
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**LIMITED REVIEW OF
CONNECTICUT DISABILITY
DETERMINATION SERVICES'
LEASE COSTS**

October 2002

A-15-02-22040

***MANAGEMENT
ADVISORY 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: October 3, 2002

Refer To:

To: Manuel J. Vaz
Regional Commissioner
for Boston

From: Assistant Inspector General
for Audit

Subject: Management Advisory Report – Limited Review of Connecticut Disability Determination Services’ Lease Costs (A-15-02-22040)

OBJECTIVE

Our objective was to conduct a cost-benefit analysis of the Connecticut Disability Determination Services’ (CT-DDS) current lease agreement. CT-DDS did not get approval from the Social Security Administration (SSA) before entering into the lease agreement for the new site.

BACKGROUND

This follow-up review is in response to your July 20, 2001 comments to our report entitled *Audit of the Administrative Costs Claimed by the Connecticut Disability Determination Services*.

At that time, the Regional Commissioner’s (RC) Office requested that we conduct a review of the CT-DDSs site lease and indirect cost allocation plan.¹

Specific concerns related to the lease costs were: (i) the state failed to provide a cost benefit analysis of the CT-DDS move, (ii) CT-DDS failed to demonstrate that the current rental rate is comparable to the local market, and (iii) the CT-DDS failed to seek advance or pre-approval of its current lease from SSA.

¹ The review of the indirect cost allocation plan will be issued in a separate report. We are reviewing the State of Connecticut cost allocation plan, along with the Department of Health and Human Services, CT-DDSs cognizant audit agency.

SCOPE AND METHODOLOGY

We limited our review to lease costs. We contacted the State Department of Social Services (DSS) and confirmed that a cost-benefit analysis had not been prepared. In addition, we were informed that the lease information was no longer available. Although this impaired our attempts to perform a complete cost-benefit analysis, we were able to conduct a limited analysis using a comparative approach.

We examined correspondence between the DSS and regional office staff related to the site lease covering the period December 1997 through January 1998. This correspondence detailed the results of various meetings. We also reviewed General Services Administration (GSA) material on rental costs of other facilities in the Hartford, Connecticut, area. We also reviewed the Program Operations Manual System (POMS) to determine whether the RC's has the authority to approve leases. We conducted field work from April to June 2002 at SSA Headquarters in Baltimore, Maryland.

RESULTS OF REVIEW

COST COMPARISON OF ORIGINAL AND CURRENT LOCATIONS

Rental Costs at Both Locations Are Relatively Equal

Based on our review of lease documentation for the previous 10 Griffin Road location and the current Wawarme Avenue location, we determined the monthly rental rates for the locations to be \$28,125 and \$31,630 respectively. The CT-DDS monthly rental at the current location is approximately \$3,500 more than the old location. However, included in the current location's monthly rate is electricity and snow removal, which was an added cost at the prior location. The monthly cost of electricity at the prior location from January through April 1999 was approximately \$5,900. For the same period, the average cost of snow removal per month was approximately \$2,900. Details are shown below.

10 Griffin	January	February	March	April	Average Cost
Snow Removal	\$4,571.00	\$2,021.00	\$2,139.00	\$2,867.00	\$2,900
Electrical	4,303.52	5,968.15	6,159.79	7,201.03	\$5,900
Total	\$8,874.52	\$7,989.15	\$8,298.79	\$10,068.03	

MARKET ANALYSIS

Annual Rates are Comparable and Reasonable

We performed a limited independent market analysis of other SSA locations rented through GSA to determine whether the rate charged per square foot at the new location conformed with GSA negotiated rates in the Hartford, Connecticut, area. The results are as follows.

SSA Locations	Annual Rate
135 High St., Hartford	\$15.65
20 Church St., Hartford	\$19.84
Burnside Ave., East Hartford	\$11.96
100 Arch St., New Britain	\$11.22
225 North Main St., Bristol	\$9.75
DDS Location	Annual Rate
309 Wawarme Ave., Hartford	\$10.75

The new DDS location annual rates are in line with rates being charged in the area.

Other Matters

We acknowledge the Agency's concern regarding the CT-DDS' noncompliance with POMS requirements for pre-approval of the lease.² However, our review of correspondence between RC office and CT-DDS staff disclosed there were significant indications of CT-DDS' plans to move. Correspondence dating back to November 1997, which was approximately 18 months before the lease agreement was signed, indicated that RC staff knew of the impending move. As such, it appears RC staff had sufficient time to advise the CT-DDS of approval requirements and reiterate the Agency's desire to obtain a cost-benefit analysis.

² POMS § DI 39527.010, *Lease Negotiations – DDS Office Space*.

CONCLUSION

Based on our review, we concluded that SSA had not incurred unreasonable or excessive costs for the CT-DDS relocation even though CT-DDS failed to seek SSA's pre-approval of the move. As indicated in the Other Matters section of the report, we believe it is important that SSA effectively communicate its approval requirements to the DDS(s). SSA has the authority to withhold funding when DDSs submit claims for unapproved costs. In the future when SSA has questions about certain expenditures, the Agency may withhold funding until the DDS submits required documentation³.



Steven L. Schaeffer

³ 20 C.F.R. §404.1626(d); 20 C.F.R. 416.1026(d); POMS § DI 39506.001.

Appendices

APPENDIX A – Acronyms

APPENDIX B – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

CT-DDS	Connecticut Disability Determination Services
DSS	Department of Social Services
GSA	General Services Administration
POMS	Program Operations Manual System
SSA	Social Security Administration
RC	Regional Commissioner

Appendix B

OIG Contacts and Staff Acknowledgments

OIG Contacts

Frederick C. Nordhoff, Director, Financial Audit Division, (410) 966-6676

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

Acknowledgments

In addition to those named above:

Suzanne Valett, Auditor-in-Charge

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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.

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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.