
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ADMINISTRATIVE COSTS CLAIMED
BY THE WISCONSIN
DISABILITY DETERMINATION BUREAU**

November 2005 A-05-05-15013

AUDIT REPORT



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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: November 22, 2005 **Refer To:**

To: James F. Martin
Regional Commissioner
Chicago

From: Inspector General

Subject: Administrative Costs Claimed by the Wisconsin Disability Determination Bureau
(A-05-05-15013)

OBJECTIVES

The objectives of our audit were to evaluate the Wisconsin Disability Determination Bureau's (WI-DDB) internal controls over the accounting and reporting of administrative costs, determine whether costs claimed by the WI-DDB were allowable and funds were properly drawn, and assess limited areas of the general security controls environment. Our audit included the administrative costs claimed by the WI-DDB during Fiscal Years (FY) 2001 through 2003.

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. In 1972, Congress enacted the Supplemental Security Income (SSI) program under Title XVI of the Act. The SSI program provides a nationally uniform program to financially needy individuals who are aged, blind, and/or disabled.

The Social Security Administration (SSA) is 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, in accordance with Federal regulations.¹ In carrying out its obligation, each DDS is responsible for determining claimants' disabilities and ensuring that adequate evidence

¹ 20 C.F.R. §§ 404.1601 *et seq.* and 416.1001 *et seq.*

is available to support its determinations.² To assist in making proper disability determinations, each DDS is authorized by SSA 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 regulations³ and intergovernmental agreements entered into by Treasury and States under the Cash Management Improvement Act of 1990.⁴ An advance or reimbursement for costs under the program must comply with the Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. At the end of each quarter of the FY, each DDS submits a Form SSA-4513, *State Agency Report of Obligations for SSA Disability Programs*, to account for program disbursements and unliquidated obligations. See Appendix B for the scope and methodology of our audit.

The Wisconsin Department of Health and Family Services (DHFS) is the WI-DDB's parent agency. The WI-DDB is located in Madison, Wisconsin.

RESULTS OF REVIEW

Our review of administrative costs disclosed that in certain instances the WI-DDB's medical payment rates exceeded the highest rate paid by Federal or other agencies in the State, which resulted in related excess payments of \$813,369 for FYs 2001 through 2003. Also, neither the SSA Regional Office (RO) nor the WI-DDB could provide written documentation to support that SSA authorized the purchase of 36 computer monitors totaling \$20,520 and two mail inserter machines totaling \$22,132.

CONSULTATIVE EXAMINATION COSTS

For FYs 2001 through 2003, we found that in certain instances the WI-DDB reimbursed medical providers at payment rates in excess of the maximum rates paid by Federal or other agencies in the State. The related excess consultative examination (CE) payments totaled \$813,369. Federal regulations require that each State determine the payment rates for medical or other services necessary to make determinations of disability. The rates may not exceed the highest rate paid by Federal or other agencies

² 20 C.F.R. §§ 404.1603(c)(1) and 404.1614(a); 20 C.F.R. §§ 416.1003(c)(1) and 416.1014(a).

³ 31 C.F.R. § 205.1 *et seq.*

⁴ Pub. L. No. 101-453, 31 U.S.C. § 6501.

in the State for the same or similar types of service.⁵ The State is responsible for monitoring and overseeing the rates of payment for medical and other services to ensure the rates do not exceed the highest rate paid by Federal or other agencies in the State.⁶

We compared the rates paid by Medicare with the fees paid by the WI-DDB for selected medical examinations and tests.⁷ We found that in certain instances the WI-DDB used payment rates that exceeded those allowed by Medicare totaling \$813,369 for FYs 2001 through 2003 (see Appendix C). The related excess payments were:

- \$223,263 in FY 2001,
- \$312,070 in FY 2002, and
- \$278,036 in FY 2003.

