



SOCIAL SECURITY

Office of the Inspector General

MEMORANDUM

Date: FEB 8 2001

Refer To:

To: Larry G. Massanari
Regional Commissioner

From: Assistant Inspector General
for Audit

Subject: Audit of the Administrative Costs Claimed by the District of Columbia Disability Determination Division (A-13-98-91003)

The attached final report presents the results of our audit. Our objectives were to evaluate the District of Columbia Disability Determination Division's internal controls over the accounting and reporting of administrative costs and to determine if the costs claimed were allowable and allocable.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me at (410) 965-9700.

A handwritten signature in blue ink that reads "Steven L. Schaeffer".

Steven L. Schaeffer

Attachment

cc:

Kenneth D. Nibali, Associate Commissioner for Disability

Thomas G. Staples, Associate Commissioner for Financial Policy and Operations

Sandra Brown, District of Columbia Disability Determination Division

Carolyn Graham, District of Columbia Department of Human Services

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**AUDIT OF THE ADMINISTRATIVE
COSTS CLAIMED BY THE
DISTRICT OF COLUMBIA
DISABILITY DETERMINATION
DIVISION**

February 2001 A-13-98-91003

AUDIT REPORT



EXECUTIVE SUMMARY

OBJECTIVE

The objectives of our audit of the District of Columbia (DC) Disability Determination Division (DDD) were to:

- evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the draw down of Social Security Administration (SSA) funds;
- determine whether costs claimed on the State Agency Report of Obligations for SSA Disability Programs (Form SSA-4513) for the period October 1, 1994 through September 30, 1997 were allowable and properly allocated; and
- determine if the aggregate of the SSA funds drawn down agreed with total expenditures for the Fiscal Years (FY) 1995 through 1997 disability determinations.

BACKGROUND

The Disability Insurance (DI) program was established in 1954 under title II of the Social Security Act (*the Act*). The program is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. Supplemental Security Income (SSI) 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 or disabled.

SSA is primarily responsible for implementing the general policies governing the development of the disability claims under the DI and SSI programs. Disability determinations under both DI and SSI are performed by an agency in each State according to Federal regulations. In carrying out its obligation, each State agency (SA) is responsible for determining claimants' disabilities and ensuring that adequate evidence is available to support its determinations. To assist in making proper disability determinations, each SA 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 pays the SA for 100 percent of allowable expenditures. Each year, SSA approves a DDS budget. Once approved, the SA is allowed to withdraw Federal funds through the U.S. Department of Health and Human Services' Payment Management System or the U.S. Department of the Treasury's Automated Standard Application for Payments

System to meet immediate program expenses. At the end of each quarter of the Federal FY, each SA submits to SSA a "State Agency Report of Obligations for SSA Disability Programs" (Form SSA-4513) to account for program disbursements and unliquidated obligations. DC-DDD obligated costs of \$11,556,929 on its Forms SSA-4513 for the period October 1, 1994 through September 30, 1997.

Our methodology included reviewing applicable Federal laws, regulations, and SSA policies and procedures, as well as the DC-DDD general policies and procedures pertaining to administrative costs incurred and the drawing down of SSA funds. We held discussions with representatives of the DC Department of Human Services (DC-DHS), the DC Rehabilitation Services Administration (DC-RSA), DC-DDD, SSA's Philadelphia Regional Office of Disability (OD), and also representatives of an independent public accounting firm.

We reviewed internal controls regarding accounting and financial reporting, and cash management activities. We conducted our audit in accordance with generally accepted government auditing standards. Our fieldwork was conducted from January 1998 through June 1998 at DC-DDD in Washington, DC and at SSA Headquarters in Baltimore, Maryland. Additional fieldwork was performed from November 1999 through February 2000.

