
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ADMINISTRATIVE COSTS CLAIMED
BY THE IDAHO DISABILITY
DETERMINATION SERVICES**

May 2007

A-09-06-16120

AUDIT REPORT



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: May 30, 2007

Refer To:

To: Don Schoening
Acting Regional Commissioner
Seattle

From: Inspector General

Subject: Administrative Costs Claimed by the Idaho Disability Determination Services
(A-09-06-16120)

OBJECTIVE

Our objectives were to (1) evaluate the Idaho Disability Determination Services' (ID-DDS) internal controls over the accounting and reporting of administrative costs, (2) determine whether costs claimed by the ID-DDS were allowable and funds were properly drawn, and (3) assess limited areas of the general security controls environment.

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, and/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 DI and SSI are required to be performed by disability determination services (DDS) in each State or other responsible jurisdiction, in accordance with Federal law and underlying regulations.¹ 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

¹ 42 U.S.C. § 421; 20 C.F.R. §§ 404.1601 et seq. and 416.1001 et seq.

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 authorizes an annual budget to reimburse the DDS for 100 percent of allowable expenditures. 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 regulations² and intergovernmental agreements entered into by Treasury and States under the *Cash Management Improvement Act of 1990*.³ An advance or reimbursement for costs under the program must comply with Office of Management and Budget (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 is required to submit a Form SSA-4513, *State Agency Report of Obligations for SSA Disability Programs*, to account for program disbursements and unliquidated obligations for the FY.⁴ The Form SSA-4513 reports expenditures and unliquidated obligations for personnel, medical, indirect, and all other nonpersonnel costs.⁵

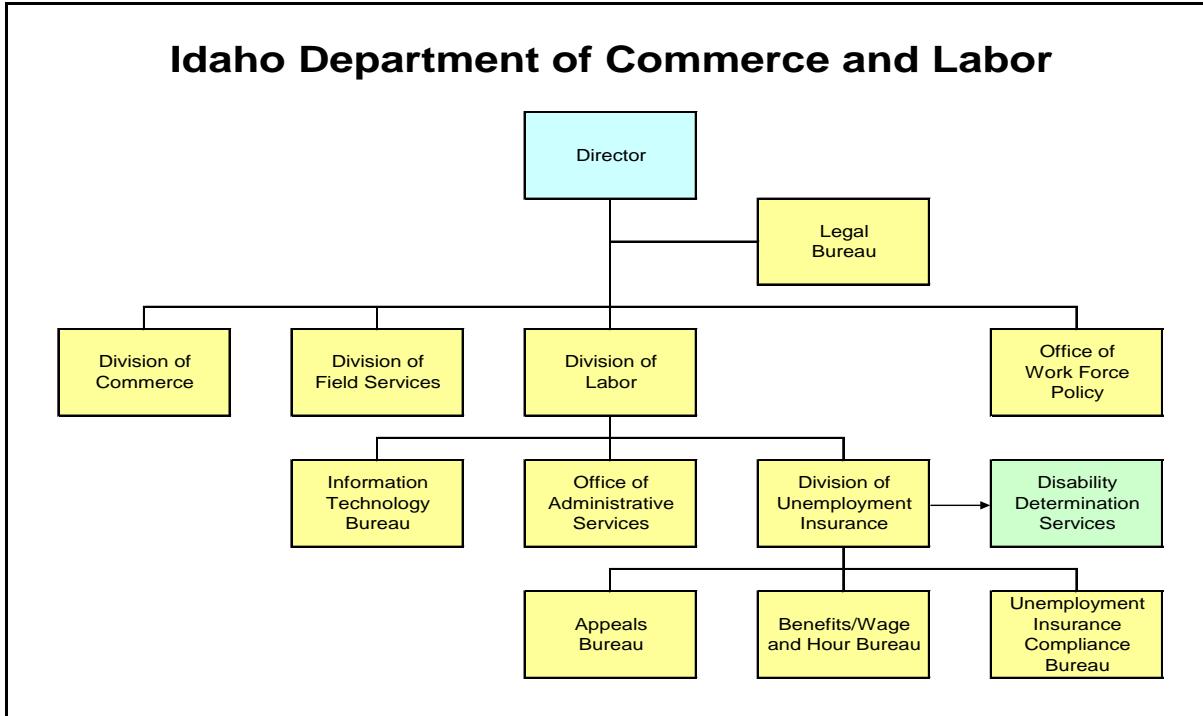
ID-DDS is a component of the Idaho Department of Commerce and Labor (ID-DCL). For FYs 2004 and 2005, ID-DDS employed about 63 employees and claimed total disbursements of \$13.84 million. The following chart provides an overview of ID-DDS' organizational structure.

