

Audit Report

Administrative Costs Claimed by the
Tennessee Disability Determination
Services

A-04-12-11298 / May 2013

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: May 22, 2013

Refer To:

To: Michael W. Grochowski
Regional Commissioner
Atlanta

From: Inspector General

Subject: Administrative Costs Claimed by the Tennessee Disability Determination Services
(A-04-12-11298)

The attached final report presents the results of our audit. Our objectives were, for Federal Fiscal Years 2010 and 2011, to (1) evaluate the internal controls over the accounting and reporting of administrative costs claimed by the Tennessee Disability Determination Services; (2) determine whether the costs claimed were allowable and funds were properly drawn; and (3) assess, on a limited basis, the general security controls environment.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

cc:

Ann Robert, Acting Associate Commissioner for Disability Determinations
Carla Krabbe, Associate Commissioner for Financial Policy and Operations
Gary S. Hatcher, Senior Advisor for Records Management and Audit Liaison Staff
Dr. Raquel Hatter, Commissioner, Tennessee Department of Human Services
Tamra L. Smith, Director, Tennessee Disability Determination Services

Administrative Costs Claimed by the Tennessee Disability Determination Services

A-04-12-11298



May 2013

Office of Audit Report Summary

Objectives

For Federal Fiscal Years (FFY) 2010 and 2011, to (1) evaluate the internal controls over the accounting and reporting of administrative costs claimed by the Tennessee Disability Determination Services (TN-DDS); (2) determine whether the costs claimed were allowable and funds were properly drawn; and (3) assess, on a limited basis, the general security controls environment.

Background

Disability determination services (DDS) in each State or other responsible jurisdiction perform disability determinations under the Social Security Administration's (SSA) Disability Insurance and Supplemental Security Income programs. DDSs must perform such determinations in accordance with Federal law and regulations. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations.

To make proper disability determinations, SSA authorizes each DDS 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 the DDS for 100 percent of allowable reported expenditures up to its approved funding authorization. In FFYs 2010 and 2011, TN-DDS claimed administrative costs totaling \$121.2 million.

Our Findings

TN-DDS claimed \$409,107 and \$898,650 in unallowable costs for FFYs 2010 and 2011, respectively. Also, in FFY 2010, TN-DDS incorrectly claimed \$538,789 in FFY 2009 occupancy (rent) costs that it did not claim on its FFY 2009 SSA-4513. TN-DDS overstated costs on the *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) because the cost data the parent agency extracted from its new accounting system were not accurate. Most of the overstated costs occurred in the occupancy cost category. TN-DDS' parent agency has since improved its process for extracting the TN-DDS cost data from the new State accounting system.

Except for these unallowable costs, we determined costs TN-DDS claimed from October 1, 2009 through September 30, 2011 were allowable and properly allocated, and the system of internal controls over the accounting and reporting of administrative costs was effective. In addition, TN-DDS properly drew Federal funds for the costs it claimed on Form SSA-4513 for FFYs 2010 and 2011. Finally, our limited review of TN-DDS' controls over its physical security and personally identifiable information showed that controls were generally in place. However, the building's fire suppression (sprinkler) system routed through TN-DDS' computer room, which placed computers at risk of accidental water damage.

Our Recommendations

We recommended that SSA:

1. Instruct TN-DDS to revise its Forms SSA-4513 for FFYs 2009 through 2011 to include unclaimed occupancy costs in FFY 2009 and reflect only the allowable costs in FFYs 2010 and 2011 and refund all cash drawn in excess of the revised costs for these FFYs.
2. Instruct TN-DDS to take action to mitigate the risk of water from the sprinkler system damaging computers in the computer room.

SSA and TN-DDS' parent agency agreed with our recommendations.

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ABBREVIATIONS

ASAP	Automated Standard Application for Payments
C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
FFY	Federal Fiscal Year
OIG	Office of the Inspector General
OMB	Office of Management and Budget
POMS	Program Operations Manual System
SSA	Social Security Administration
TN-DDS	Tennessee Disability Determination Services
TN-DHS	Tennessee Department of Human Services
TN-DRS	Tennessee Division of Rehabilitation Services
U.S.C.	United States Code

Form

Form SSA-4513 *State Agency Report of Obligations for SSA Disability Programs*

OBJECTIVES

Our objectives were, for Federal Fiscal Years (FFY) 2010 and 2011, to (1) evaluate the internal controls over the accounting and reporting of administrative costs claimed by the Tennessee Disability Determination Services (TN-DDS); (2) determine whether the costs claimed were allowable and funds were properly drawn; and (3) assess, on a limited basis, the general security controls environment.

