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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 DISTRICT OF COLUMBIA  
DISABILITY DETERMINATION  
DIVISION**

**August 2004**

**A-15-04-14052**

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***AUDIT REPORT***

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## **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: August 13, 2004

Refer To:

To: Laurie Watkins  
Regional Commissioner  
Philadelphia

From: Assistant Inspector General  
for Audit

Subject: Administrative Costs Claimed by the District of Columbia Disability Determination Division (A-15-04-14052)

### OBJECTIVES

Our objectives were to:

- determine whether the aggregate of the Social Security Administration (SSA) funds drawn down agreed with total expenditures for Fiscal Years (FY) 2001 and 2002;
- determine whether costs, claimed by the District of Columbia Disability Determination Division (DC-DDD) on its *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) for the period October 1, 2000 through September 30, 2002, were allowable and properly allocated; and
- evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as the draw down of SSA funds.

This report includes the results of our initial tests of the DC-DDD's accounting environment. Our tests of the current accounting environment require that we expand the amount of audit testing to fully develop an understanding of the accounting practices and related financial impact. Such expansion will undoubtedly delay the issuance of our report. To provide the DC Department of Human Services (DC-DHS) an opportunity to begin immediate corrective action, we are communicating issues found to date in this report. We will issue a second report upon completion of our audit. We have briefed key officials and advised them of the conditions detected to date.

DC-DHS has agreed that it could improve its accounting for DC-DDD costs and has informed us that it is taking corrective actions. To fully understand the complete results

of our audit, both this report and our second report will need to be read. We expect to issue our second report, *Administrative Costs Claimed by the District of Columbia Disability Determination Division for the Period Ending September 30, 2003* (A-15-05-30018) in FY 2005.

## **BACKGROUND**

The Disability Insurance (DI) program was established in 1956 under Title II of the Social Security Act (Act). The program provides benefits to wage earners and their families in the event the wage earner becomes disabled. The Supplemental Security Income (SSI) program was created as a result of the Social Security Amendments of 1972 with an effective date of January 1, 1974. SSI (Title XVI of the Act) provides a nationally uniform program of income to financially needy individuals who are aged, blind, and/or disabled.

SSA is primarily responsible for implementing policies governing the development of disability claims under the DI and SSI programs. Disability determinations under both DI and SSI are performed by disability determination services (DDS) in each State, or other responsible jurisdiction, according to Federal laws and regulations.<sup>1</sup> In carrying out its obligation, each DDS is responsible for determining claimants' disabilities and ensuring that adequate evidence is available to support its determinations. To assist in making proper disability determinations, each DDS is authorized to purchase consultative medical examinations, x-rays and laboratory tests to supplement evidence obtained from the claimants' physicians or other treating sources. SSA pays the DDS for 100 percent of allowable costs.

Each year, SSA approves a DDS budget. At the end of each fiscal quarter, each DDS submits to SSA a Form SSA-4513 to account for program disbursements and unliquidated obligations.

The DC-DDD is a component within the DC-DHS Rehabilitation Services Administration (DC-RSA). DC-DDD's sole function is processing SSA disability determinations. DC-DDD's financial reporting functions are primarily the responsibility of the DC-DHS.

## **RESULTS OF REVIEW**

DC-DDD claimed total obligated costs of \$4,633,761 for FY 2001 and \$5,733,820 for FY 2002 as of September 30, 2002 and September 30, 2003, respectively; however, we believe the Forms SSA-4513 submitted by DC-DHS for FYs 2001 and 2002 contain serious misstatements and may lead to incorrect or unintentional conclusions. The source of the misstatements included problems with accounting processes, movement of costs, allocation of costs, classification of costs, and supporting documentation.

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<sup>1</sup> 42 U.S.C. §§ 421 and 1382c(a)(3)(H)(i) (2004); 20 CFR §§ 404.1601 *et seq.* and 416.1001 *et seq.* (2002).