² 31 C.F.R. § 205.1 et seq.

³ Pub. L. No. 101-453, 104 Stat. 1058, in part amending 31 U.S.C. §§ 3335, 6501, and 6503 (1990).

⁴ SSA, Program Operations Manual System (POMS), DI 39506.201 and DI 39506.202. DI 39506.200 B.4 provides, in part, that "Unliquidated obligations represent obligations for which payment has not yet been made. Unpaid obligations are considered unliquidated whether or not the goods or services have been received."

⁵ SSA, POMS, DI 39506.202.



RESULTS OF REVIEW

Generally, ID-DDS had effective internal controls over the accounting and reporting of administrative costs. We also found the costs claimed by the ID-DDS were generally allowable and funds were properly drawn. However, ID-DDS needs to improve its general security controls environment. Specifically, we found ID-DDS

- could have saved about \$876,476 in medical costs for FYs 2004 and 2005 had a fee schedule been established,
- did not recover \$800,000 of occupancy costs for expansion and remodeling of a privately leased building in FY 2003,
- did not maintain adequate inventory records for \$337,615 in equipment purchased by SSA,
- improperly allocated \$9,015 of unused leave for terminated employees during FYs 2004 and 2005, and
- needed to improve its general controls over its intrusion detection system (IDS), key management, and janitorial services.

MEDICAL FEE SCHEDULE

ID-DDS did not establish a fee schedule to determine the maximum payment rates for medical services. Without a fee schedule, SSA and ID-DDS may not be able to ensure the payment rates for medical services are appropriate and consistently applied. If payment rates were limited to the highest rate paid by Federal or other State agencies for the same or similar types of service, we estimate ID-DDS could have saved about \$876,476 in medical costs for FYs 2004 and 2005.

According to SSA policy, the DDS will consider its fee schedule as a maximum payment schedule for medical or other services that are necessary to make a disability determination.⁶ Authorized payments represent the lower of (1) the provider's usual and customary charge or (2) the maximum allowable charge under the fee schedule.⁷ According to SSA policy, the DDS will submit to the SSA regional office, Professional Relations Coordinator, a copy of the new fee schedule for both medical evidence of record and consultative examinations, and any issuances and instructions pertinent to their application, whenever the fee schedules have been revised.⁸ Also, if the State component does not set rates, the DDS is responsible, among other things, to maintain records of both the usual and customary charges billed by, and the authorized payments paid to the provider of medical records and to review these records annually with the SSA regional office to determine whether the fee schedule is adequate and cost-effective.⁹

Federal regulations require that each State determine the payment rates for medical or other services necessary to make disability determinations. The rates may not exceed the highest rate paid by Federal or other State agencies for the same or similar types of services. The State must maintain documentation to support the payment rates used.¹⁰

Although ID-DDS paid its medical providers the usual and customary rates, it still needed to establish a fee schedule to determine the maximum payment rates and ensure they were reasonable. In June 2006, the Seattle Regional Office conducted an on-site review of ID-DDS. Based on the results of its review, the Regional Office recommended that ID-DDS establish a fee schedule of the maximum payments the DDS will reimburse for consultative examinations, laboratory tests, and x-rays. ID-DDS implemented a fee schedule in March 2007.

⁶ SSA, POMS, DI 39545.210.1.

⁷ Id.

⁸ SSA, POMS, DI 39545.210.3.

⁹ SSA, POMS, DI 39545.410 B.1.d.

¹⁰ 20 C.F.R. §§ 404.1624 and 416.1024.