RESULTS OF REVIEW

We reviewed the internal controls and administrative costs for personnel, medical services, fringe benefits, travel, equipment and other nonpersonnel costs. We also reviewed the calculation of indirect costs. Based on the results of our audit, we found the following conditions:

- **UNSUPPORTED COSTS**
 - Invoices for vendor payments missing
 - Documentation for FY 1997 lease payment was not provided
- **COSTS CLAIMED FOR NON-DDD WORK**
 - Vendor Costs not appropriately distributed
 - Employees not attributable to DC-DDD claimed
- **DRAWDOWNS EXCEEDED DISBURSEMENTS**
- **INTERNAL CONTROL WEAKNESSES**
 - Deficiencies existing in records supporting personnel costs
 - Medical Evidence Records (MER) payments not in compliance with DC-DDD policy
 - Insufficient documentation for indirect costs
 - Missing Contract Files and Purchase Orders
 - Missing Cancelled Checks

CONCLUSIONS AND RECOMMENDATIONS

The results of our audit disclosed that not all DC-DDD claimed costs were supported by documentation. Costs were also claimed for work not related to SSA's disability program. In FY 1996, drawdowns exceeded disbursements. We concluded that internal control weaknesses existed regarding the maintenance of central records and compliance with record keeping procedures. These conditions impacted the DC-DDD's ability to ensure accurate reporting of its financial position for the audit period. At the end of our fieldwork, we noted significant efforts to improve internal controls and modifications to existing accounting systems, which if properly implemented should improve record keeping and reporting in future accounting periods.

Based on the information obtained from SSA, DC-DDD and tests we performed on personnel costs, fiscal reporting, medical services, cash management, indirect costs, and nonpersonnel costs, we recommend that SSA's OD:

- Instruct DC-DDD to reimburse SSA for the \$90,769 of nonpersonnel costs DC-DDD could not support with vendor invoices, receipts or similar documentation.
- Instruct DC-DDD to reimburse SSA for the \$8,958 of unsupported FY 1997 lease payments.
- Instruct DC-DDD to reimburse SSA for the \$28,103 of non-SSA expenses and to improve its system to prevent this from occurring in the future.
- Instruct DC-DDD to reimburse SSA \$35,589 for the costs of those employees charged to the wrong account and the related indirect costs of \$13,523 or provide documentation that verify costs were removed. Instruct DC-DDD and DC-DHS to strengthen controls to prevent employees from being charged to the wrong account or department.
- Reduce DC-DDD FY 1996 drawdowns by \$49,799.
- Instruct DC-DDD and DC-DHS to improve their record-retention policies and practices to comply with SSA's Program Operations Manual System (POMS). POMS states that records should be kept at least 3 years or until audit issues are resolved. Leave slips and sign-in sheets should be retained to comply with this regulation. Additionally, contract files, purchase orders, and checks should be retained to comply with this regulation.
- Instruct DC-DDD to implement procedures to ensure that future Medical Evidence of Record (MER) payments are paid according to DC-DDD policy.
- Instruct DC-DDD to develop policies and procedures to record indirect costs in its accounting system.

- Instruct DC-DDD to review policy concerning invoices going directly to DC-RSA without being reviewed by DC-DDD.

AGENCY COMMENTS

In response to our draft audit report, SSA's regional office and DC-DDD agreed with certain recommendations and promised repayment of funds, provided additional information for certain recommendations and indicated additional internal review for other recommendations. (See Appendix C for SSA regional office and DC-DDD comments to our draft report).

OFFICE OF THE INSPECTOR GENERAL RESPONSE

We concur with the actions being taken by SSA's regional office and the SA in their efforts to identify missing documentation. These actions have resulted in a reduction of the amount of unsupported costs originally reported, and the related amount that DC-DDD promised to pay. Also, as indicated by the SA, the amount of excess draw downs identified in our report will be returned to SSA.

In regards to our internal control issue related to records supporting personnel costs, we would appreciate the SA supplying the Regional Commissioner's office with official time records and leave slips for the sampled cases audited.

Subsequent to the issuance of our draft report, DC-DDD provided additional information that addressed recommendations eight and nine. We consider recommendation number eight closed because DC-DDD provided adequate evidence of policies and procedures for documenting indirect costs. In addition, we consider recommendation number nine closed because procedures now require that all vendor invoices go directly to DC-DDD and are then forwarded to DC-RSA for further payment processing.