DC-DHS did not comply with: 1) SSA's Program Operations Manual System (POMS), 2) Federal laws and regulations, and 3) DC government policies and procedures. Also, DC-DHS did not have adequate internal controls in place to monitor its accounting operations on a continuous basis to ensure compliance with these requirements. Internal controls should include management and supervisory oversight, comparisons, reconciliations, etc.<sup>2</sup>

## ACCOUNTING PROCESSES

We identified discrepancies with the recording and reporting of obligations<sup>3</sup> on the Forms SSA-4513 because disbursements were being reported in the wrong FY. POMS states: "Obligations must be based on a bona fide need for goods or services that exist within the Federal fiscal year and must be made no later than six months after the close of that fiscal year."<sup>4</sup>

We compared medical costs on the Forms SSA-4513 to DC-DDD's AS400 data.<sup>5</sup> The AS400 should be the only source of medical evidence (ME) costs in the flow of transactions for accounting for medical costs. Our comparisons showed that the costs for ME on the Forms SSA-4513 were overstated by 20 percent and 36 percent for FYs 2001 and 2002, respectively.

FY	Medical Costs		Overstatements	
	SSA-4513	DC-DDD	Dollar	Percent
2001	\$ 1,396,016	\$ 1,167,104	\$ 228,912	20%
2002	\$ 1,689,897	\$ 1,239,595	\$ 450,302	36%

The DC-DDD used its own computer, known as AS400, to control the purchase of ME. However, the AS400 did not interface with the DC-DHS' Relational Statewide Accounting and Reporting System (RSTARS) containing the accounting records for DC-DDD. To transfer the transactions for purchases of medical records from the AS400, DC-DDD manually keyed in the transactions as batches into a computer holding file. As part of this process, DC-RSA assigned a FY designation to the ME batches. As each batch was entered into the DC-DHS accounting system, all the ME transactions were recorded with same FY designation for that batch.

Batches of ME purchase transactions entered into the accounting system did not accurately reflect the correct FY. The FY assigned to the batches was based on the processing date or funds availability when the batch was processed—not when the ME was purchased. We confirmed our determination through a discussion with a DC-RSA administrative officer responsible for assigning the FY to the batches. Also, we judgmentally selected and reviewed 3 records in each of 22 batches of medical costs.

<sup>2</sup> American Institute of Certified Public Accountants Professional Standards, Vol. 1 AU § 319.53, (June 1, 2003).

<sup>3</sup> An obligation is a financial or related transaction that creates a legal obligation to pay.

<sup>4</sup> SSA, POMS DI 39506.200 B.1.

<sup>5</sup> Disability claims are processed on an IBM Corporation Model AS/400 computer using I-Levy software.

We found that in 15 of the 22 batches, all 3 records had purchases of ME that were obligated for the wrong FY.<sup>6</sup>

DC-DHS accounting managers were aware that ME costs were being recorded in the wrong FY. DC-DHS accounting managers made “correcting” journal entries, but the entries were based on the availability of funds in the other FYs not on when the costs should have been obligated. (See our discussion under the heading, “**MOVEMENT OF COSTS.**”) DC-DHS should have identified specific transactions based on the obligation (authorization) date to make its correcting entries. Also, the lack of reconciliation of costs between the AS400 computer and RSTARS accounting system to the proper reporting period contributed to overstated ME costs claimed for reimbursement from SSA.

SSA needs to work with DC-DHS to ensure that appropriate systems modifications are made and DC-DHS staff is trained in accounting for DC-DDD costs as required by POMS. DC-DHS informed us that it plans to hire an accountant to work at the DC-DDD to ensure that the accounting system and the DC-DDD’s AS400 system reconcile.

### **MOVEMENT OF COSTS**

Our examination of administrative costs claimed for the period under audit identified expenditures charged to incorrect years’ funds. DC-DHS did not recognize obligations in the period that the obligations incurred. As stated earlier, obligations must be based on goods and services having a bona fide need within the Federal FY.<sup>7</sup>

Improperly shifting costs between FYs impacts the total amount of reimbursements received from SSA. Costs charged to a wrong FY result in inaccurate reporting and may result in other SSA needs not being met.

DC-DHS prepared journal vouchers (JV) to move DC-DDD costs between FYs. Costs for a given FY were applied to another FY without determining whether costs were proper obligations of that FY. As a result, SSA may have overfunded the DC-DDD’s operations. The basis for making the JVs may have been to exhaust budget money left over from other years. During our review of JVs, we found evidence that DC-DHS considered other years fund’s availability when making the adjustments. DC-DHS could not provide support to justify the JVs or the movement of costs from one FY to another.

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<sup>6</sup> There were 254 batches in FYs 2001, 2002 and 2003. Each batch contains an average of 136 purchases for ME records.