We determined other State agencies generally paid medical providers based on the usual and customary rates, which exceeded those paid by Medicare.¹¹ We matched the rates Medicare paid with the fees ID-DDS paid for its medical services.¹² As depicted in the table below, ID-DDS paid \$3,001,329 for 16,561 medical services in FYs 2004 and 2005. Using the applicable Medicare rates, the maximum payments for these medical services were limited to \$2,124,853. Had a fee schedule had been established and payment rates limited to the highest allowable rates, we estimate ID-DDS could have saved about \$876,476 in medical costs for FYs 2004 and 2005.

FY	Medical Services	Actual Payments	Maximum Payments	Potential Cost Savings
2004	8,026	\$1,425,964	\$1,032,172	\$393,792
2005	8,535	1,575,365	1,092,681	482,684
Total	16,561	\$3,001,329	\$2,124,853	\$876,476

OCCUPANCY COSTS

ID-DDS claimed \$800,000 in occupancy costs to expand and remodel a privately leased building in FY 2003. Although SSA authorized funding for the renovation, we determined ID-DDS did not reduce the rental rate to offset \$450,000 of these costs. In addition, we found SSA and ID-DDS did not recover the remaining \$350,000 in renovation costs, which resulted in the rental rate exceeding the market price of comparable privately owned space.

Under State policy, the cost to alter or remodel a leased facility is an occupancy cost.¹³ SSA policy allows the regional office to approve payments for repairs or alterations to obtain lower rental rates. Major repairs and replacement of DDS office space may be amortized over a period of years provided the total annual costs for space do not

¹¹ The Idaho Industrial Commission used usual and customary charges to regulate medical costs for workers' compensation claims in FYs 2004 and 2005. On April 1, 2006, the Idaho Industrial Commission adopted a fee schedule for all medical services based on the American Medical Association's Current Procedural Terminology codes. The Idaho Division of Vocational Rehabilitation established maximum payments for certain specialty examinations to assist disabled individuals in preparing for, securing, or retaining employment. However, the Idaho Division of Vocational Rehabilitation used usual and customary charges for all other examinations and ancillary tests.

¹² We matched about 89 percent of the medical services claimed by ID-DDS with the American Medical Association's Current Procedural Terminology codes used by Medicare.

¹³ State of Idaho, Department of Administration, State Facilities Manual, February 2001.

exceed comparable rental costs.¹⁴ SSA policy also states that rental charges to SSA must not exceed the rental rate of comparable privately owned space in the same or similar localities.¹⁵

In FY 2003, ID-DDS requested funding from SSA to expand and remodel its current office instead of relocating to another location. ID-DDS and the lessor intended to reduce the rent by \$450,000 (that is, \$45,000 annually over the lease term of 10 years) to partially offset the renovation costs paid by SSA. SSA authorized funding for the renovation in September 2003.

In January 2004, ID-DDS signed a 10-year lease effective September 2004. Under the lease agreement, ID-DDS paid the fair market value of \$14.95 per square foot. However, the lease did not include the agreed-upon reduction in rent to recover the \$450,000 in renovation costs paid by SSA. This occurred because SSA, ID-DDS, and ID-DCL did not follow up to ensure the lower rental rate was incorporated into the signed lease.

In addition, SSA and ID-DDS did not determine how the remaining \$350,000 in renovation costs would be recovered. These costs, which were paid by SSA, should have reduced the rent by an additional \$35,000 annually over the 10-year lease term. Since the \$350,000 was neither refunded nor recovered, the effective rental rate paid by ID-DDS actually exceeded that of comparable privately leased property in the area.

INVENTORY CONTROLS

In FYs 2004 and 2005, ID-DDS did not maintain adequate inventory records for \$337,615 in equipment purchased by SSA. Of this amount, we determined that \$158,238 in equipment was not inventoried, and \$179,377 in equipment was not accurately and timely updated in the inventory records.

