
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ADMINISTRATIVE COSTS
CLAIMED BY THE FLORIDA
DIVISION OF DISABILITY
DETERMINATIONS**

September 2003

A-08-03-13006

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

MEMORANDUM

Date: September 25, 2003

Refer To:

To: Paul D. Barnes
Regional Commissioner
Atlanta

From: Assistant Inspector General
for Audit

Subject: Administrative Costs Claimed by the Florida Division of Disability Determinations
(A-08-03-13006)

OBJECTIVE

The objectives of our audit were to (1) evaluate the Florida Division of Disability Determinations' (FL-DDD) and the Florida Department of Health's (FL-DH) internal controls over the accounting and reporting of administrative costs and (2) determine whether costs claimed were allowable and properly allocated and funds were properly drawn.

BACKGROUND

The Disability Insurance (DI) program was established in 1954 under Title II of the Social Security Act (Act). The program provides a benefit to wage earners and their families in the event the wage earner becomes disabled. The Supplemental Security Income (SSI) program was created as a result of the Social Security Amendments of 1972 with an effective date of January 1, 1974. SSI (Title XVI of the Act) provides a nationally uniform program of income to financially needy individuals who are aged, blind, and/or disabled.

The Social Security Administration (SSA) is primarily 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 jurisdictions. Such determinations are required to be performed 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

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

support its determinations. To assist in making proper disability determinations, each DDS is authorized by SSA to purchase such consultative medical examinations as x-rays and laboratory tests 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.² Once SSA approves the annual budget, the DDS withdraws Federal funds through the Department of the Treasury's (Treasury) Automated Standard Application for Payments system. The DDS is required to draw funds according to Federal regulations³ and in accordance with intergovernmental agreements entered into by Treasury and the States under the authority of the Cash Management Improvement Act of 1990 (CMIA).⁴ At the end of each fiscal quarter, each DDS is required to submit to SSA a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) to account for program disbursements and unliquidated obligations.⁵

FL-DDD is a component of the FL-DH. Indirect costs are allocated according to the FL-DH Cost Allocation Plan, which is required to be approved by the Department of Health and Human Services (HHS) on behalf of the Government. Before January 1, 2000, FL-DDD was a component of the Florida Department of Labor (FL-DL). The Division of Disability Determinations was transferred to FL-DH effective January 1, 2000, and FL-DL ceased to exist on July 1, 2002.

SCOPE AND METHODOLOGY

We reviewed the administrative costs FL-DDD reported on its Form SSA-4513 for Fiscal Years (FY) 1999 through 2001. For the periods reviewed, we obtained evidence to evaluate recorded financial transactions and determine whether they are allowable under Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and appropriate, as defined by SSA's Program Operations Manual System (POMS).

² 20 C.F.R. §§ 404.1626 and 416.1026.

³ 31 C.F.R. § 205.

⁴ Pub. L. No. 101-453 (codified in scattered sections of 31 U.S.C.).

⁵ SSA, POMS, DI 39506.815.

We also

- reviewed applicable Federal regulations and pertinent parts of POMS, DI 39500, *DDS Fiscal and Administrative Management*, and other instructions pertaining to administrative costs incurred by FL-DDD and draw down of SSA funds covered by the CMIA;
- interviewed staff at FL-DDD, FL-DH and SSA Region IV Center for Disability Operations;
- reviewed State policies and procedures related to personnel, medical services, and all other non-personnel costs;
- reviewed the Memorandum of Understanding between SSA and the FL-DH for non-SSA work;
- evaluated and tested internal controls regarding accounting and financial reporting and cash management activities;
- reviewed the reconciliation of official State accounting records to the administrative costs reported by FL-DDD on Form SSA-4513 for FYs 1999 through 2001;
- examined the administrative expenditures (personnel, medical service, and all other non-personnel costs) incurred and claimed by FL-DDD for FYs 1999 through 2001 on Form SSA-4513. We used statistical sampling to select documents to test for support of the medical service and all other non-personnel costs (see Appendix B);
- examined the indirect costs claimed by FL-DDD for FYs 1999 through 2001 and the corresponding FL-DH Cost Allocation Plans;
- compared the amount of SSA funds drawn to support program operations to the allowable expenditures reported on Form SSA-4513;
- reviewed the State of Florida Auditor General's Single Audit reports for the period July 1, 1998 through June 30, 2001; and
- conducted a physical inventory test including (1) equipment items FL-DH purchased during our audit period and (2) selected computer hardware items SSA provided FL-DDD.

We performed work at FL-DDD offices in Tallahassee and Jacksonville, Florida, and FL-DH offices in Tallahassee, Florida. We conducted our audit from June 2002 through May 2003 in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

The FL-DH and FL-DDD had adequate internal controls over accounting and reporting of administrative costs and draw downs. Our tests of the amounts FL-DH reported on Forms SSA 4513 provided reasonable assurance FL-DH had correctly reported the administrative costs (\$207,863,679) FL-DDD incurred for disability determination activities during our audit period (see Table 1 and Appendix C). Our tests of FL-DH's claimed costs also showed the sampled expenditures were allowable and allocable and funds were properly drawn.