<sup>7</sup> SSA, POMS DI 39506.200 B.1.

### Medical Consultant Costs

An analysis of claimed medical consultant costs suggests a 68 percent increase from FY 2001 (\$458,088) to FY 2002 (\$771,040). We performed a 100 percent review of medical consultant<sup>8</sup> time sheets, vouchers and transactions posted to the accounting records. Our review showed that the accounting records for medical consultant costs were overstated by 31 percent and 134 percent for FYs 2001 and 2002, respectively.

FY	Medical Consultants		Overstatements	
	Accounting Records	Consultant Invoices	Dollar	Percent
2001	\$ 458,088	\$ 349,215	\$ 108,873	31%
2002	\$ 771,040	\$ 330,101	\$ 440,939	134%

In an attempt to develop the underlying cause for the differences, we reviewed all FY 2001 and 2002 JVs for medical consultants made to offset other FY funds for medical consultants. Specifically, we reviewed the following JVs:

FY 2001 & 2002 JVs for Medical Consultant Costs Affecting Other FY Funds			
Documents Reviewed by Audit	Date of JV	Amount of JV Audited	Effect of JV
JA2CJ012	03/29/02	\$ 34,796	transfer costs from FY 2002 to FY 2001
JK2BA010	08/30/02	\$ 99,004	transfer costs from FY 2001 to FY 2002
JK2BA011	09/11/02	\$ 2,125	transfer costs from FY 2001 to FY 2002
JC1OCT01	09/30/01	\$ 14,311	transfer costs from FY 2001 to FY 2000
JA3CS036	08/29/03	\$ 10,000	transfer costs from FY 2003 to FY 2002
JA3EC004	05/12/03	\$ 228,394	transfer costs from FY 2003 to FY 2002
JA3EC005	05/15/03	\$ 12,353	transfer costs from FY 2003 to FY 2002
JA3EC006	06/03/03	\$ 31,991	transfer costs from FY 2003 to FY 2002

Our analysis showed the documentation for medical consultant entries did not support the JVs or DC-DHS' stated reason, i.e., to correct the FY. For example, according to a DHS accounting officer, JV JA2CJ012 for \$34,796 was supposed to be a correcting entry moving medical consultant costs recorded in FY 2002 that should have been recorded in FY 2001. However, we analyzed all of the medical consultant detailed accounting transactions for FY 2002 and found no costs related to FY 2001.

### Medical Costs

We analyzed the JVs to record and adjust purchased medical costs. Evidence did not support the accounting adjustments. We judgmentally selected eight JVs for medical costs and found that DC-DHS made seven accounting adjustments to move costs to unused funding authorization without determining whether costs were proper obligations of that FY.

<sup>8</sup> Medical consultant costs are included in *Personnel Costs* on the Form SSA-4513 report.

FY 2001 & 2002 JVs for ME Costs Affecting Other FY Funds			
Documents Reviewed by Audit	Date of JV	Amount of JV Audited	Effect of JV
JCJA0827	08/27/01	\$ 478,032	transfer costs from FY 2001 to FY 2000
JK2BA010	08/30/02	\$ 259,310	transfer costs from FY 2001 to FY 2002
JA2CJ012	03/29/02	\$ 203,237	transfer costs from FY 2002 to FY 2001
JJ3BA030	09/24/03	\$ 247,750	transfer costs from FY 2003 to FY 2002
JJ3BA016	06/13/03	\$ 171,812	transfer costs from FY 2002 to FY 2003
JA3EC004	05/12/03	\$ 171,610	transfer costs from FY 2003 to FY 2002
JAEC003	05/01/03	\$ 480,345	transfer costs from FY 2003 to FY 2002

For example, JV JAEC003 included fund movement of \$480,345 of ME costs from FY 2003 to FY 2002. When we reviewed the JVs, the stated reason listed was that the transactions were recorded in the wrong FY. However, the supporting documents consisted of an Agency Budget Financial Inquiry and an Agency Budget Report. The Agency Budget Financial Inquiry prepared in May 2003 showed FY 2002 funds available of \$500,840. The Agency Budget Report for the period ended March 2003 showed FY 2003 ME costs of \$480,345 for the year-to-date. The entire expenditure amount for FY 2003 to-date was moved to the prior year, FY 2002. We concluded that DC-DHS first determined the availability of funding authorization using the Agency Budget Financial Inquiry and applied the next FY costs based on the amounts shown in the Agency Budget Report. This JV explains, in part, why we found differences between SSA Form 4513 reporting and the accounting records for DC-DDD as shown under the heading, “**ACCOUNTING PROCESSES.**”

DC-DHS stated that it is working to identify the individual transactions recorded in the wrong FY so that it can make the appropriate accounting adjustments.