Equipment Not Inventoried

ID-DDS did not inventory equipment purchased by SSA with a unit cost of less than \$2,000. This occurred because State policy only requires that equipment with a unit cost over \$2,000 be inventoried. As a result, ID-DDS did not properly account for equipment with an estimated cost of \$158,238 during FYs 2004 and 2005. This equipment included 84 desktop computers, 140 monitors, and 56 printers.

¹⁴ SSA, POMS, DI 39527.025 A.2.

¹⁵ SSA, POMS, DI 39527.015 A.1.a.

State regulations require that capital assets (that is, personal property with a unit cost of at least \$2,000) and any items below \$2,000 that are particularly vulnerable to loss must be inventoried.¹⁶ Within ID-DCL, the Supply and Central Receiving Section is responsible for conducting periodic inventories and maintaining records of ID-DDS equipment. We found that ID-DCL did not inventory the computers, monitors, and printers because it believed that none of these items were vulnerable to loss.

However, Federal regulations require that the State maintain all property furnished by SSA. The State is also required to identify the equipment by labeling and by inventory and to credit the SSA account with the fair market value of disposed property.¹⁷ Unless complete and accurate inventory records are maintained, ID-DDS may be unable to properly safeguard its assets. As a result of our audit, in January 2007, ID-DDS conducted a complete physical inventory of all equipment purchased by SSA.

Inventory Records Not Accurately Updated

ID-DCL and ID-DDS did not accurately and timely update its inventory records for equipment purchased by SSA with a unit cost of at least \$2,000. Although ID-DCL performed an annual physical inventory of equipment over \$2,000, we found that some equipment was not always identified and inventoried. In addition, ID-DDS did not promptly notify ID-DCL when equipment was subsequently purchased, replaced, or exchanged. As a result, we identified equipment with an estimated cost of \$179,377 that was not accurately reflected on State inventory records.

Federal regulations and SSA policy require that the State be responsible for the maintenance and inventory of all equipment acquired—whether purchased through SSA or the State.¹⁸

Specifically, we found that ID-DCL did not account for the purchase of 3 scanners valued at \$10,500, replacement of a large mainframe system valued at \$80,877, and purchase or replacement of 15 computer servers and routers valued at \$88,000. This occurred because ID-DDS relied on the annual inventory performed by ID-DCL to identify these items and update its records. As a result of our audit, in January 2007, ID-DCL updated its inventory records based on information provided by ID-DDS.

¹⁶ State of Idaho, Office of the State Controller, Fiscal Policies Manual, April 23, 2002.

¹⁷ 20 C.F.R. §§ 404.1628 and 416.1028.

¹⁸ Id.; SSA, POMS, DI 39530.020 A.1.

PAYMENT OF UNUSED LEAVE TO TERMINATED EMPLOYEES

ID-DCL improperly allocated unused leave for terminated employees to specific activities within each cost center.¹⁹ These costs should have been allocated as general administrative expenses across all activities of the Department. This occurred because ID-DCL relied on the methodology in its accounting system to ensure compliance with OMB Circular A-87. As a result, ID-DCL charged \$9,015 of unused leave for terminated employees to SSA's programs. In FY 2004, 12 employees separated from service and received lump-sum payments totaling \$2,726 for their accumulated leave balances. In FY 2005, 10 employees separated from service and received lump-sum payments totaling \$6,289.

OMB guidance states that payments for unused leave for an employee who retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.²⁰ Thus, the costs should have been allocated to all activities across ID-DCL rather than specific activities within ID-DDS. In July 2002, SSA reminded its staff of the proper method for reporting payments of accumulated leave or severance pay when an individual leaves employment. SSA encouraged each DDS to examine their indirect cost agreements to ensure that payments of unused leave to retired or terminated employees were accounted for in accordance with OMB Circular A-87.²¹

GENERAL SECURITY CONTROLS

We assessed limited areas of ID-DDS' general security controls environment. Based on this assessment, we found that ID-DDS needs to improve its general controls over its IDS, key management, and janitorial services.

Intrusion Detection System

We found that ID-DDS did not test the IDS as required. SSA policy requires that the IDS be tested semiannually with the monitoring company to ensure all sensors are working properly.²² Our review disclosed the IDS had not been tested since its installation in August 2004.