In response to our analyses, the WI-DDB stated that although the fee schedule paid more for most laboratory and psychometric tests, the fee schedule paid less than Medicare rates for most CEs. The WI-DDB also stated that the current CE reimbursement policy resulted in savings when compared to the use of Medicare rates for all CEs during the audit period (see Appendix D). We commend the WI-DDB for purchasing CEs at less than the highest allowable rate. However, Federal regulations do not allow the WI-DDB to pay rates above those allowed by Medicare for certain CEs, even though the WI-DDB paid less than Medicare for other CEs.

We recommend that SSA determine if it was necessary for the WI-DDB to exceed the highest allowable fees to obtain the services. If SSA determines that it was not necessary for the WI-DDB to exceed the highest allowable rates of payment, it should take appropriate action, such as instructing the WI-DDB to refund the excess CE payments and limiting future CE rates of payment.

ALL OTHER NONPERSONNEL COSTS

Neither the SSA RO, nor the WI-DDB could provide written documentation to support that SSA authorized the purchase of 36 computer monitors totaling \$20,520. The SSA RO staff informed us that SSA gave verbal approval to purchase 36 computer monitors before the end of FY 2003. SSA policy states that specific approval for any controlled

⁵ 20 C.F.R. §§ 404.1624 and 416.1024.

⁶ 20 C.F.R. §§ 404.1519k(c) and 416.919k(c).

⁷ The CEs we reviewed accounted for 80 percent of CE costs during the audit period and related to 16 medical examinations and tests. The rates that the WI-DDB used for 10 of the 16 examinations and tests exceeded those allowed by Medicare.

cost categories not submitted with the budget request must be requested in writing from the RO before obligations are incurred during the FY.⁸ SSA should ensure the WI-DDB submits appropriate purchase requests in writing, obtains approvals from SSA and maintains support for all obligations incurred.

In addition, neither the SSA RO, nor the WI-DDB could provide written documentation to support that SSA authorized the purchase of two mail inserter machines totaling \$22,132. SSA policy requires written approval to substitute purchase items when the cost exceeds the cost of the original item. In instances where it is necessary to substitute the purchase of an item—similar in function and type—for an item previously approved, prior authorization is not necessary, if the cost of the substitute item does not exceed that of the original item, and the cost remains within the limit of the obligational authorization.⁹ We found that the SSA RO initially approved the purchase of one mail inserter machine for \$8,400. However, two mail inserter machines totaling \$22,132 were actually purchased. Prior authorization was necessary, since the cost of the purchased items exceeded the cost of the original item.

CONCLUSIONS AND RECOMMENDATIONS

Our review of administrative costs disclosed that in certain instances the WI-DDB's medical payment rates exceeded the highest rate paid by Federal or other agencies in the State, which resulted in related excess payments of \$813,369 for FYs 2001 through 2003. Also, neither the SSA RO, nor the WI-DDB could provide written documentation to support that SSA authorized the purchase of 36 computer monitors totaling \$20,520 and two mail inserter machines totaling \$22,132.

We recommend that SSA:

1. Determine if it was necessary for the WI-DDB to exceed the highest allowable fees to obtain the CE services. If SSA determines that it was not necessary for the WI-DDB to exceed the highest allowable rates of payment, it should take appropriate action, such as instructing the WI-DDB to refund the excess CE payments and limiting future CE rates of payment.
2. Ensure that the WI-DDB submits appropriate purchase requests in writing, obtains approvals from SSA and maintains support for all obligations incurred for controlled cost categories and substitutions when the cost of the replacement item exceeds the cost of the original item.

⁸ SSA POMS DI 39503.270.B *Nonpersonnel Costs – DDS*.

⁹ SSA POMS DI 39530.040.A.2. *DDS Funding Process*.

AGENCY COMMENTS

In commenting on our draft report, SSA agreed with our recommendations. With regards to recommendation number 1, SSA stated that it was necessary for the WI-DDB to exceed the highest allowable fees for CE services in order to provide timely and accurate disability determinations. See Appendix E for the full text of SSA's comments.