## ALLOCATION OF COSTS

A number of costs - occupancy, guard services, telephone and utilities - under *All Other Non-Personnel Costs* were allocations. Costs must be necessary and reasonable for proper administration of Federal awards.<sup>9</sup> We believe the basis for the allocations was inappropriate. For example, DC-DHS grouped occupancy costs by pooling all of its buildings costs then allocating the costs in the pool to the various units, including DC-DDD, based on the total occupancy budgets of the units. We were informed by the Chief Financial Officer of DC-DHS that this allocation process was a District policy.

We believe DC-DHS’ method of pooling costs, rather than using the actual lease cost or per square foot cost, was not an acceptable accounting practice for a reimbursable program. Volume of square feet and price per foot can vary by unit. As a result, SSA can be funding more or less than its appropriate share of occupancy costs. We obtained the lease from DC Office of Property Management. However, we have not

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<sup>9</sup> Office of Management and Budget (OMB) Circular A-87, Attachment A, section (C)(1)(a) (as amended August 29, 1997).

determined the appropriate charges for occupancy because the lease contained some variable costs<sup>10</sup> for which we have not received the additional documentation.

DC-DHS told us that it does not get copies of the leases for DC-DDD space. As a result, DC-DHS does not have the actual costs that should be charged to the DC-DDD.

## **CLASSIFICATION OF COSTS**

The accounting records for DC-DDD contained incorrectly classified costs that were reported on the Form SSA-4513 during the audit period. POMS requires that each cost category be reported on the proper line on Form SSA-4513.<sup>11</sup> Therefore, it is essential that State agencies accurately report costs. We found two types of transaction charges that were not properly classified—expense charges and organizational charges.

### **Expense Charges**

Transactions were recorded as the wrong type of expense. The DC-RSA identified expenses as a purchase of one item when it was really a purchase of something else. The incorrect type of expenses charged included the following transactions:

- Computer consultant services costs of \$16,150 (voucher #V3000264) for FY 2002 were charged as medical costs. The DC-RSA supervisor stated the budget for consultant services costs in *All Other Nonpersonnel Costs* was already expended so the costs were classified as *Medical Costs*.
- \$138,948 (61 vouchers) and \$182,308 (75 vouchers) in FY 2001 and FY 2002 expenses, respectively, for courier, temporary staff, and information technology consulting services were incorrectly classified as medical consultants.

SSA also brought to our attention the Form SSA-4513 reporting for FY 2004, as of December 31, 2003. While this Form SSA-4513 was outside our audit period, it clearly showed that expenses were not properly classified and that inaccurate financial reporting continued in FY 2004.

The entire FY 2004 *All Other Nonpersonnel Costs* were reported as *Miscellaneous Costs*. As noted above, POMS requires that costs be reported on specific cost line items.<sup>12</sup> Line items, which should include regular monthly costs such as Occupancy, Communications, etc., were reported by DC-DHS as zeroes for the quarter. We believe it is highly unlikely that cost line items, such as occupancy, would be zero for a quarter. POMS requires: “The monthly rental obligation [a component of occupancy costs]

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<sup>10</sup> For example, the building owner passes costs such as property taxes and cleaning services to the lessee.

<sup>11</sup> SSA, POMS DI 39506.210 D.

<sup>12</sup> *Id.*

should be obligated at the beginning of each month on a basis of average monthly cost of the lease agreement, even though the rent is not paid until a subsequent period.”<sup>13</sup>

SSA should work with DC-DHS to ensure that expenses are properly classified.

### **Organizational Charges**

Transactions were charged to the wrong organization. Costs belonging to another entity were recorded as belonging to the DC-DDD. Costs claimed as DC-DDD expenses were actually costs belonging to the DC-RSA. Federal regulations provide that States be reimbursed for expenses incurred for program purposes.<sup>14</sup> Controls were not in place to ensure costs were charged to the appropriate entity. For example:

- Two DC-RSA FY 2001 transactions (V1006068 and V1004201) totaling \$13,683 for shoes, clothes, etc. were charged to DC-DDD. These costs did not benefit SSA’s programs and belonged to another DC-RSA program.
- Medical consultant costs of \$10,160 (12 vouchers) for FY 2001 incurred by DC-DDD were charged to DC-RSA.
- Medical consultant costs of \$10,970 (12 vouchers) for FY 2001 incurred by DC-RSA were charged to DC-DDD.

