

# Indirect Costs Claimed by the Oregon Disability Determination Services

## A-09-14-24140



June 2015

Office of Audit Report Summary

### Objective

To determine whether the indirect costs claimed by the Oregon Disability Determination Services (OR-DDS) for Fiscal Years (FY) 2011 through 2013 were allowable.

### Background

Disability determinations under the Social Security Administration's (SSA) Disability Insurance and Supplemental Security Income programs are performed by disability determination services (DDS) in each State in accordance with Federal regulations. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. To assist in making proper disability 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 reimburses each DDS for 100 percent of allowable expenditures. The expenditures include both direct and indirect costs.

For FYs 2011 through 2013, SSA reimbursed the Oregon Department of Human Services (OR-DHS) \$81.1 million in administrative expenses, including \$6.1 million in indirect costs.

### Findings

OR-DHS improperly charged indirect costs to SSA's programs. As a result, SSA reimbursed OR-DHS \$1,300,328 in unallowable costs for FYs 2011 through 2013. Specifically, we found OR-DHS improperly charged SSA

- \$263,835 in indirect costs from the Office of Information Services,
- \$8,972 in indirect costs from the Office of Payment Accuracy and Recovery, and
- \$1,027,521 in State-wide and departmental indirect costs because it used an incorrect cost allocation rate.

### Recommendations

We made several recommendations for OR-DHS to refund unallowable indirect costs, exclude OR-DDS from cost pools that do not provide it a benefit, and include all divisional components personnel services costs to determine the cost allocation rate for distributing State-wide and departmental indirect costs.

SSA agreed with our recommendations, and OR-DHS generally agreed with our recommendations.