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INTRODUCTION

OBJECTIVE

The objectives of our audit of the District of Columbia (DC) Disability Determination Division (DDD) were to:

- evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the draw down of Social Security Administration (SSA) funds;
- determine whether costs claimed on the State Agency Report of Obligations for SSA Disability Programs (Form SSA-4513) for the period October 1, 1994 through September 30, 1997, were allowable and properly allocated; and
- determine if the aggregate of the SSA funds drawn down agreed with total expenditures for the Fiscal Years (FY) 1995 through 1997 disability determinations.

BACKGROUND

The Disability Insurance (DI) program was established in 1954 under title II of the Social Security Act (*the Act*). The program is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. Supplemental Security Income (SSI) was created as a result of the Social Security Amendments of 1972¹ 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 or disabled.

SSA is primarily responsible for implementing the general policies governing the development of the disability claims under the DI and SSI programs. Disability determinations under both DI and SSI are performed by an agency in each State according to Federal regulations. In carrying out its obligation, each State agency (SA) is responsible for determining claimants' disabilities and ensuring that adequate evidence is available to support its determinations. To assist in making proper disability determinations, each SA 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 pays the SA for 100 percent of allowable expenditures. Each year, SSA approves a DDS budget. Once approved, the SA is allowed to withdraw Federal funds through the U.S. Department of Health and Human Services' (HHS) Payment Management

¹ Public Law No. 92-603

System (PMS) or the U.S. Department of the Treasury's (Treasury) Automated Standard Application for Payments System to meet immediate program expenses. At the end of each quarter of the Federal FY, each SA submits to SSA a "State Agency Report of Obligations for SSA Disability Programs" (Form SSA-4513) to account for program disbursements and unliquidated obligations.

HHS' Division of Payment Management is responsible for operating this centralized payment system. Cash drawn from the Treasury to pay for program expenditures is to be drawn according to Federal regulations² and in accordance with intergovernmental agreements entered into by Treasury and States under the authority of the Cash Management Improvement Act (CMIA)³. An advance or reimbursement for costs under the program must be made according to the Office of Management and Budget (OMB) guidance⁴.

DC-DDD's financial reporting functions are primarily the responsibility of the DC Department of Human Services (DHS). Allocation of indirect costs is done according to a DC-DHS indirect cost agreement that is approved by HHS.

DC-DDD is a component within the DC-DHS' Rehabilitation Services Administration (RSA). DC-DDD's sole function is processing SSA disability determinations. DC-DDD maintains one location and employs approximately 27 personnel. DC-DDD obligated costs of \$11,556,929 for disability determinations for the audited FYs 1995 through 1997.

SCOPE AND METHODOLOGY

To accomplish the audit objectives, we obtained sufficient evidence to evaluate the financial transactions to determine whether they are allowable under OMB Circular A-87 and appropriate as defined by SSA's Program Operations Manual System (POMS). Furthermore, we:

- reviewed applicable Federal regulations, pertinent parts of the POMS DI 39500 "DDS Fiscal and Administrative Management" and other instructions pertaining to administrative costs incurred by DC-DDD and the drawdown of SSA funds covered by the CMIA agreement;
- interviewed DC-DDD personnel, Independent Public Accountants, DC-DHS personnel, DC-RSA personnel, and SSA's staff at the Philadelphia Regional Office of Disability (OD) and Headquarters OD;
- reviewed DC-DDD's general policies and procedures;

² 31 CFR 205

³ Public Law No. 101-453

⁴ OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments."

- reviewed and tested internal controls regarding accounting and financial reporting, and cash management activities;
- performed an examination of the administrative expenditures (personnel, medical service, indirect and all other nonpersonnel costs) incurred and claimed by DC-DDD for the period October 1, 1994 through September 30, 1997;
- reconciled the official State accounting records to the administrative costs reported by DC-DDD to SSA on the Form SSA-4513 report for the period October 1, 1994 through September 30, 1997; and
- compared the amount of SSA funds drawn for support of program operations to the allowable expenditures reported on the SSA-4513.