BACKGROUND

Disability determination services (DDS) in each State or other responsible jurisdiction perform disability determinations under the Social Security Administration's (SSA) Disability Insurance and Supplemental Security Income programs. DDSs are required to perform such determinations in accordance with Federal law and regulations.¹ Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations.

To make proper disability determinations, SSA authorizes each DDS 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 when the evidence as a whole, both medical and nonmedical, is insufficient to make a disability determination.² SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization for costs reported on a Form SSA-4513, *State Agency Report of Obligations for SSA Disability Programs*.³ The DDS withdraws Federal funds through the Department of the Treasury's Automated Standard Application for Payments (ASAP) system to pay for program expenditures.

TN-DDS is a component of the Tennessee Division of Rehabilitation Services (TN-DRS) in the Tennessee Department of Human Services (TN-DHS). The Division of Finance and Administration, within the TN-DHS, accounts for TN-DDS' disbursements and prepares the Form SSA-4513. The State's indirect costs for TN-DDS are determined based on a cost allocation plan approved by the Department of Health and Human Services. In FFYs 2010 and 2011, TN-DDS claimed costs of about \$58.6 and \$62.6 million, respectively. For additional background, scope, and methodology, see Appendix A.

¹ Social Security Act §§ 221 and 1614, 42 U.S.C. §§ 421 and 1382c; 20 C.F.R. §§ 404.1601, *et seq.*, and 416.1001, *et seq.*

² SSA, Programs Operations Manual (POMS), DI 39545.120.A. (April 20, 2007).

³ SSA, POMS, DI 39501.020 B. (February 28, 2002), DI 39506.001.B. (March 12, 2002), and DI 39506.202.A. (March 12, 2002).

RESULTS OF REVIEW

Except for the unallowable costs TN-DDS claimed because of errors in obtaining data from the new State-wide accounting system, we determined that costs TN-DDS claimed from October 1, 2009 through September 30, 2011 were allowable and properly allocated, and the system of internal controls over the accounting and reporting of administrative costs was effective. In addition, TN-DDS properly drew Federal funds for the costs it claimed on Form SSA-4513 for FFYs 2010 and 2011. Finally, our limited review of TN-DDS' controls over its physical security and personally identifiable information showed that controls were generally in place. However, the building's fire suppression (sprinkler) system was routed through TN-DDS' computer room. As such, the computers were at risk of accidental water damage.

Unallowable Costs

During our audit period, TN-DDS claimed reimbursement for about \$1.3 million in unallowable costs: \$409,107 and \$898,650 in FFYs 2010 and 2011, respectively.

FFY 2010 Unallowable Costs

In FFY 2010, TN-DDS claimed \$409,107 in unallowable costs. Also, TN-DDS incorrectly claimed \$538,789 in occupancy (rent) costs that it should have claimed on its FFY 2009 SSA-4513.⁴ According to a TN-DRS official, in October 2009, the State of Tennessee completed its transition to a new accounting system. The transition affected how TN-DRS obtained the cost data needed to complete the Form SSA-4513. During our audit, TN-DRS found that it did not properly extract TN-DDS' cost data from the new accounting system. As a result, TN-DDS overstated costs claimed in several categories on Form SSA-4513, while understating costs in other categories. Table 1 details FFY 2010 allowable costs by Form SSA-4513 cost category.

⁴ TN-DDS claimed occupancy costs of \$538,789 in FFY 2010 that were valid but should have been claimed in FFY 2009. We did not disallow these costs.

