

Office of the Inspector General

March 25, 1999

James M. Fornataro
Associate Commissioner
For Acquisition and Grants

Acting Assistant Inspector General
for Audit

Costs Claimed by the Commonwealth of Virginia on the Social Security Administration's Contract Number 600-92-0114

The attached final report presents the results of our audit of the costs claimed by the Commonwealth of Virginia on the Social Security Administration's Contract Number (CN) 600-92-0114 (A-13-98-81004). The objective of our audit was to determine whether costs claimed by the Commonwealth of Virginia for CN 600-92-0114 were allowable, allocable, and reasonable in accordance with applicable Federal regulations and the terms of the contract. This report also provides the contracting officer with cost information to determine the final contract value to use in closing out the contract.

You may wish to comment on any further action taken or contemplated. If you choose to offer comments, please provide your comments within the next 60 days. If you wish to discuss the final report, please call me at (410) 965-9700.

Daniel R. Devlin

Attachment

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INTRODUCTION

SSA's Office of Acquisition and Grants (OAG) requested an audit of costs incurred by the Commonwealth of Virginia (CN 600-92-0114) for vocational and rehabilitative services under a field experiment known as "Project Network." Under the contract, the Commonwealth of Virginia agreed to provide a full range of case management services to Social Security Disability Insurance beneficiaries (SSDI)¹ and Supplemental Security Income (SSI)¹ recipients to assist them in returning to work. The contracted service period was from July 1992, through March 1995. The costs claimed under CN 600-92-0114 are defined in terms of the contract. Additionally, Federal Acquisition Regulations (FAR) and the *Office of Management and Budget (OMB) Circular A-87 "Cost Principles for State, Local and Indian Tribal Governments"* provide criteria to establish allowability, allocability, and reasonableness of costs claimed by the Commonwealth of Virginia for Federal cost reimbursement contracts.

¹ SSDI provides worker's disability benefits for qualified workers and their families. SSI provides income maintenance payments to low-income individuals who are aged, blind, or disabled.

SCOPE AND METHODOLOGY

We limited our audit to the review of costs incurred by the Commonwealth of Virginia, Department of Rehabilitative Services for CN 600-92-0114. We did not assess, and do not express an opinion of the overall acceptability of the Commonwealth of Virginia's internal controls or accounting systems.

We did review, on a limited basis, the Commonwealth of Virginia's internal controls. In doing so, we assessed control risk as "high" and expanded our substantive test, which our audit reflects and which provides a reasonable basis for our conclusions. We also examined, on a test basis, evidence supporting the amounts claimed; inspected disclosures in the data; reviewed records; assessed the accounting principles used and significant estimates made by the Commonwealth of Virginia; and evaluated the overall data and records presentation.

To evaluate claimed costs, we used *OMB Circular A-87*, the FAR, plus the terms and conditions of the contract. We also interviewed Vocational Rehabilitation staff at SSA headquarters to determine "ordinary and reasonable" charges of the program. Costs that did not meet the requirements of SSA's policy, OMB circulars and contract language were questioned for SSA's use in determining the final value of the contract and closing it out.

We performed fieldwork at the Commonwealth of Virginia, Department of Rehabilitative Services located in Richmond, Virginia. We also performed work at OAG at SSA Headquarters in Baltimore, Maryland. The fieldwork was conducted from April 1998 through July 1998. Our audit was conducted in accordance with generally accepted government auditing standards.

CONCLUSION

We determined the costs claimed by the Commonwealth of Virginia for CN 600-92-0114 were allowable, allocable, and reasonable in accordance with applicable Federal regulations and the terms of the contract.

Costs Claimed by the Commonwealth of Virginia

The Commonwealth of Virginia claimed costs in accordance with the terms of the contract and/or applicable Federal regulations. Details of the costs are shown below:

COST ELEMENT	CLAIMED	RECOMMENDED	QUESTIONED
Direct Labor	\$847,971	\$847,971	\$0
Fringe Benefits	214,878	214,878	0
Permanent Research	75,814	75,814	0
General Purpose	7,849	7,849	0
Material & Supplies	7,351	7,351	0
Premium Pay	752	752	0
Travel	32,458	32,458	0
Subcontract Cost	59,172	59,172	0
VCU	63,966	63,966	0
Other Direct Costs	49,732	49,732	0
Client Services	822	822	0
SSI	471,582	471,582	0
SSDI	638,221	638,221	0
Indirect Costs-O/H	197,874	197,874	0
Adjustments	(16,104)	(16,104)	0
Totals Costs Claimed before SSA Adjustments	\$2,652,338	\$2,652,338	\$0
SSA Adjustments ¹	(363)	(363)	0
Total Costs Paid	\$2,651,975	\$2,651,975	\$0

RECOMMENDATION

We recommend that SSA close out the Commonwealth of Virginia CN 600-92-0114 in the amount of \$2,651,975.

Daniel R. Devlin

¹ SSA adjusted Public Vouchers 10, 19, 27, and 29 for minor arithmetic errors and Public Voucher 18 for accrued interest.

APPENDICES

MAJOR CONTRIBUTORS TO THIS REPORT

Office of the Inspector General

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For additional copies of this report, please contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-9158. Refer to Common Identification Number A-13-98-81004.

APPENDIX B

SSA ORGANIZATIONAL CHART