Table 1: FL-DDD Administrative Cost Claimed for FYs 1999 through 2001

| Cost Categories | Total Obligations | Total Disbursements | Unliquidated Obligations |
|-----------------|----------------------|----------------------|--------------------------|
| Personnel | \$118,501,359 | \$118,501,138 | \$ 221 |
| Medical | 56,471,081 | 56,400,806 | 70,275 |
| Indirect | 8,034,396 | 8,034,373 | 23 |
| All Other | 24,856,843 | 24,855,306 | 1,537 |
| Total | \$207,863,679 | \$207,791,623 | \$72,056 |

CONCLUSION

We concluded FL-DH and FL-DDD complied with laws, regulations, policies and procedures governing expenditures and obligations incurred for SSA's disability program for FYs 1999 through 2001. Specifically, we concluded FL-DH and FL-DDD had adequate internal controls over accounting and reporting of administrative costs and draw downs of SSA funds for the period under review. Administrative costs claimed were allowable and properly allocated, and funds were properly drawn.


Steven L. Schaeffer

Appendices

APPENDIX A – Acronyms

APPENDIX B – Sampling Methodology

APPENDIX C – Florida Division of Disability Determinations Reported Versus Allowed Obligations

APPENDIX D – Social Security Administration Comments

APPENDIX E – Florida Division of Disability Determinations’ Comments

APPENDIX F – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

| | |
|----------|---|
| Act | Social Security Act |
| C.F.R. | Code of Federal Regulations |
| CMIA | Cash Management Improvement Act |
| DI | Disability Insurance |
| DDS | Disability Determination Services |
| FL-DL | Florida Department of Labor |
| FL-DDD | Florida Division of Disability Determinations |
| FL-DH | Florida Department of Health |
| FY | Fiscal Year |
| HHS | Department of Health and Human Services |
| OIG | Office of the Inspector General |
| OMB | Office of Management and Budget |
| POMS | Program Operations Manual System |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |
| Treasury | Department of the Treasury |
| U.S.C. | United States Code |

Sampling 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 Non-personnel Costs. We obtained computerized data from the Florida Division of Disability Determinations (FL-DDD) for Fiscal Years (FY) 1999 through 2001 for use in statistical sampling. After selecting and reviewing randomly selected samples, we did not identify errors we felt warranted audit projection.

Personnel Costs

We judgmentally sampled seven employees and three contractors from one pay period in each of the FYs 1999 through 2001. We tested FL-DDD's payroll records to ensure it correctly paid employees and adequately documented these payments.

Medical Costs

We sampled 150 items (50 items from each FY) using a stratified random sample. We stratified medical costs into Medical Evidence of Record and Consultative Examinations and selected more consultative examination invoices because these costs represented 74 percent of all medical costs.

Indirect Costs

We reviewed the indirect cost base and computations used to determine those costs for reimbursement purposes. Our objective was to ensure the Social Security Administration reimbursed FL-DDD in compliance with the State Cost Allocation Plan. We reviewed the spreadsheets and traced the base amounts back to Form SSA-4513 for the indirect cost computation components.

All Other Non-personnel Costs

We selected a stratified random sample of 162¹ items (54 expenditures from each FY) from All Other Non-personnel Costs. We stratified All Other Non-personnel Costs into seven cost categories: (1) Care and Subsistence, (2) Staff Travel, (3) Communications, (4) Equipment and Capital Outlays, (5) Independent Contractors, (6) Miscellaneous, and (7) Occupancy. We selected a stratified random sample of 50 items from each FY based on the percentage of costs in each category (excluding occupancy) to total costs. We also selected a judgmental sample of occupancy expenditures from each FY for the Occupancy category. We did not identify errors we felt warranted audit projection.

¹ We used four replacements to obtain the units needed to complete our desired sample. This was necessary because FL-DDD had problems retrieving archived documentation.

Appendix C

FLORIDA DIVISION OF DISABILITY DETERMINATIONS REPORTED VERSUS ALLOWED OBLIGATIONS

| Fiscal Year 2001 | | | | | |
|-------------------------------------|---------------------|---------------------|-----------------------------------|--------------------|---------------------|
| | Personnel | Medical | Disbursements Indirect | All Other | Total |
| As Reported by the FL-DDD | \$41,389,684 | \$19,639,290 | \$3,571,704 | \$7,883,999 | \$72,484,677 |
| Unliquidated Obligations | 221 | 70,275 | 23 | 1,537 | 72,056 |
| Allowed as a Result of Audit | \$41,389,905 | \$19,709,565 | \$3,571,727 | \$7,885,536 | \$72,556,733 |