WI-DDB COMMENTS

In commenting on our draft report, the WI-DDB agreed with our recommendations. See Appendix F for the full text of the WI-DDB's comments.

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

Patrick P. O'Carroll, Jr.

Appendices

[**APPENDIX A**](#) – Acronyms

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

[**APPENDIX C**](#) – Wisconsin Disability Determination Bureau Medical Costs

[**APPENDIX D**](#) – Wisconsin Disability Determination Bureau Comments on Our Medical Fee Comparison

[**APPENDIX E**](#) – Agency Comments

[**APPENDIX F**](#) – Wisconsin Disability Determination Bureau Comments

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

Appendix A

Acronyms

Act	Social Security Act
CE	Consultative Examinations
C.F.R.	Code of Federal Regulations
CPT	Current Procedural Terminology
DDS	Disability Determination Services
DHFS	Wisconsin Department of Health and Family Services
DI	Disability Insurance
EDP	Electronic Data Processing
Form SSA-4513	State Agency Report of Obligations for SSA Disability Program
FY	Fiscal Year
POMS	Program Operations Manual System
Pub. L.	Public Law
RO	Regional Office
SSA	Social Security Administration
SSI	Supplemental Security Income
Treasury	Department of the Treasury
WI-DDB	Wisconsin Disability Determination Bureau
U.S.C.	United States Code

Scope and Methodology

To achieve our objective, we:

- Reviewed applicable Federal laws and regulations, pertinent parts of the Social Security Administration's Program Operations Manual System DI 39500 *DDS Fiscal and Administrative Management*, and other instructions pertaining to administrative costs incurred by the Wisconsin Disability Determination Bureau (WI-DDB) and the draw down of Social Security Administration (SSA) funds.
- Reviewed single audit work performed by the State of Wisconsin Legislative Audit Bureau auditors. Because of the limited scope of the single audit work performed at WI-DDB, we did not rely on the single audit work.
- Interviewed staff at the WI-DDB, the Wisconsin Department of Health and Family Services (WI-DHFS) and SSA Regional Office, Chicago, Illinois.
- Reviewed State policies and procedures related to personnel, medical services, and all other nonpersonnel costs.
- Evaluated and tested internal controls regarding accounting, financial reporting and cash management activities.
- Tested the payroll records to ensure individuals were paid correctly and payroll was adequately documented.
- Reviewed and reconciled the official State accounting records to the administrative costs reported by WI-DDB on the State Agency Report of Obligations for SSA Disability Program (Form SSA-4513) for Fiscal Years (FY) 2001 through 2003.
- Examined the administrative expenditures (personnel, medical service, and all other nonpersonnel costs) incurred and claimed by WI-DDB for FYs 2001 through 2003 on the Form SSA-4513. We used statistical sampling to select documents to test for support of the medical service and all other nonpersonnel costs.
- Performed a crosswalk between WI-DDB and Medicare rates of payment for consultative examinations.
- Examined the indirect costs claimed by WI-DDB for FYs 2001 through 2003 and the corresponding WI-DDB Indirect Cost Rate Agreements.

- Compared the amount of SSA funds drawn for support of program operations to the expenditures reported on the Form SSA-4513.
- Discussed indirect cost issues with the Department of Health and Human Services, Division of Cost Allocation, Chicago, Illinois.
- Reviewed the Memorandum of Understanding between SSA and the State of Wisconsin for non-SSA work.
- Reviewed limited areas of the WI-DDB physical security controls.

We concluded that the electronic data used in our audit was sufficiently reliable to achieve our audit objectives. We assessed the reliability of the electronic data by reconciling it with the costs claimed on the Form SSA-4513. We also conducted detailed audit testing on selected data elements in the electronic data files.

We performed audit work at the WI-DDB and the WI-DHFS offices in Madison, Wisconsin. We conducted fieldwork from April 2004 through June 2005. The audit was conducted in accordance with generally accepted government auditing standards.