We tested documents supporting the \$11,263,284 of costs claimed and disbursed by DC-DDD for the period October 1, 1994 through September 30, 1997, as reported to SSA as of September 30, 1997.

We conducted our audit in accordance with generally accepted government auditing standards. The fieldwork was conducted from January 1998 through June 1998 and November 1999 through February 2000 at DC-DHS and DC-RSA in Washington, DC and at SSA Headquarters in Baltimore, Maryland. The entity audited was the Office of Disability within the Office of the Deputy Commissioner for Disability and Income Security Programs.

RESULTS OF REVIEW

With the exception of the following findings, DC-DDD has complied with financial requirements of SSA's disability determination service program and other applicable Federal laws, regulations, policies, and procedures.

UNSUPPORTED COSTS

DC-DDD could not provide us with documentation to substantiate nonpersonnel costs of \$99,727 that were claimed. SSA regulations⁵ require that each SA establish and **maintain** records that support their reported financial costs. Procedures provided in POMS⁶ define authorized obligations as commitments to pay for goods or services ordered, and that such obligations be supported by valid purchase orders or binding agreements. The undocumented costs involve vendor and lease amounts of \$90,769 and \$8,958, respectively.

Invoices Missing for Vendor Payments

We selected a judgmental sample of 266 nonpersonnel transactions. Of this sample, DC-DDD was unable to provide the invoices for 38 transactions totaling \$90,769. As a result of not being able to examine these invoices, we could not determine whether payments were for SSA disability program related purposes.

For some nonpersonnel transactions, we found supporting documentation at the DC-DDD, but not at DC-DHS, the component which maintained the accounting system. The documentation showed that the costs were appropriate. However, in other instances, the lack of certain documentation indicated a problem with DC-DDD and DC-DHS' accounting system. We could not verify that transactions were processed correctly since supporting documentation was not maintained by DC-DHS and retained by DC-DDD. Therefore, we could not conclude with certainty whether these transactions actually occurred.

⁵ 20 CFR §§ 404.1625(a) and 416.1025(a)

⁶ POMS; DI 39506.803

Below is the breakdown of questioned nonpersonnel costs, including travel costs.

No Supporting Documentation	
Year	
1995	\$57,847
1996	22,609
1997	10,313
Totals	\$90,769

During our interviews with accounting personnel, they could not provide any information as to why these invoices were missing. We observed that the record keeping practices were poor, resulting in the loss of documentation to support claimed costs.

DC-DDD accounting staff indicated that all invoices appear to have gone through DC-DDD to DC-RSA and DC-DHS. The DC-DDD accounting technician indicated concern that payments may have been made for activity not related to DC-DDD operations.

As a result of this problem, DC-DDD claimed \$90,769 of nonpersonnel costs that it could not support.

Documentation for the FY 1997 Office Lease Payment Was Not Provided

Our sample selection also included a transaction for the FY 1997 lease payment of \$384,000. DC-DDD could not provide support for \$8,958 of the lease payment. The Office of the Inspector General (OIG) recognizes the office space has a cost, but we could not verify the entire amount paid.

COSTS CLAIMED FOR NON-DDD WORK

DC-DDD claimed costs for work that was not incurred as part of the SSA disability program. Regulations⁷ provide that States be reimbursed for expenses incurred for program purposes.

Vendor Costs Not Appropriately Distributed

During our review of vendor invoices, we observed batches of invoices that were charged in total to the DC-DDD which included work that was not for the DC-DDD. We

⁷ 20 CFR §§ 404.1626(a) and 416.1026(a)

learned that these vendors performed work for a number of DC agencies. We confirmed with DC-DDD staff that the work done was not for DC-DDD and therefore, not for SSA disability program purposes.

Below is the FY breakdown of questioned nonpersonnel costs (including travel costs).

