
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**COSTS CLAIMED BY
THE STATE OF WASHINGTON ON THE
SOCIAL SECURITY ADMINISTRATION'S
CONTRACT NUMBER 600-95-22678**

JULY 2001

A-15-99-51014

AUDIT REPORT



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

Office of the Inspector General

MEMORANDUM

Date: JUL 20 2001 Refer To:

To: James M. Fornataro
Associate Commissioner
for Acquisition and Grants

From: Assistant Inspector General
for Audit

Subject: Costs Claimed by the State of Washington on the Social Security Administration's
Contract Number 600-95-22678 (A-15-99-51014)

OBJECTIVE

Our objective was to determine if costs claimed by the State of Washington for Contract Number (CN) 600-95-22678 were allowable, allocable, and reasonable in accordance with Federal regulations and the terms of the contract.

BACKGROUND

The Social Security Administration's (SSA) Office of Acquisition and Grants requested an audit of costs incurred by the State of Washington (CN 600-95-22678) for Referral and Monitoring Agency (RMA) services to refer, assess, and monitor drug addicts and alcoholics (DA&A) receiving Supplemental Security Income (SSI) payments.¹ The contracted service period was from September 25, 1995, through January 31, 1997. The costs claimed under CN 600-95-22678 are defined in terms of the contract and the Office of Management and Budget (OMB) Circulars *A-87 Cost Principles for State, Local and Indian Tribal Governments* and *A-122 Cost Principles for Non-Profit Organizations*. These circulars provide criteria to assure the costs claimed by the State and nonprofit entities are allowable, allocable, and reasonable for Federal cost reimbursement contracts.

¹ SSI provides income maintenance payments to low-income individuals who are aged, blind and/or disabled. DA&As could be entitled to SSI if they met income and other eligibility requirements, but this category was eliminated in March 1996 by the Contract with America Advancement Act of 1996, Public Law No. 104-121. However, prior to the elimination of the DA&A category, each State had a RMA contractor who referred, assessed and monitored DA&As whom were SSI recipients. Even though the contract period extended past March 1996, SSA made no referrals after the effective date of this law.

SCOPE AND METHODOLOGY

We limited our audit to the review of costs incurred by the State of Washington and its subcontractor for CN 600-95-22678. We did not assess and do not express an opinion of the overall acceptability of the State of Washington's or its subcontractor's internal controls or accounting systems.

However, we reviewed, on a limited basis, the contractor's and subcontractor's internal controls. Since we had no prior experience with the contractor or the subcontractor, we preliminarily assessed the control risk as "High." Therefore, we expanded our substantive tests, which our audit reflects and provides a reasonable basis for our conclusions. We also examined, on a judgmental basis, evidence supporting the amounts claimed by inspecting disclosures in the data; reviewing records; assessing the accounting principles used and significant estimates made by the contractor; and evaluating the overall data and records presentation.

To evaluate claimed costs, we referenced OMB Circulars A-87 and A-122 and the terms and conditions of the contract. We questioned the costs that did not meet the requirements of these circulars and the contract to determine the allowable costs for this contract.

We performed our fieldwork in Lacey, Washington and at the State of Washington's subcontractor, Therapeutic Health Services, in Seattle, Washington. We also performed work at SSA Headquarters, located in Baltimore, Maryland, from March 2001 through April 2001. This audit was conducted in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

We determined the costs claimed by the State of Washington for CN 600-95-22678, were allowable, allocable, and reasonable in accordance with applicable Federal Regulations and the terms of the contract. Details of the costs are shown below:

Cost Element	Budgeted	Claimed	Allowable	Questioned
Direct Labor	\$425,426	\$425,426	\$425,426	\$0
Fringe Benefits	110,981	110,981	110,981	0
Other Direct Costs	111,982	68,379	68,379	0
Furniture & Equipment	85,410	85,410	85,410	0
Computer Software & Implements	13,844	13,844	13,844	0
Travel	6,276	6,276	6,276	0
Subcontractors	1,268,989	1,267,939	1,267,939	0
Indirect Costs	32,540	32,539	32,539	0

CONCLUSION AND RECOMMENDATION

We recommend that SSA close out the State of Washington CN 600-95-22678 in the amount of \$2,010,794.



A handwritten signature in black ink, appearing to read "Steven L. Schaeffer".

Steven L. Schaeffer

Appendices

APPENDIX A - Acronyms

APPENDIX B - OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

CN	Contract Number
DA&A	Drug Addicts and Alcoholics
OMB	Office of Management and Budget
RMA	Referral and Monitoring Agency
SSA	Social Security Administration
SSI	Supplemental Security Income

OIG Contacts and Staff Acknowledgments

OIG Contacts

Frederick C. Nordhoff, Director
Financial Management and Performance Monitoring Audit Division
(410) 966-6676

Carl Markowitz,
Deputy Director
(410) 965-9742

Acknowledgments

In addition to those named above:

Suzanne Valett, Auditor-in-Charge
Annette DeRito, Program Analyst

For additional copies of this report, please contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-5998. Refer to Common Identification Number A-15-99-51014.

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President, National Council of Social Security Management Associations, Incorporated	1
Treasurer, National Council of Social Security Management Associations, Incorporated	1
Social Security Advisory Board	1
AFGE General Committee	9
President, Federal Managers Association	1
Regional Public Affairs Officer	1
Total	97

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The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency.

Office of Executive Operations

The Office of Executive Operations (OEO) supports the Office of the Inspector General (OIG) by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from the Agency, as well as conducting employee investigations within OIG. Finally, OEO administers OIG's public affairs, media, and interagency activities and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

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Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.