SSA should work with DC-DHS to ensure that controls are in place that will prevent costs from being charged to the wrong expenses or entity. DC-DHS stated it is planning to hire an accountant to oversee the accounting for DC-DDD costs. The accountant’s duties would include ensuring that only DC-DDD’s costs are charged to it and that costs are properly classified.

### **SUPPORTING DOCUMENTATION**

DC-DHS did not provide all vouchers to substantiate certain nonpersonnel costs claimed. Therefore, we could not review expenses of \$14,068 (3 items) and \$45,014 (17 items) for FY 2001 and FY 2002, respectively, posted as medical consultants. We analyzed the accounting records and determined that the vendors’ costs were not for medical consultants working for the DC-DDD. The DC-RSA Administrative Officer stated that she did not know what those charges were.

DC-DHS must adequately document accounting records.<sup>15</sup> SSA’s POMS require that agencies retain financial records and supporting documentation until a Federal audit has been performed and all findings have been resolved.<sup>16</sup> DC-DDD informed us it will search for and analyze the unsupported costs.

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<sup>13</sup> SSA, POMS DI 39506.201.

<sup>14</sup> 20 CFR §§ 404.1626(a) and 416.1026(a) (2002).

<sup>15</sup> OMB Circular A-87, Attachment A, section (C)(1)(j) (as amended August 29, 1997).

<sup>16</sup> SSA, POMS DI 39509.005 C.1.b.

## **RECOMMENDATIONS**

We recommend SSA:

1. Work with the DC-DHS to ensure that accounting staff is properly trained to account for SSA funds as required.
2. Ensure DC-DHS implements systems modifications and controls over its accounting process to validate the accuracy of costs claimed.
3. Increase its oversight of the DC-DHS accounting process to detect and correct accounting errors relating to the DC-DDD operations.
4. Instruct DC-DHS to reimburse SSA \$13,683 for non-DC-DDD costs (shoes, clothing, etc.) charged.
5. Instruct DC-DHS to maintain appropriate documentation so that it is readily available for audit examination.

## **SSA AND DC-DHS COMMENTS**

SSA's Philadelphia Regional Office and DC-DHS agreed with our recommendations. Specifically, SSA (1) will provide on-site training to DC-DHS on the proper recording and reporting of obligations; (2) is working on systems modification to facilitate accurate reporting of MER and CE costs by FY; and (3) will perform periodic on-site visits to the DHS to monitor accounting practices and continue to review the quarterly SSA-4513s. Also, DC-DHS will return the disallowed costs of \$13,683 to SSA's Division of Finance and is reviewing and revising its written procedures for maintaining appropriate documentation in accordance with Federal guidelines. The full text of both SSA and DC-DHS' comments are included at Appendices C and D, respectively.



Steven L. Schaeffer  
Steven L. Schaeffer

# **Appendices**

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[\*\*APPENDIX A\*\*](#) – Acronyms

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

[\*\*APPENDIX C\*\*](#) – SSA Comments

[\*\*APPENDIX D\*\*](#) – DC-DHS Comments

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

## **Appendix A**

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### **Acronyms**

Act	Social Security Act
CFR	Code of Federal Regulations
DC-DDD	District of Columbia Disability Determination Division
DC-DHS	District of Columbia Department of Human Services
DC-RSA	District of Columbia Rehabilitation Services Administration
DDS	Disability Determination Services
DI	Disability Insurance
Form SSA-4513	State Agency Report of Obligations for SSA Disability Programs
FY	Fiscal Year
JV	Journal Voucher
ME	Medical Evidence
OMB	Office of Management and Budget
POMS	Program Operations Manual System
RSTARS	Relational Statewide Accounting and Reporting System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

### **Scope and Methodology**

We identified significant problems with the District of Columbia's Department of Human Services' (DC-DHS) accounting operations for the DC Disability Determination Division (DC-DDD). Therefore, we are issuing this report before the completion of our audit of DC-DDD's administrative costs. We will continue our audit of the DC-DDD's administrative costs and issue the second in this series of two reports at a later date.