METHODOLOGY

Our sampling methodology encompassed the four general areas of costs as reported on Form SSA-4513: (1) personnel; (2) medical; (3) indirect; and (4) all other nonpersonnel costs. We obtained computerized data from WI-DDB for FYs 2001 through 2003 for use in statistical sampling.

Personnel Costs

We sampled 50 WI-DDB employees and 21 medical consultants from one randomly selected pay period in the most recent year under review.

Medical Costs

We sampled 150 items (50 items each from FYs 2001 through 2003) using a stratified random sample. We stratified medical costs into Medical Evidence of Record and Consultative Examinations.

Indirect Costs

We reviewed the FY 2001 through 2003 indirect cost rates and conducted testing of the indirect cost rate calculations.

All Other Nonpersonnel Costs

We selected a stratified random sample of 150 items (50 expenditures each from FYs 2001 through 2003) of All Other Nonpersonnel costs based on the percentage of costs in each category to total costs. We stratified All Other Nonpersonnel costs into 10 cost categories: (1) Occupancy; (2) Contracted Costs; (3) Electronic Data Processing (EDP) Maintenance; (4) New EDP Equipment; (5) Equipment Rental; (6) Communication; (7) Applicant Travel; (8) Disability Determination Services Travel; (9) Supplies; and (10) Miscellaneous. We conducted a 100 percent review of the facility rent payments.

Appendix C

Wisconsin Disability Determination Bureau Medical Costs

Fiscal Year 2001

WI-DDB Medical Code ¹	Current Procedural Terminology (CPT) Code ²	WI-DDB Fee	Highest Allowable Rate ³	Difference Between WI-DDB Fee and Highest Allowable Rate	Number of Exams	Amount in Excess of Highest Allowable Rate
05A14	96100	\$ 120.00	\$ 85.1875	\$ 34.8125	2,407	\$ 83,793.69
05A7	96100	\$ 100.00	\$ 85.1875	\$ 14.8125	733	\$ 10,857.56
05C2	96100	\$ 100.00	\$ 85.1875	\$ 14.8125	1,256	\$ 18,604.50
05C3	96111	\$ 130.00	\$ 85.1875	\$ 44.8125	351	\$ 15,729.19
05C34	96100	\$ 130.00	\$ 85.1875	\$ 44.8125	294	\$ 13,174.88
05C6	96100	\$ 100.00	\$ 85.1875	\$ 14.8125	304	\$ 4,503.00
10A	92004	\$ 135.00	\$ 115.35	\$ 19.65	339	\$ 6,661.35
16C	92506	\$ 115.00	\$ 77.81	\$ 37.19	249	\$ 9,260.31
T01	94060	\$ 110.00	\$ 57.13	\$ 52.87	506	\$ 26,752.22
X03	72100	\$ 60.00	\$ 37.03	\$ 22.97	1,477	\$ 33,926.69
						Total \$ 223,263.38

¹ The WI-DDB identifies each medical examination and test with an alpha-numeric code.

² CPT is a uniform coding system maintained by the American Medical Association that is used primarily to identify medical services and procedures furnished by physicians and other health care professionals. The CPT codes in this table correspond to the listed WI-DDB codes.

³ SSA guidance outlined in the Disability Determination Services Administrators' Letter 501, *Medical Procedures Fee Schedule Workgroup Report*, dated March 12, 1999, states that Disability Determination Services (DDS) may multiply the Medicare fee for CPT code 96100 by the number of hours to administer each test to determine the maximum amount to be paid. For the psychological tests we reviewed, we multiplied the Medicare rate for codes 96100 and 96111 by the time factor of 1.25 hours. The WI-DDB agreed that 1.25 hours may be reasonable as an average test time. However, the WI-DDB stated that consultative examiners are required to review prior records, obtain information on historical and current levels of daily functioning through a clinical interview, and to consider this information with the actual test findings. Additional time beyond the administration of the test is required to complete the analyses and a report.