Table 1: FFY 2010 Allowable Costs by Cost Category

Form SSA-4513 Cost Category	Form SSA-4513 Costs Claimed	Allowable Costs	Change in Allowable Costs
Personnel	\$25,318,493	\$25,364,561	\$46,068
Medical	24,810,954	24,456,821	(354,133)
Indirect	2,191,248	2,191,248	0
Occupancy	3,033,317	2,842,953	(190,364)
Contracted Costs	639,066	639,076	10
Electronic Data Processing Maintenance	150,730	150,730	0
Equipment Rental	52,359	52,360	1
Communications	1,161,827	1,247,072	85,245
Applicant Travel	898,139	898,139	0
DDS Travel	71,626	71,605	(21)
Supplies	195,939	203,755	7,816
Miscellaneous	480,655	476,926	(3,729)
Totals	\$59,004,353	\$58,595,246	(\$409,107)

In addition to claiming certain unallowable occupancy costs, in FFY 2010, TN-DDS incorrectly claimed \$538,789 in rent for the last 3 months of FFY 2009. A TN-DRS official explained that the State did not record all its rent costs during the latter months of FFY 2009, when it was transitioning to the new accounting system. After the transition was complete, the State recorded the 3 months of TN-DDS' FFY 2009 rent as a FFY 2010 cost.

Although TN-DDS did not claim the \$538,789 in FFY 2009 rent on that year's Form SSA-4513, Federal law prohibits using funds authorized for 1 year for a different year's costs.⁵ However, a DDS' financial reporting period may extend beyond the end of a FFY.⁶ Specifically, a DDS' FFY reporting period remains open until all the FFY fund obligations are liquidated or until the end of the fifth FFY after the year for which SSA obligated funds. As such, we believe TN-DDS should revise its FFYs 2009 and 2010 Forms SSA-4513 to report the \$538,789 in occupancy costs in the correct FFYs.

⁵ 31 U.S.C. § 1502 (a) provides, in part that, "The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability. . . . However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law."

⁶ When a DDS' financial reporting period extends beyond the fourth quarter of a FFY, the DDS must continue reporting quarterly to SSA (on Form SSA-4513) its cumulative costs, including adjustments to previously reported costs. POMS, DI 39506.201.A. (March 12, 2002) and DI 39506.203.B. (March 12, 2002).

FFY 2011 Unallowable Costs

In FFY 2011, TN-DDS claimed \$898,650 in unallowable costs. Similar to FFY 2010, TN-DDS claimed reimbursement for overstated costs due to errors in extracting the TN-DDS cost data from the new State accounting system. Additionally, like FFY 2010, almost all the overstated costs were in the occupancy cost category. Particular to FFY 2011, we determined the cost data used to develop the occupancy costs claimed on Form SSA-4513 included a duplicate accounting entry. This error explained \$356,072 of the overstated costs. Table 2 details FFY 2011 allowable costs, by Form SSA-4513 cost category.

Table 2: FFY 2011 Allowable Costs by Cost Category

Form SSA-4513 Cost Category	Form SSA-4513 Costs Claimed	Allowable Costs	Change in Allowable Costs
Personnel	\$27,121,559	\$27,158,366	\$36,807
Medical	25,494,007	25,598,178	104,171
Indirect	3,063,211	3,063,211	0
Occupancy	3,247,453	2,141,826	(1,105,627)
Contracted Costs	747,987	747,987	0
Electronic Data Processing Maintenance	165,579	165,579	0
Equipment Purchases	375,503	372,503	(3,000)
Equipment Rental	29,458	29,458	0
Communications	1,224,210	1,257,799	33,589
Applicant Travel	924,268	924,268	0
DDS Travel	104,507	104,471	(36)
Supplies	199,735	199,626	(109)
Miscellaneous	445,427	443,197	(2,230)
Totals	\$63,142,904	\$62,206,469	(\$936,435)
Adjustment Due to SSA's FFY 2010 Fund Reductions⁷			\$37,785
Change in Allowable Costs			(\$898,650)

A TN-DRS official explained that it had improved its process for extracting TN-DDS' cost data from the new State accounting system. As such, the official stated that costs claimed on subsequent years' Forms SSA-4513 should be accurate. Finally, the parent agency confirmed that the occupancy costs claimed on TN-DDS' FFY 2012 Form SSA-4513 were accurate. The occupancy costs claimed were about \$2.1 million—the cost of only 12 months of rent (with no other lease or improvement costs).

⁷ In September 2011, SSA reduced TN-DDS' FY 2010 cash fund to \$63,105,119. As such, TN-DDS' total FY 2011 cash draws were \$37,785 less than the costs reported on the FY 2010 SSA-4513. Accordingly, we adjusted the change in allowable costs by this amount.