| Fiscal Year 2000 | | | | | |
|-------------------------------------|---------------------|---------------------|-----------------------------------|--------------------|---------------------|
| | Personnel | Medical | Disbursements Indirect | All Other | Total |
| As Reported by the FL-DDD | \$39,509,823 | \$18,810,744 | \$2,275,076 | \$8,598,979 | \$69,194,622 |
| Unliquidated Obligations | 0 | 0 | 0 | 0 | 0 |
| Allowed as a Result of Audit | \$39,509,823 | \$18,810,744 | \$2,275,076 | \$8,598,979 | \$69,194,622 |

| Fiscal Year 1999 | | | | | |
|-------------------------------------|---------------------|---------------------|-----------------------------------|--------------------|---------------------|
| | Personnel | Medical | Disbursements Indirect | All Other | Total |
| As Reported by the FL-DDD | \$37,601,631 | \$17,950,772 | \$2,187,593 | \$8,372,328 | \$66,112,324 |
| Unliquidated Obligations | 0 | 0 | 0 | 0 | 0 |
| Allowed as a Result of Audit | \$37,601,631 | \$17,950,772 | \$2,187,593 | \$8,372,328 | \$66,112,324 |

Social Security Administration Comments



SOCIAL SECURITY

MEMORANDUM

Date: September 11, 2003

Refer To: K Killam 2-5727

To: Assistant Inspector General for Audit

From: Regional Commissioner
Atlanta

Subject: Florida State DDS Audit -- RESPONSE to Your Memorandum (undated)

Thank you for the opportunity to comment on the validity of the facts and reasonableness of the recommendations presented in your report of the audit (# A-08-03-13006) on the Administrative Costs Claimed by the Florida Disability Determination Services (DDS).

There were no recommendations made from this audit because the auditors concluded that the Florida Department of Health and the Florida DDS complied with laws, regulations, policies and procedures governing expenditures and obligations incurred for SSA's disability program for Fiscal Years 1999 through 2001.

Please contact me if I can be of further assistance. Staff questions should be referred to Karen Killam (404) 562-5727 or Josie Irwin at (404) 562-1407.

Paul D. Barnes

Attachments

cc: Mr. James M. McHargue, Director, Office of Disability Determinations
Ms. Avis Payne, Chief of Administrative Services, DDS

[SSA also provided a technical comment which has been addressed in this report.]

Florida Division of Disability Determinations' Comments

Jeb Bush
Governor



John O. Agwunobi, M.D., M.B.A.
Secretary

September 15, 2003

Mr. Steven L. Schaeffer
Assistant Inspector General for Audit
Social Security Administration
4-L-1 Operations
6401 Security Boulevard
Baltimore, Maryland 21235-0001

Dear Mr. Schaeffer:

Thank you for the opportunity to review the draft report entitled "Administrative Costs Claimed by the Florida Division of Disability Determinations (A-08-03-13006)." Our staff have reviewed the report and concur with the findings. However, one of the figures in Appendix B contains a number with transposed digits; and, the transposed figure is carried forward in the totals in Table 1 of the report. Based on the SSA-4513, "State Agency Report of Obligations for SSA Disability Programs," for the quarter ending March 31, 2002, and as displayed in Appendix B, the total for the "All Other" category for Fiscal Year 2000 should be \$8,598,979, not \$8,589,979 as displayed in the Appendix B. After correcting the transposed figure for FY 2000, the totals in Table 1 should read as follows:

| Cost Categories | Total Obligations | Total Disbursements | Unliquidated Obligations |
|-----------------|-------------------|---------------------|--------------------------|
| All Other | 24,856,843 | 24,855,306 | 1,537 |
| Total | \$207,863,879 | \$207,791,623 | \$72,056 |

We would like to thank the auditors – Kathy Youngblood, Ellen Justice, Theresa Roberts, and Reginia Grider – for conducting the audit in a courteous and professional way with the least disruption to staff. We appreciated their patience and cooperation. If you have any questions or need additional information, please contact Avis Payne, Chief of Administrative Services for the Division of Disability Determinations, at (850) 410-2545, or by e-mail at: Avis.Payne@SSA.gov.

Again, thank you for the opportunity to review the draft report. I am always pleased to receive a good audit response and am proud to be a part of this efficient and hard working team that strives for excellence in accounting for Social Security Administration funding and in the disability determinations process.

Sincerely,

A handwritten signature in black ink, appearing to read "John O. Agwunobi".

John O. Agwunobi, M.D., M.B.A.
Secretary, Department of Health

JOA/ap/jb

4052 Bald Cypress Way • Tallahassee, FL 32399-1701

Appendix F

OIG Contacts and Staff Acknowledgments

OIG Contacts

Walter Bayer, Director, (215) 597-4080

Jeff Pounds, Deputy Director, (205) 801-1606

Acknowledgments

In addition to those named above:

Kathy Youngblood, Senior Auditor

Ellen Justice, Auditor

Theresa Roberts, Auditor

Kimberly Beauchamp, Writer/Editor

For additional copies of this report, please visit our web site at www.ssa.gov/oig or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-08-03-13006.

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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