Fiscal Year 2002

WI-DDB Medical Code ¹	Current Procedural Terminology (CPT) Code ²	WI-DDB Fee	Highest Allowable Rate ³	Difference Between WI-DDB Fee and Highest Allowable Rate	Number of Exams	Amount in Excess of Highest Allowable Rate
05A14	96100	\$ 120.00	\$ 76.5750	\$ 43.4250	2,766	\$ 120,113.55
05A7	96100	\$ 100.00	\$ 76.5750	\$ 23.4250	922	\$ 21,597.85
05C2	96100	\$ 100.00	\$ 76.5750	\$ 23.4250	1,236	\$ 28,953.30
05C3	96111	\$ 130.00	\$ 76.5750	\$ 53.4250	376	\$ 20,087.80
05C34	96100	\$ 130.00	\$ 76.5750	\$ 53.4250	373	\$ 19,927.53
05C6	96100	\$ 100.00	\$ 76.5750	\$ 23.4250	316	\$ 7,402.30
10A	92004	\$ 170.30	\$ 117.83	\$ 52.47	303	\$ 15,898.41
16C	92506	\$ 115.00	\$ 89.74	\$ 25.26	252	\$ 6,365.52
T01	94060	\$ 110.00	\$ 58.78	\$ 51.22	554	\$ 28,375.88
X03	72100	\$ 60.00	\$ 33.39	\$ 26.61	1,629	\$ 43,347.69
Total						\$ 312,069.83

^Note: See C-1 for footnote definitions.

Fiscal Year 2003

WI-DDB Medical Code ¹	Current Procedural Terminology (CPT) Code ²	WI-DDB Fee	Highest Allowable Rate ³	Difference Between WI-DDB Fee and Highest Allowable Rate	Number of Exams	Amount in Excess of Highest Allowable Rate
05A14	96100	\$ 120.00	\$ 81.2375	\$ 38.7625	2,778	\$ 107,682.23
05A7	96100	\$ 100.00	\$ 81.2375	\$ 18.7625	870	\$ 16,323.38
05C2	96100	\$ 100.00	\$ 81.2375	\$ 18.7625	1,417	\$ 26,586.46
05C3	96111	\$ 130.00	\$ 81.2375	\$ 48.7625	276	\$ 13,458.45
05C34	96100	\$ 130.00	\$ 81.2375	\$ 48.7625	454	\$ 22,138.18
05C6	96100	\$ 100.00	\$ 81.2375	\$ 18.7625	274	\$ 5,140.93
10A	92004	\$ 170.30	\$ 118.03	\$ 52.27	268	\$ 14,008.36
16C	92506	\$ 115.00	\$ 88.12	\$ 26.88	325	\$ 8,736.00
T01	94060	\$ 110.00	\$ 65.20	\$ 44.80	534	\$ 23,923.20
X03	72100	\$ 60.00	\$ 35.30	\$ 24.70	1,621	\$ 40,038.70
Total						\$ 278,035.87

^Note: See C-1 for footnote definitions.

Appendix D

Wisconsin Disability Determination Bureau Comments on Our Medical Fee Comparison

Jim Doyle
Governor

Helene Nelson
Secretary

State of Wisconsin
Department of Health and Family Services

DIVISION OF HEALTH CARE FINANCING

DISABILITY DETERMINATION BUREAU
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MADISON WI 53707-7886

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TTY: 608-266-9569
dhfs.wisconsin.gov

May 6, 2005

Re: Medical Cost Questions from OIG

Comparison between WI DDB fees and Medicare Rates

OIG has requested comments on the medical fee comparison to Medicare rates and an explanation of why payments exceed certain Medicare rates.

In our February 14, 2005 memorandum on Medical Cost Questions, we detailed the development of the consultative examination fee structure in Wisconsin.

We have not used the Medicare fee schedule as the basis for establishing rates, although we have used the information in our analysis. The fee schedule was developed when DDB was part of the Division of Vocational Rehabilitation. The policy at that time was to pay the usual and customary billed rates by local vendors. Because of budget limitations, we were not able to adopt that policy in whole, but rather established rates at or near the mid-point averages of billed rates.