General Security Controls Concern

The building's fire suppression (sprinkler) system was routed through TN-DDS' computer room. Specifically, water pipes that supplied the sprinkler system and several sprinkler heads were located in the computer room's ceiling. As such, if a water pipe leaked, a sprinkler head failed and disbursed water, or the sprinkler system was activated, SSA's computer and TN-DDS' case management computer could have been damaged. Accordingly, we recommend TN-DDS take action to mitigate the risk of water from the sprinkler system damaging computers in the computer room.

CONCLUSIONS

During our audit period, TN-DDS claimed reimbursement for about \$1.3 million in unallowable costs. Specifically, TN-DDS claimed \$409,107 and \$898,650 in unallowable costs for FFYs 2010 and 2011, respectively. Additionally, in FFY 2010, TN-DDS incorrectly claimed \$538,789 of FFY 2009 occupancy costs that it did not claim on its FFY 2009 SSA-4513. TN-DDS claimed reimbursement for overstated costs on Forms SSA-4513 because the cost data TN-DRS extracted from its new State-wide accounting system were not accurate. Most of the overstated costs were in the occupancy cost category. TN-DRS had improved its process for extracting the TN-DDS cost data from the new State accounting system, which should increase the accuracy of costs claimed on subsequent years' Forms SSA-4513.

Except for these unallowable costs, we determined that costs TN-DDS claimed from October 1, 2009 through September 30, 2011 were allowable and properly allocated, and the system of internal controls over the accounting and reporting of administrative costs was effective. In addition, TN-DDS properly drew Federal funds for the costs it claimed on Form SSA-4513 for FFYs 2010 and 2011. Finally, our limited review of TN-DDS' controls over its physical security and personally identifiable information showed that controls were generally in place. However, the building's fire suppression (sprinkler) system was routed through TN-DDS' computer room. As such, the computers were at risk of accidental water damage.

RECOMMENDATIONS

Accordingly, we recommend that SSA:

1. Instruct TN-DDS to revise its Forms SSA-4513 for FFYs 2009 through 2011 to include unclaimed occupancy costs in FFY 2009 and reflect only the allowable costs in FFYs 2010 and 2011 and refund all cash drawn in excess of the revised costs for these FFYs.
2. Instruct TN-DDS to take action to mitigate the risk of water from the sprinkler system damaging computers in the computer room.

AGENCY COMMENTS

SSA and TN-DHS agreed with our recommendations. See Appendix B for the full text of the Agency's comments and Appendix C for the full text of TN-DHS' comments.

APPENDICES

Appendix A – BACKGROUND, SCOPE, AND METHODOLOGY

BACKGROUND

The Disability Insurance program, established under Title II of the *Social Security Act*, provides benefits to wage earners and their families in the event the wage earner becomes disabled. The Supplemental Security Income program, established under Title XVI of the *Social Security Act*, provides benefits to financially needy individuals who are aged, blind, or disabled.

The Social Security Administration (SSA) is responsible for implementing policies to develop disability claims under the Disability Insurance and Supplemental Security Income programs. Disability determination services (DDS) in each State, Puerto Rico, Guam, the U.S. Virgin Islands, and the District of Columbia perform disability determinations under both programs. Such determinations must be performed in accordance with Federal law and underlying regulation.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 determinations, SSA authorizes each DDS to purchase medical examinations, X rays, and laboratory tests on a consultative basis to supplement evidence from the claimants' physicians or other treating sources when the evidence as a whole, both medical and nonmedical, is insufficient to make a disability determination.²

SSA reimburses the DDS for 100 percent of allowable reported expenditures up to its approved funding authorization. The DDS withdraws Federal funds through the Department of the Treasury's Automated Standard Application for Payments System to pay for program expenditures. Funds drawn down must comply with Federal regulations³ and intergovernmental agreements entered into by the Department of the Treasury and States under the *Cash Management Improvement Act of 1990*.⁴ 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 Federal Fiscal Year (FFY), each DDS submits a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) to account for program disbursements and unliquidated obligations.

¹ *Social Security Act* §§ 221 and 1614, 42 U.S.C. §§ 421 and 1382c; 20 C.F.R. §§ 404.1601 *et. seq.* and 416.1001 *et. seq.*

² SSA, POMS, DI 39545.120.A. (April 20, 2007).

³ 31 C.F.R. Part 205.