In addition, ID-DDS had not changed the IDS code since August 2004. According to SSA policy, the IDS code should be changed when (1) staff who know it leave or no longer have a need to know it or (2) compromise of the codes occurs or is

¹⁹ A cost center is an organizational unit or component that accumulates costs for specific activities.

²⁰ OMB, Circular A-87, Attachment B, 8.d.3.

²¹ SSA, Office of Disability, DDS Administrators' Letter No. 615, July 31, 2002.

²² SSA, POMS, DI 39566.010 B.2.h.

suspected.²³ We identified 21 employees who had transferred or separated from ID-DDS since August 2004. As a result of our audit, ID-DDS tested the IDS in January 2007 and planned to change the IDS codes as required.

Key Management

ID-DDS issued magnetic key cards to all DDS employees and other necessary ID-DCL personnel to enter the building. However, ID-DDS management was unaware the magnetic key cards had been erroneously programmed to allow access to all doors in the building at all times. Specifically, the magnetic key cards provided unlimited access to the computer room to all employees.

SSA policy states that access to the computer room should be restricted by management or authorized personnel.²⁴ As a result of our audit, ID-DDS took corrective action to reprogram all magnetic key cards to limit access to the computer room to management and authorized personnel only.

Janitorial Services

The lessor provided janitorial services for ID-DDS after working hours. The janitors had the master keys to enter the building and clean unescorted. The master keys also allowed the janitors to retain unrestricted access to most offices in ID-DDS, including the computer, electrical, training and meeting rooms.

SSA policy states the office should be cleaned during working hours, if possible. If not, extra care should be taken to ensure sensitive and *Privacy Act* documents are kept secure overnight.²⁵ In addition, SSA policy states the possession of keys should be limited to management or restricted to those individuals who are required to have them.²⁶

During our review, we observed that some file cabinets contained sensitive materials but were unlocked after working hours. ID-DDS management agreed that the offices can be cleaned during working hours if the work is performed at the end of the day. We believe that ID-DDS should work with the lessor to arrange for daytime cleaning. If daytime cleaning is not possible, ID-DDS should ensure all sensitive information is locked after working hours. As a result of our audit, ID-DDS retrieved the master keys from the janitors and issued magnetic key cards with limited access only.

²³ SSA, POMS, DI 39566.010 B.6.d.

²⁴ SSA, POMS, DI 39566.010 B.2.l.

²⁵ SSA, POMS, DI 39566.010 B.6.e.

²⁶ SSA, POMS, DI 39566.010 B.6.a.

CONCLUSION AND RECOMMENDATIONS

Our review disclosed that ID-DDS could have saved about \$876,476 in medical costs for FYs 2004 and 2005 had a fee schedule been established. We found that ID-DDS did not recover \$800,000 of occupancy costs for expansion and remodeling of a privately leased building in FY 2003. In addition, ID-DDS did not maintain adequate inventory records for \$337,615 in equipment and improperly allocated \$9,015 of unused leave for terminated employees. Finally, ID-DDS needs to improve its general controls over its IDS, key management, and janitorial services.

We recommend that SSA:

1. Ensure ID-DDS establishes a fee schedule for medical costs. The fees may not exceed the highest rate paid by Federal or other State agencies for the same or similar types of service.
2. Instruct ID-DDS to refund \$450,000 of occupancy costs charged for FY 2003 or amend the lease to reduce the rent by amortizing the SSA-funded renovation costs over the lease term.
3. Improve its monitoring of occupancy costs to ensure (1) renovation costs paid by SSA are fully recovered and (2) rental rates do not exceed the market prices of comparable privately owned space.
4. Ensure ID-DDS maintains adequate inventory records of all equipment purchased by SSA.
5. Instruct ID-DCL to adjust the method of charging payments of unused leave for terminated employees and allocate the payments as the general administrative expenses across all activities of the governmental unit or component.
6. Ensure ID-DDS tests the IDS at least semiannually and changes the IDS codes whenever personnel changes occur.
7. Ensure ID-DDS restricts access to the computer room to management and authorized personnel only.
8. Instruct ID-DDS to work with the lessor to arrange for daytime cleaning. If daytime cleaning is not possible, ensure all sensitive information is secure after working hours.