As we previously reported, this has resulted in a fee schedule that has paid less than Medicare rates for most examinations, but more for most laboratory and psychometric tests.

Although our payments exceeded Medicare rates on some exams and many laboratory and psychometric tests, the WI DDB rate policy resulted in a very substantial savings to SSA overall. During FFY 2001 our reimbursement policy actually resulted in savings of \$1,498,563 when compared to the use of Medicare rates for all examinations and tests. These savings were \$1,512,506 in FFY 2002 and \$1,533,522 in FFY 2003 for a total of \$4,544,592 in savings during the period under audit review.

Appendix E

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: November 3, 2005 Refer To: S2D5G2

To: Inspector General

From: Regional Commissioner
Chicago

Subject: Draft Report of Administrative Costs Claimed by the Wisconsin Disability Determination Bureau
(Your Request for Comments E-Mailed October 11, 2005) -- REPLY

Thank you for the opportunity to comment on the subject report (A-05-05-15013). We have completed our review and have attached comments concerning the two findings contained in the draft report.

We appreciate the challenges and difficulties the audit team faced during this audit. The audit team worked closely with my staff, conducting several conference calls and face-to-face meetings. We were able to resolve several potential findings during these predraft discussions, and we appreciated the open lines of communication.

Again, we want to acknowledge the efforts of your staff in conducting such a comprehensive review of DDS activities.

Questions about this memorandum may be directed to Jim Jamison, Financial Management Team Leader, at 312-575-4212.

/s/
James F. Martin

Attachment

cc: Deputy Commissioner for Operations
Deputy Commissioner for Finance Assessment and Management

Attachment

**Administrative Costs Claimed by the Wisconsin Disability Determination Bureau
(A-05-05-15013)**

Recommendation 1 -- Determine if it was necessary for the WI-DDB to exceed the highest allowable fees to obtain the CE services. If SSA determines that it was not necessary for the WI-DDB to exceed the highest allowable rates of payment, it should take appropriate action, such as instructing the WI-DDB to refund the excess CE payments and limit future CE rates of payment.

Comment -- We agree that the WI-DDB is required to maintain documentation that the rate of payment for medical evidence and CEs does not exceed the highest rate paid by Federal or public agencies in the State for the same or similar services [20 CFR 404.1519k (a)]. We also agree that in this instance the WI-DDB had not followed the regulations and had not requested any waiver or exception from these requirements. However, based on the documentation they have submitted, we believe the actions of the DDB were justifiable and necessary in order to provide timely and accurate disability determinations. We believe that it was, and is, necessary for the WI-DDB to pay these higher fees for CE services, and would have approved an exception to the regulations had a timely request been made.

Historically, the WI-DDB has worked diligently to control medical case costs. Wisconsin's medical cost per case is the lowest in the Region. Also, their CE rate (the percent of cleared claims which required a CE) is by far the lowest in the Region, and among the lowest in the nation. We believe their CE fee schedule reflects the DDB's best efforts to obtain CE services that represent the best value to the Agency, considering such factors as reliability, quality, availability, timeliness, and claimant convenience. The DDB is unable to locate providers willing to perform these tests and procedures at a lower fee. We have reminded the DDB staff that they should request exceptions to the fee schedule regulations in writing, and that proper documentation (e.g., a printout of the State component or Medicare fee schedule) should be maintained in the DDB for all other fees.

Recommendation 2 -- Ensure that the WI-DDB submits appropriate purchase requests in writing, obtains approvals from SSA and maintains support for all obligations incurred for controlled cost categories and substitutions when the cost of the replacement item exceeds the cost of the original item.

Comment—We concur with this finding and have reminded the WI-DDB to more closely follow Agency guidelines regarding purchase requests.