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 the Social Security Administration's (SSA) Program Operations Manual System.

We also:

- reviewed applicable Federal regulations and other instructions pertaining to administrative costs incurred by DC-DDD;
- interviewed DC-DHS, DC Rehabilitation Services Administration (DC-RSA) and DC-DDD staff;
- documented our understanding of the systems of internal control over the accounting and reporting of DC-DDD administrative costs;
- evaluated and tested internal controls regarding accounting and financial reporting;
- traced the DC-DDD administrative costs DC-DHS reported on State Agency Report of Obligations for SSA Disability Programs Forms SSA-4513 to its accounting records; and
- reviewed the prior audit reports and related working papers.

To meet the objectives of our review, we assessed the reliability of computer processed data produced by the DC-DHS accounting system. We tested the data reliability, including tracing individual transactions to the source documents, recalculating totals and other tests deemed necessary. We determined that the data was not sufficiently reliable. As a result, we performed alternative audit techniques to arrive at our conclusions.

We performed work at the DC-DHS, DC-RSA and DC-DDD in Washington, D.C. We conducted our audit work from October 2003 through March 2004. Our audit work was completed in accordance with generally accepted government auditing standards.

## **Appendix C**

### **SSA Comments**

Date: June 23, 2004  
From: Regional Commissioner  
SSA Philadelphia Region

A review of the draft report entitled, Administrative Costs Claimed by the District of Columbia Disability Determination Division (DDD) (A-15-04-14052) for Fiscal Years (FY) 2001 and 2002 disclosed serious accounting misstatements associated with the movement of costs, allocation of costs, classification of costs, and supporting documentation. In addition, costs were claimed for work not related to the Social Security Administration's (SSA) disability programs. Finally, internal control weaknesses were reported regarding the maintenance of central records and compliance with record keeping practices. We agree with all of the reports recommendations. Our response to each follows.

***Work with the DC-DHS to ensure that accounting staff is properly trained to account for SSA funds as required.***

SSA Regional Office will provide on-site training to DHS on SSA instructions for the proper Recording and Reporting of Obligations. {My staff will be contacting the DDD shortly to coordinate this training.}

***Ensure DC-DHS implements systems modifications and controls over its accounting process to validate the accuracy of costs claimed.***

- The DDD is working on this modification with their case management software vendor, ILLevy. This will facilitate the accurate reporting of MER and CE costs by fiscal year.
- We have advised DHS to prepare written accounting procedures for reporting DDD's costs in accordance with SSA regulations.

***Increase its oversight of the DC-DHS accounting process to detect and correct accounting errors relating to the DC-DDD operations.***

- We will perform periodic on-site visits to the DHS to monitor accounting practices.
- We will continue to review the quarterly SSA-4513s.

***Instruct DC-DHS to reimburse SSA \$13,683 for non-DC-DDD costs (shoes, clothing, etc.) charged.***

- DHS has been advised to return the funds to SSA's Division of Finance:

Social Security Administration  
P.O. Box 47  
Baltimore, MD 21235  
Attn: Chris Molander 2-K-5 ELR

The check should be made payable to the Social Security Administration, mailed via FedEx or registered mail. DHS has been advised to provide SSA with the tracking information when this is sent.

***Instruct DC-DHS to maintain appropriate documentation, so that it is readily available for audit examination.***

We have instructed DHS to maintain appropriate documentation for audit in accordance with Federal guidelines. Written procedures adequately documenting this requirement are to be prepared.

Attached is a copy of the letter sent to the District of Columbia, Department of Human Services.

Thank you for the opportunity to comment.

If members of your staff are interested in discussing this further, they may contact Howard Hughes, Director of the Center for Disability Programs at 215-597-2967 ([Howard.hughes@ssa.gov](mailto:Howard.hughes@ssa.gov)) or David Koons, District of Columbia Disability Program Administrator at 215-597-8161 ([David.koons@ssa.gov](mailto:David.koons@ssa.gov)) .