AGENCY COMMENTS

SSA and ID-DDS agreed with all our recommendations. See Appendices C and D for the full text of SSA's and ID-DDS' 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 – Social Security Administration Comments

APPENDIX D – Idaho Disability Determination Services Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

Act	<i>Social Security Act</i>
C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
DI	Disability Insurance
EDP	Electronic Data Processing
Form SSA-4513	<i>State Agency Report of Obligations for SSA Disability Programs</i>
FY	Fiscal Year
ID-DCL	Idaho Department of Commerce and Labor
ID-DDS	Idaho Disability Determination Services
IDS	Intrusion Detection System
OIG	Office of the Inspector General
OMB	Office of Management and Budget
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
Treasury	Department of the Treasury
U.S.C.	United States Code

Scope and Methodology

We reviewed the administrative costs reported to the Social Security Administration (SSA) by the Idaho Disability Determination Services (ID-DDS) on the *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) for Federal Fiscal Years (FY) 2004 and 2005. As of December 31, 2005, ID-DDS reported the following disbursements and unliquidated obligations on its Forms SSA-4513.

Category	FY 2004	FY 2005
Disbursements		
Personnel Costs	\$3,379,164	\$3,613,919
Medical Costs	2,006,098	2,179,395
Indirect Costs	424,303	421,193
All Other Nonpersonnel Costs	826,977	987,338
Total Disbursements	6,636,542	7,201,845
Unliquidated Obligations	5,195	170,062
Total Obligations	\$6,641,737	\$7,371,907

To achieve our objectives, we

- reviewed applicable Federal laws and regulations, pertinent sections of SSA's Program Operations Manual System, and other criteria relevant to administrative costs claimed by ID-DDS and drawdowns of SSA program funds;
- reviewed ID-DDS' policies and procedures related to personnel, medical, indirect, and all other nonpersonnel costs;
- interviewed employees from SSA, ID-DDS, and Idaho Department of Commerce and Labor (ID-DCL);
- reconciled the amount of Federal funds drawn for support of program operations to the allowable expenditures;
- examined the administrative costs incurred and claimed by ID-DDS for personnel, medical, and all other nonpersonnel costs during FYs 2004 and 2005;
- reconciled the accounting records to the administrative costs reported by ID-DDS on the Forms SSA-4513 for FYs 2004 and 2005;
- selected a random sample of personnel, medical, and all other nonpersonnel costs;
- verified indirect costs for FYs 2004 and 2005 based on the approved indirect cost allocation plan;
- performed a physical inventory of equipment that SSA provided to the ID-DDS; and
- conducted a limited examination of ID-DDS' general security controls environment.

We determined the electronic data used in our audit were 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 from the electronic files.

We performed audit work at the ID-DDS and ID-DCL in Boise, Idaho, and the Office of Audit in Richmond, California. Field work was conducted between June and December 2006. We conducted our audit in accordance with generally accepted government auditing standards.

SAMPLING METHODOLOGY

Our sampling methodology included the three general areas of costs as reported on Form SSA-4513: (1) personnel, (2) medical, and (3) all other nonpersonnel costs. We obtained computerized data from ID-DDS for FYs 2004 and 2005 for statistical sampling.

Personnel Costs

We reviewed all 57 personnel transactions from 1 pay period in FY 2005. In addition, we reviewed the transactions for all six medical consultants contracted by ID-DDS for 1 month in FY 2005. We tested payroll records to ensure ID-DDS accurately paid its employees and adequately supported these payments.

Medical Costs

We reviewed 100 medical cost items (50 items from each FY) using a stratified random sample. We distributed the sample items between medical evidence of records and consultative examinations based on the proportional distribution of the total medical costs for each year.