Appendix F

Wisconsin Disability Determination Bureau Comments



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

November 8, 2005

Patrick P. O'Carroll, Jr.
Inspector General
Social Security Administration
6401 Security Boulevard
Suite 300, Altmeyer
Baltimore, MD 21235

Dear Mr. O'Carroll:

Thank you for the opportunity to comment on the draft report of Administrative Costs Claimed by the Wisconsin Disability Determination Bureau (A-05-05-15013).

We would like to commend the audit team for their thorough and diligent review of the Wisconsin Disability Determination Bureau's (DDB) internal controls over administrative costs and the general security controls environment. They communicated clearly, were sensitive to our needs to work around eDib implementation activities, and provided ample opportunity for exchange of information and questions as they conducted the audit.

I understand that the scope and depth of your review was significant and included, more specifically, reviews of direct and indirect costs, internal controls, payroll, federal reporting and funds draw, the Memorandum of Understanding for work not conducted by the Social Security Administration, and physical security controls.

We are very pleased to learn that, overall, the internal controls and security environment of Wisconsin's DDB were found to be of great integrity.

With regard to the two findings contained in the draft report, we offer the following comments:

Draft Report Recommendation 1: *Determine if it was necessary for the WI-DDB to exceed the highest allowable fees to obtain the consultative examination (CE) services. If SSA determines that it was not necessary for the WI-DDB to exceed the highest allowable rates of payment, it should take appropriate action, such as instructing the WI-DDB to refund the excess CE payments and limit future CE rates of payment.*

Comment: While the Wisconsin DDB reported its CE service rates to SSA in each of the audit years, we did not explicitly request a waiver or exemption for the ten procedures identified in the audit as exceeding Medicare's highest allowable rate. To address this, we have since submitted to SSA our justification for exceeding the highest allowable rates in FFY 2001-03 for each of the ten fees identified in the audit documentation to SSA. Specifically, we submitted documentation which shows that:

Patrick P. O'Carroll, Jr.
November 8, 2005
Page 2

- The higher rates are necessary for CE panel recruitment and retention to ensure timely and accurate disability determinations as required by SSA;
- The higher rates are necessary because of the additional services required by SSA that are not expected under the associated Medicare Current Procedure Terminology (CPT) code; and
- Fees for tests for children are not comparable to the associated CPT service for a Medicare patient.

We have also instituted an on-going process for justifying and obtaining the required written approval from SSA for all exemptions to the fee schedule regulations. This will include documentation comparisons for all CE service fees.

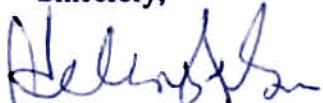
As you know, and as indicated by the SSA Regional Office, Wisconsin's overall fee schedule for CE services, compared with Medicare's highest allowable rate, has resulted in a savings of approximately \$1.5 million annually for the period under review for a total savings of over \$4.5 million to SSA and taxpayers. Wisconsin is very proud of this effective management of medical cost per case.

Draft Report Recommendation 2: *Ensure that the WI-DDB submits appropriate purchase requests in writing, obtains approvals from SSA and maintains support for all obligations incurred for controlled cost categories and substitutions when the cost of the replacement item exceeds the cost of the original item.*

Comment: We agree that while we reported these purchases to SSA, we could not provide the documentation requested. We have since strengthened our procedures to assure that there is written documentation as required.

Again, we want to acknowledge the efforts of your staff in conducting this comprehensive review of Wisconsin DDB activities and thank you for the opportunity to comment on the draft report. We share your goal of continuous improvement in programs, operations and management.

Sincerely,



Helene Nelson
Secretary

cc: James F. Martin, Chicago Regional SSA Commissioner

Appendix G

OIG Contacts and Staff Acknowledgments

OIG Contacts

Mark Bailey, Director, Chicago Audit Division (816) 936-5591

Teresa S. Williams, Audit Manager, Chicago, Illinois (312) 353-0331

Acknowledgments

In addition to those named above:

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Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Committee on Finance
Chairman and Ranking Minority Member, Subcommittee on Social Security and Family Policy
Chairman and Ranking Minority Member, Senate Special Committee on Aging
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.