Costs Not Attributed to DDD Work	
Year	
1995	\$12,503
1996	7,314
1997	8,286
Totals	\$28,103

During our interviews with accounting personnel, they could not provide any information as to why the costs associated with these invoices were not appropriately distributed to the SAs to which the costs were actually incurred. We observed that record keeping practices were not thorough enough to provide for appropriate distribution of the costs among the agencies.

Employee Costs Not Attributable to DC-DDD Claims

Personnel costs for two employees were erroneously claimed by DC-DDD. These employees did not perform any work for DC-DDD. During our review of personnel files and interviews for the purpose of ensuring employee costs were appropriately charged, employees revealed that these two employees performed duties for other DC agencies. The costs claimed amounted to \$35,589 for the workers' salaries and \$13,523 for fringe benefits. The inappropriate charges were made from October 15, 1994 to November 26, 1994 for one employee; and from December 9, 1995 to November 23, 1996 for the other employee.

We did not determine the exact cause of this problem. However, the DC-DDD timekeeper said that a request had been made by DC-DDD to the DC-DHS payroll department for removal of these costs. The timekeeper also stated that DC-DDD was informed that an adjustment had been posted and the personnel costs of the two workers had been removed from DC-DDD personnel costs. However, DC-DDD could not provide documentation to support any corrective action taken to remove the erroneous costs from DC-DDD records.

DRAWDOWNS EXCEEDED DISBURSEMENTS

DC-DDD FY 1996 PMS reports showed drawdowns exceeded reported disbursements by \$49,799. The figures are computed as follows:

Comparison of Drawdowns to Reported Disbursements

	PMS Authorizations	PMS Drawdowns	Cash Available	SSA-4513 Disbursements	Excess Drawdowns
FY 1996	\$3,636,162	\$3,636,162		\$3,586,363	\$49,799

Federal regulations⁸ require that States shall request funds only after they have paid expenses with their own funds for program purposes and that states shall limit the amount of funds transferred to the minimum required to meet actual immediate cash needs. DC-DDD drew down funds in excess of their reported disbursements for FY 1996. Receiving funds with no immediate need is contrary to these regulations.⁹ POMS procedures¹⁰ further state that all expenditures are deemed to be necessary if they are incurred for the disability determination process, in accordance with standards and other written guidelines of the Commissioner, approved by SSA, and within the limits of the approved DC-DDD budget. DC-DHS staff was unaware of the excess drawdowns. As a result, DC-DDD needs to reduce FY 1996 drawdowns by \$49,799.

INTERNAL CONTROL WEAKNESSES

During the course of our review, we observed several internal control weaknesses. While these weaknesses do not affect the amount SSA reimbursed the DC-DDD, correction of these weaknesses could improve the agency's ability to accurately report its financial status.

Deficiencies Existing In Records Supporting Personnel Costs

Personnel costs reported for the period of October through December 1994 were \$336,931 including \$162,289 of related indirect costs. Not all sign-in sheets could be accounted for during the period audited. In addition, discrepancies existed between leave hours recorded on sign-in sheets and time and attendance reports used for payroll purposes. This condition was even further complicated by the inability of DC-DDD to provide employee leave slips for review. As a result, we had no assurance that hours reported on time and attendance records were actually worked for the period of October through December 1994. DC-DDD made an extensive search for these documents, but could not provide the sign-in sheets. Nor, could we conclude that leave balances maintained by DC-DDD were correct. POMS procedures require that the SA

⁸ 31 CFR 205.7

⁹ 20 CFR §§ 404.1626(a) and 416.1026(a)

¹⁰ POMS DI 39506.212

retain financial records and supporting documents until Federal audit findings are resolved.¹¹

It is apparent that DC-DDD performed work during this period, but the substantiation of workhours is in question without correctly completed sign-in sheets. The lack of internal controls contributed to inadequate record keeping and the eventual loss of documentation needed to assess Agency personnel activities.

MER Payments Not in Compliance With DC-DDD Policy

DC-DDD made incorrect MER payments in 127 of 150 instances reviewed. The MER payments were not paid in accordance with DC-DDD policy.

