, in FFY 2010, TN-DDS incorrectly claimed \$538,789 in FFY 2009 occupancy (rent) costs that it did not claim on its FFY 2009 SSA-4513. TN-DDS overstated costs on the *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) because the cost data the parent agency extracted from its new accounting system were not accurate. Most of the overstated costs occurred in the occupancy cost category. TN-DDS' parent agency has since improved its process for extracting the TN-DDS cost data from the new State accounting system.

Except for these unallowable costs, we determined costs TN-DDS claimed from October 1, 2009 through September 30, 2011 were allowable and properly allocated, and the system of internal controls over the accounting and reporting of administrative costs was effective. In addition, TN-DDS properly drew Federal funds for the costs it claimed on Form SSA-4513 for FFYs 2010 and 2011. Finally, our limited review of TN-DDS' controls over its physical security and personally identifiable information showed that controls were generally in place. However, the building's fire suppression (sprinkler) system routed through TN-DDS' computer room, which placed computers at risk of accidental water damage.

Our Recommendations

We recommended that SSA:

1. Instruct TN-DDS to revise its Forms SSA-4513 for FFYs 2009 through 2011 to include unclaimed occupancy costs in FFY 2009 and reflect only the allowable costs in FFYs 2010 and 2011 and refund all cash drawn in excess of the revised costs for these FFYs.
2. Instruct TN-DDS to take action to mitigate the risk of water from the sprinkler system damaging computers in the computer room.

SSA and TN-DDS' parent agency agreed with our recommendations.