⁴ *Cash Management Improvement Act of 1990*, Pub. L. No. 101-453, 104 Stat. 1058 (1990).

SCOPE

To accomplish our objectives, we reviewed the administrative costs Tennessee Disability Determination Services (TN-DDS) reported on its Forms SSA-4513 for FFYs 2010 and 2011. For the periods reviewed, we obtained evidence to evaluate recorded financial transactions and determine whether they were allowable, under OMB Circular A-87, and appropriate, as defined by SSA's Program Operations Manual System (POMS).

We also:

- Reviewed applicable Federal laws, regulations, and pertinent parts of SSA's POMS pertaining to administrative costs claimed by TN-DDS and draw down of the SSA funds.
- Interviewed staff at TN-DDS, the Tennessee Division of Rehabilitation Services, and SSA's Atlanta Regional Office.
- Evaluated and tested internal controls regarding accounting and financial reporting and cash management activities.
- Reconciled the State's electronic cost data to the administrative costs reported by TN-DDS on Forms SSA-4513 for FFYs 2010 and 2011.
- Examined the Personnel, Medical, and All Other Non-personnel costs that TN-DDS claimed on Forms SSA-4513 for FFYs 2010 and 2011.
- Examined the indirect costs TN-DDS claimed for FFYs 2010 and 2011 and the corresponding Cost Allocation Plans.
- Compared the amount of SSA funds drawn to support program operations to the allowable expenditures reported on Forms SSA-4513.
- Determined whether TN-DDS excluded the cost of non-SSA work from the costs it claimed on Forms SSA-4513 for FFYs 2010 and 2011.
- Conducted limited general control testing—which encompassed reviewing the physical access security in the TN-DDS.
- Reviewed policies and procedures related to personally identifiable information to determine whether TN-DDS had controls in place to protect these data.

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 them with the costs claimed on Forms SSA-4513. We also conducted detailed audit testing on selected data elements in the electronic data files.

We conducted our audit at TN-DDS in Nashville, Tennessee, and the Office of Audit in Atlanta, Georgia, from May 2012 through February 2013. We conducted our audit in

accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

METHODOLOGY

Our sampling methodology encompassed the four general areas of costs as reported on Forms SSA-4513: (1) Personnel, (2) Medical, (3) Indirect, and (4) All Other Non-personnel. We obtained computerized cost data from TN-DDS for FFYs 2010 and 2011. We used the computerized data to select a statistical sample for our control tests.

Personnel Costs

For our control tests, we sampled 50 employee salary items from 1 randomly selected pay period in FFY 2011. We tested regular and overtime payroll and hours for each individual selected. We verified that approved time records were maintained and supported the hours worked.

Medical Costs

For our control tests, we sampled 100 medical evidence of record and consultative examination (50 items from each FFY) using a proportional random sample.

Indirect Costs

For our control tests, we reviewed indirect costs for 1 quarter in both FFYs 2010 and 2011. We tested selected indirect cost pools included in the cost allocation plan.

All Other Non-Personnel Costs

We stratified All Other Non-personnel costs into eight categories: (1) Contracted Costs, (2) Electronic Data Processing Maintenance, (3) Equipment Purchases and Rental, (4) Communications, (5) Applicant Travel, (6) DDS Travel, (7) Supplies, and (8) Miscellaneous. For our control tests, we selected a stratified random sample of 50 items from each FFY based on the percentage of costs in each category—excluding the rent portion of Occupancy costs. For Occupancy costs, we tested 100 percent of the rent portion of the costs charged in both FFYs.

General Security Controls

We conducted limited general security control testing. Specifically, we reviewed the following eight areas relating to general security controls: (1) Perimeter Security, (2) Internal Security, (3) Physical Access Controls, (4) Visitor Access Guidelines, (5) Office Safety, (6) Personally Identifiable Information, (7) Security Plan, and (8) Other Security Controls.

Appendix B – AGENCY COMMENTS



SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: May 3, 2013

To: Inspector General

From: Regional Commissioner
Atlanta

Subject: Administrative Costs Claimed by the Tennessee Disability Determination Services (TN-DDS) – A 04-12-11298 - REPLY

Thank you for the opportunity to comment on the recommendations presented in the draft audit report of Administrative Costs Claimed by the Tennessee Disability Determination Services (TN-DDS) for the Federal Fiscal Years 2010 and 2011. We found the Office of Inspector General's (OIG) audit of the TN-DDS to be detailed and comprehensive. Specifically, the auditors reviewed the internal controls over the accounting and reporting of administrative costs claimed by the TN-DDS; determined whether the costs claimed were allowable and funds were properly drawn; and assessed the general security controls environment. Overall, the Atlanta Regional Office (ARO) concurs with the draft report's findings and recommendations.