All Other Nonpersonnel Costs

We reviewed 100 all other nonpersonnel costs items (50 items from each FY) using a stratified random sample. Before selecting our sample, we sorted the transactions into the following categories: (1) occupancy costs, (2) contracted costs, (3) electronic data processing (EDP) maintenance, (4) new EDP equipment, (5) equipment, (6) communications, (7) applicant travel, (8) ID-DDS travel, (9) supplies, and (10) miscellaneous. We then distributed the 50 sample items between these categories based on the proportional distribution of all other nonpersonnel costs for each year. In addition, we reviewed all transactions for rental costs for each year.

Appendix C

Social Security Administration Comments



SOCIAL SECURITY

MEMORANDUM

DATE: May 16, 2007

Refer To: S2DXG3:DPA1

TO: Inspector General
Office of the Inspector General

FROM: Acting Regional Commissioner
Seattle Region

SUBJECT: Administrative Costs Claimed by the Idaho Disability Determination Services
(A-09-06-16120) -- REPLY

This responds to the draft report of the Office of the Inspector General (OIG) audit of the Idaho Disability Determination Services' (ID-DDS) Administrative Costs (A-15-02-12025). Comments on the eight recommendations are provided below.

Recommendation 1: Ensure the ID-DDS establishes a fee schedule for medical costs. The fees may not exceed the highest rate paid by Federal or other State agencies for the same or similar types of service.

Response: We concur. The DDS has established a fee schedule effective March 1, 2007. The fee schedule comports with the guidelines not to exceed the highest rate paid by Federal or other State agencies for the same or similar types of service.

Recommendation 2: Instruct the ID-DDS to refund \$450,000 of occupancy costs charged for FY 2003 or amend the lease to amortize the SSA-funded renovation costs over the lease term.

Response: We concur.

Recommendation 3: The ID-DDS should improve its monitoring of occupancy costs to ensure (1) renovation costs paid by SSA are fully recovered and (2) rental rates do not exceed the market prices of comparable privately owned space.

Response: We concur. Action has been taken within the Center for Disability (CD) to ensure that all appropriate steps are followed when a decision is made to renovate or relocate. An automated tool has been provided to the region's DDSs and is posted on the CD website.

Recommendation 4: Ensure the ID-DDS maintains adequate inventory records of all equipment purchased by SSA.

Response: We concur. The DDS inventory records of equipment have been corrected. A State Single audit completed in January 2007 confirmed the adequacy of the inventory controls.

Recommendation 5: Instruct the Idaho Department of Commerce and Labor (ID-DCL) to adjust the method of charging payments of unused leave for terminated employees and allocate the payments as the general administrative expenses across all activities of the governmental unit or component.

Response: We concur. The ID-DCL has been given a copy of DDS Administrators' Letter No. 615, dated July 31, 2002, and will adjust the method of charging payments of unused leave for terminated DDS employees.

Recommendation 6: Ensure ID-DDS tests the intrusion detection system (IDS) at least semi-annually and changes the IDS codes whenever personnel changes occur.

Response: We concur. The IDS was tested recently and the DDS has set a semi-annual schedule to re-test the system. Changing the IDS codes is now part of the DDS procedure whenever personnel changes occur. The ID-DDS Director certifies that this action has been taken in the annual manager self-review that is completed by September 30 each year.

Recommendation 7: Ensure ID-DDS restricts access to the computer room to management and authorized personnel only.

Response: We concur. New DDS policy restricts non-management and non-IT staff from access to the computer room. The ID-DDS Director certifies that this action has been taken in the annual manager self-review that is completed by September 30 each year.

Recommendation 8: Instruct ID-DDS to work with the lessor to arrange for daytime cleaning. If daytime cleaning is not possible, ensure all sensitive information is secured after working hours.

Response: We concur. The DDS worked with the lessor to obtain daytime cleaning which became effective April 1, 2007.

We appreciate the opportunity to comment on the audit recommendations. If your staff has any questions regarding our comments, please contact Don Larsen, Center for Disability, at telephone number 206-615-2651.

/s/ Donald Schoening

Appendix D

Idaho Disability Determination Services Comments

MEMO



To: Patrick P. O'Carroll, Jr., Inspector General
Cc: Nancy Vazquez, Administrator, Disability Determinations Service
From: Roger B. Madsen, Director, Idaho Department of Commerce and Labor *Roger B. Madsen*
Date: May 16, 2007
Re: Administrative Costs Claimed by the Idaho Disability Determination Services (A-09-06-16120)

Thank you for the opportunity to comment on the draft report of the recent audit of Idaho Disability Determination Services. Below is a response on each recommendation.