DC-DDD administrative instruction 93-03 states the maximum MER payment scale as follows:

- \$25 for Hospitals and Doctors/Clinics that respond in 20 days or less;
- \$15 for Doctor/Clinics with no narrative reports that respond in 20 days or less;
- \$10 for Hospitals and Doctors/Clinics that respond in 21 to 60 days; and
- \$ 0 for Hospitals and Doctors/Clinics that respond in 61 days or greater.

DC-DDD made payments in excess of the above payment scale.

Excess MER payments occurred due to the lack of internal control over reviewing payments made by DC-DDD. The high volume of payments for processing and the small number of staff available to process payments also contributed to this condition. For example, Examination Clerks do not verify the length of time it takes to receive each MER from the medical providers.

Although the impact of the inaccuracies is minimal, DC-DDD accounting practices allowed excessive MER payments that were not paid according to DC-DDD policy.

Insufficient Documentation For Indirect Costs

DC-DDD did not adequately document the indirect cost obligation through its DC Financial Management Systems accounting and statistical records.

POMS procedures require that records must support all obligations; and through its accounting and statistical records, provide support for all obligations incurred in connection with making disability determinations¹². Additionally, POMS procedures state that the State's accounting records and supporting documents must permit verification by Federal audit¹³. As a result of our inquiry, DC-DDD showed us how the

¹¹ POMS DI 39509.005 C.1

¹² POMS DI 39509.005 B.1.a.

¹³ Ibid.

indirect amount could be derived from several reports, however, they could not produce a report that identified the specific indirect costs submitted to SSA.

In our opinion, this problem occurred because of a lack of policies and procedures for documenting indirect costs. This condition can ultimately produce inaccurate financial records.

Missing Contract Files And Purchase Orders

DC-DDD could not provide some of the contract files and purchase orders requested in order for us to review DC-DDD's contracting and purchasing procedures.

POMS procedures state that supplies, equipment, and other contractual service obligations, including orders placed and contracts awarded should be supported by a valid purchase order or other binding agreement for goods or services.¹⁴ We attribute the missing contract files and purchase orders to previously cited weaknesses in internal controls, specifically ineffective record keeping practices.

As a result we are not able to comment on the adequacy of DC-DDD's contracting and purchasing procedures.

Missing Cancelled Checks

DC-DDD could not provide all requested cancelled checks. We specifically requested cancelled checks because of a concern about vendor payments. POMS procedures¹⁵ state that collected data are used to appraise all phases of the program and are designed to serve a number of specific objectives, such as supporting the disbursement of funds. Cancelled checks are a form of documentation that supports the disbursement of funds.

We believe, the cause of this problem is poor internal control procedures and poor record keeping. Since the DC Government could not find some of the cancelled checks that were requested, or any other document that supported payment to the vendors, we had no assurance that such expenses were paid by the SA or that additional liabilities were actually incurred.

¹⁴ POMS DI 39506.809 D.4.

¹⁵ POMS DI 39509.001 D.3.

CONCLUSIONS AND RECOMMENDATIONS

The results of our audit disclosed that not all DC-DDD claimed costs were supported by documentation. Costs were also claimed for work not related to SSA's disability program. In FY 1996, drawdowns exceeded disbursements. We concluded that internal control weaknesses existed regarding the maintenance of central records and compliance with record keeping procedures. These conditions impacted DC-DDD's ability to ensure accurate reporting of its financial position under the audit period. At the end of our fieldwork, we noted significant efforts to improve internal controls and modifications to accounting systems, which if properly implemented should improve accurate record keeping and reporting in future accounting periods.