The ARO is already working with the TN DDS and its parent agency to resolve the two recommendations resulting from the audit findings. Our specific comments on each OIG recommendation, as well as the current actions taken, are summarized below:

- 1. Instruct TN-DDS to revise its Forms SSA-4513 for FFYs 2009 through 2011 to include unclaimed occupancy costs in FFY 2009 and reflect only the allowable costs in FFYs 2010 and 2011 and refund all cash drawn in excess of the revised costs for these FFYs.**

The TN-DDS Parent Agency's Controllers Office is responsible for these forms. The TN-DDS is working with them to make the corrections and refund excess cash drawn. We will advise when this has been completed.

2. Instruct TN-DDS to take action to mitigate the risk of water from the sprinkler system damaging computers in the computer room.

The TN-DDS is currently exploring options with the landlord regarding installation of Early Warning Water Leak Detection Equipment and Device products in the ceiling tiles of the computer system room and obtaining quotes. Once quotes received from the landlord, the TN-DDS will submit to the ARO for approval.

Please contact me if I can be of further assistance. Staff questions should be referred to Sarah Henderson, Disability Program Administrator, in the Atlanta Region's Center for Disability at 404-562-1397.

Michael W. Gochowski

Appendix C – TENNESSEE DEPARTMENT OF HUMAN SERVICES COMMENTS



STATE OF TENNESSEE DEPARTMENT OF HUMAN SERVICES

CITIZENS PLAZA BUILDING
400 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1403

TELEPHONE: 615-313-4700 FAX: 615-741-4165
TTY: 1-800-270-1349
www.tn.gov/humanserv/

BILL HASLAM
GOVERNOR

RAQUEL HATTER, MSW, Ed.D.
COMMISSIONER

April 18, 2013

Kimberly Byrd
Office of Inspector General
Social Security Administration
6401 Security Boulevard
Baltimore, Maryland 21235-0001

Dear Ms. Byrd:

Please find attached our responses to your report dated March 19, 2013.

Thank you for the opportunity to respond. If you have any questions regarding our responses, please contact Sean Baker at (615) 313-4727 or by e-mail at sean.baker@tn.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Raquel Hatter".

Raquel Hatter, MSW, Ed.D.
Commissioner

RH/sb

Enclosure

c: Shalonda Cawthon, Deputy Commissioner
 Basil Dosunmu, Deputy Commissioner, Finance and Administration

Recommendation

Instruct TN-DDS to revise its Forms SSA-4513 for FFY 2009 through 2011 to include unclaimed occupancy costs in FFY2009 and reflect only the allowable costs in FFYs 2010 and 2011 and refund all cash drawn in excess of the revised costs for these FFYs.

Agency Response

We concur. TN-DDS has prepared a draft of the revised SSA-4513's for FFY2009 through FFY2011, to include:

- Revised SSA-4513 for FFY 2009 to report an increase in Occupancy Costs in FFY2009 that were originally reported in FFY2010.
- Revised SSA-4513's for FFY 2010 and FFY2011 have been corrected to reduce allowable costs charged to SSA by DHS, and to adjust for the Occupancy Costs that are being revised from the FFY2010 report to the FFY 2009 report.

Recommendation

Instruct TN-DDS to take action to mitigate the risk of water from the sprinkler system damaging computers in the computer room.

Agency Response

We concur. Proposed corrective action includes the following:

- Contact building facility management with request that the wet fire suppression system be converted to dry type fire suppression system, with said system to include the removal of all wet sprinkler lines located above the computer room, installation of the new dry agent fire suppression system and interfacing with the building fire alarm system.
- Request building facility management to procure quotes from qualified vendors.
- Present cost information to Atlanta Region Social Security executives for approval.

Appendix D– MAJOR CONTRIBUTORS

Kimberly Byrd, Director

Frank Nagy, Audit Manager

Jordan Sherman, Auditor

Luis A. Ramirez, Audit Data Specialist

MISSION

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