/s/  
Laurie Watkins  
Regional Commissioner

## **Appendix D**

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### **DC-DHS Comments**

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
DEPARTMENT OF HUMAN SERVICES

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Office of the Director

JUL 20 2004

Laurie Watkins, Regional Commissioner  
Social Security Administrator  
Regional Office III  
P.O. Box 8788  
Philadelphia, PA 19101

Dear Ms. Watkins:

In response to your letter of June 17, 2004 and correspondence from Steven Schaeffer dated May 26, 2004, the District of Columbia Department of Human Services herein transmits our comments and plan of corrective actions concerning the Social Security Administration (SSA) Office of Inspector General's (OIG) Audit of Administrative Costs claimed by the District's Disability Determination Division (DDD).

Please note that the State Agency Reports of Obligations for SSA Disability Programs (Form SSA-4513) for FY 2003 and FY 2004 were submitted on July 9<sup>th</sup> and July 2<sup>nd</sup>, respectively.

Thank you for the opportunity to provide comments, and for your continued support of the DC-DDD and its efforts in the District of Columbia. If you have any questions, please contact Elizabeth Parker, Administrator of the Rehabilitation Services Administration, at (202) 442-8663.

Sincerely,

Yvonne Gilchrist  
Director

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64 New York Avenue, N.E., 6<sup>th</sup> Floor, Washington, D.C. 20002 (202) 671-4200

DISTRICT OF COLUMBIA  
DEPARTMENT OF HUMAN SERVICES

COMMENTS AND PLAN OF CORRECTIVE ACTIONS  
RELATIVE TO SSA OIG AUDIT OF ADMINISTRATIVE COSTS  
FOR THE PERIOD OCTOBER 1, 2000 - SEPTEMBER 30, 2002

***Work with the DC-DHS to ensure that accounting staff is properly trained to account for SSA funds as required.***

DC-DHS staff will coordinate with the SSA Regional Office to enhance our understanding of SSA requirements concerning the proper recording and reporting of obligations.

***Ensure DC-DHS implements systems modifications and controls over its accounting process to validate the accuracy of costs claimed.***

DC-DHS has reviewed the SSA reporting requirements, and based on these requirements, have modified its processes to ensure the accuracy of costs claimed. We are now performing a detailed review of expenditures to ensure that costs are appropriately classified. The revised Financial Status Reports (SSA Form 4513) for FY 2003 and FY 2004 reflect changes to expense classifications based on these efforts.

We will review our policies and procedures concerning the accounting process, both at DC-DDD and DC-DHS, in an effort to identify ways to strengthen controls in this area. Within 90 days, written policies and procedures will be developed and submitted to the SSA Regional Office for review.

We are in receipt of the attachment to your letter which provides guidance on SSA Form 4513 reporting requirements. This document will be incorporated into our written policies and procedures on federal reporting.

***Increase its oversight of the DC-DDS accounting process to detect and correct accounting errors relating to the DC-DDD operations.***

We appreciate the opportunity to receive technical and other support from SSA in developing an accurate accounting process relative to the DC-DDD operations. DC-DHS has requested that the DC-DDD provide more detailed information in order to detect and correct accounting errors related to the DC-DDD prior to any reports being submitted to SSA.

***Instruct DC-DHS to reimburse SSA \$13,683 for non-DC-DDD costs (shoes, clothing, etc.) charged.***

Within 30 days, a check made payable to the SSA for \$13,683 will be issued in repayment of the disallowed costs.

***Instruct DC~DHS to maintain appropriate documentation, so that it is readily available for audit examination.***

We will review our policies and procedures concerning the filing, maintenance, and retrieval of supporting documentation for grant expenditures, in an effort to identify ways to strengthen controls in this area. Within 90 days, written procedures will be updated and submitted to the SSA Regional Office for review.

## ***Appendix E***

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# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Frederick Nordhoff, Director, Financial Audit Division

Lance Chilcoat, Audit Manager, (410) 965-9743

### ***Staff Acknowledgments***

In addition to those named above:

Steven Sachs, Auditor-in-Charge

Sigmund Wisowaty Jr., Senior Auditor

Ronald Anderson, Auditor

Melissa McDaniel, Auditor

Ellen Silvela, Auditor

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Social Security Advisory Board

## **Overview of the Office of the Inspector General**

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

### **Office of Audit**

OA conducts and/or supervises 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 and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

### **Office of Investigations**

OI conducts and coordinates investigative activity 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 OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

### **Office of the Chief Counsel to the Inspector General**

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

### **Office of Executive Operations**

OEO supports OIG by providing information resource management and systems security. OEO also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OEO is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.