Recommendation 1: Ensure ID-DDS establishes a fee schedule for medical costs. The fees may not exceed the highest rate paid by Federal or other State agencies for the same or similar type of service.

ID-DDS established a CE Fee Schedule effective March 1, 2007. In accordance with POMS, we reviewed and compared the medical fee schedule adopted by Idaho Industrial Commission. We determined Idaho's average cost paid per CPT code for the previous two years. We arrived at a fee per CPT code that was not in excess of the Idaho Industrial Commission's fees. The Regional Office reviewed the proposed fee schedule. It was then sent to all Idaho CE panelists and medical providers for comment. The final CE Fee Schedule was issued by Administrative Order by Idaho Department of Commerce and Labor.

Recommendation 2: Instruct ID-DDS to refund \$450,000.00 of occupancy costs charged for FY 2003 or amend the lease to reduce the rent by amortizing the SSA-funded renovation costs over the lease term.

ID-DDS recognizes the lease did not include the \$450,000.00 reduction over the 10-year period of the lease. We are currently in contact with the owner to reopen the lease and negotiate new terms. Idaho Department of Commerce and Labor will work with the Seattle Regional Office to set up a payment process agreeable to both parties.

Recommendation 3: Improve its monitoring of occupancy costs to ensure (1) renovation costs paid by SSA are fully recovered and (2) rental rates do not exceed the market price of comparable privately owned space.

ID-DDS will work with the Seattle Regional Office to comply with their instructions and guidance on any renovation or rental rates.

Recommendation 4: Ensure ID-DDS maintains adequate inventory records of all equipment purchased by SSA.

ID-DDS IT staff conducted a complete inventory of all equipment purchased by SSA as of January 4, 2007. All inventory records have been updated by ID-DDS and ID-DCL. Procedures are in place to conduct annual inventories and notify ID-DCL when any equipment is received, replaced, or exchanged by SSA.

Recommendation 5: Instruct ID-DCL to adjust the method of charging payments of unused leave for terminated employees and allocate the payments as the general administrative expenses across all activities of the governmental unit or component.

ID-DCL accounting procedures have been changed to charge unused leave payments for retiring or terminated employees as a general administrative expense to all activities of the Department.

Recommendation 6: Ensure ID-DDS tests the IDS at least semiannually and changes the IDS codes whenever personnel changes occur.

ID-DDS had its IDS inspected and tested in January 2007. All devices were working as required. A new motion detector was installed to better cover the back door area. The contract with the alarm company includes a semi-annual inspection. The access code was changed in accordance with POMS, and will be changed in the future as required by POMS.

Recommendation 7: Ensure ID-DDS restricts access to the computer room to management and authorized personnel only.

ID-DDS IT staff completed an assessment of the access control to the building. Access to the building and computer room was restricted according to job responsibilities at the end of November 2006. Access to the computer room is restricted to IT staff and Deputy Administrator only.

Recommendation 8: Instruct ID-DDS to work with the lessor to arrange for daytime cleaning. If daytime cleaning is not possible, ensure all sensitive information is secure after working hours.

ID-DDS contacted the leasing agent and arranged for the cleaning of the building to be done during working hours. The cleaning staff has magnetic access cards with restrictions to the building only during business hours. The change was made effective April 1, 2007.

If your staff has any questions regarding our comments, please contact Nancy Vazquez, Administrator Disability Determinations Service via email at nancy.vazquez@dds.state.id.us or by phone at 208-332-3570 ext. 3341.

Appendix E

OIG Contacts and Staff Acknowledgments

OIG Contacts

James J. Klein, Director, San Francisco Audit Division, (510) 970-1739

Jack H. Trudel, Audit Manager, (510) 970-1733

Acknowledgments

In addition to those named above:

Manfei Lau, Auditor-in-Charge

James Sippel, Senior Auditor

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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.

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