Based on the information obtained from SSA, DC-DDD and the tests we performed, we recommend that SSA's OD:

1. Instruct DC-DDD to reimburse SSA for the \$90,769 of nonpersonnel costs DC-DDD could not support with vendor invoices, receipts or similar documentation.
2. Instruct DC-DDD to reimburse SSA for the \$8,958 of unsupported FY 1997 lease payments.
3. Instruct DC-DDD to reimburse SSA for the \$28,103 of non-SSA expenses and to improve its system to prevent this from occurring in the future.
4. Instruct DC-DDD to reimburse SSA \$35,589 for the costs of those employees charged to the wrong account and the related indirect costs of \$13,523 or provide documentation that verify costs were removed. Instruct DC-DDD and DC-DHS to strengthen controls to prevent employees from being charged to the wrong account or department.
5. Reduce DC-DDD FY 1996 drawdowns by \$49,799.
6. Instruct DC-DDD and DC-DHS to improve their record-retention policies and practices to comply with SSA's POMS. POMS states that records should be kept at least 3 years or until audit issues are resolved. Leave slips and sign-in sheets should be retained to comply with this regulation. Additionally, contract files, purchase orders, and cancelled checks should be retained to comply with this regulation.
7. Instruct DC-DDD to implement procedures to ensure that future MER payments are paid according to DC-DDD policy.

8. Instruct DC-DDD to develop policies and procedures to record indirect costs in its accounting system.
9. Instruct DC-DDD to review policy concerning invoices going directly to RSA without being reviewed by DC-DDD.

AGENCY COMMENTS

In response to our draft audit report, SSA regional office and DC-DDD agreed with certain recommendations and promised repayment of funds, provided additional information for certain recommendations and indicated additional internal review for other recommendations. (See Appendix C for SSA regional office and DC-DDD comments to our draft report).

OIG RESPONSE

We concur with the actions being taken by SSA's regional office and the SA in their effort to identify missing documentation. These actions have resulted in a reduction of the amount of unsupported costs originally reported, and the related amount that DC-DDD promised to pay. Also, as indicated by the SA, the amount of excess draw downs identified in our report will be returned to SSA.

In regards to our internal control issue related to records supporting personnel costs, we would appreciate the SA supplying the Regional Commissioner's office with official time records and leave slips for the sampled cases audited.

Subsequent to the issuance of our draft report, DC-DDD provided additional information that addressed recommendations eight and nine. We consider recommendation number eight closed because DC-DDD provided adequate evidence of policies and procedures for documenting indirect costs. In addition, we consider recommendation number nine closed because procedures now require that all vendor invoices go directly to DC-DDD and are then forwarded to DC-RSA for further payment processing.

APPENDICES

**OBLIGATIONS REPORTED/ALLOWED THE DISTRICT OF
COLUMBIA DISABILITY DETERMINATION DIVISION
FOR FISCAL YEARS 1995 THROUGH 1997 AS OF
SEPTEMBER 30, 1997**

**OBLIGATIONS REPORTED/ALLOWED THE DISTRICT OF COLUMBIA
DISABILITY DETERMINATION DIVISION
FOR FISCAL YEARS 1995 THROUGH 1997 AS OF SEPTEMBER 30, 1997**

COSTS	TOTAL OBLIGATIONS			UNLIQUIDATED OBLIGATIONS			DISBURSEMENTS		
	REPORTED	NET RECOMMENDED ADJUSTMENTS	ALLOWABLE	REPORTED	NET RECOMMENDED ADJUSTMENTS	ALLOWABLE	REPORTED	NET RECOMMENDED ADJUSTMENTS	ALLOWABLE
PERSONNEL	\$4,998,105	(\$35,589) ¹	\$4,962,516	\$111,084	\$0	\$111,084	\$4,887,021	(\$35,589)	\$4,851,432
MEDICAL	3,904,392		3,904,392	159,456	0	159,456	3,744,936		3,744,936
INDIRECT	1,638,952	(13,523) ²	1,625,429	0	0	0	1,638,952	(13,523)	1,625,429
ALL OTHER	1,015,480	(127,830) ³	887,650	23,105	0	23,105	992,375	(127,830)	864,545
TOTAL	\$11,556,929	\$176,942	\$11,379,987	\$293,645	0	\$293,645	\$11,263,284	\$176,942	\$11,086,342

Note: Minor differences are due to rounding

¹ See Page 6 of report for explanation of questioned costs.

² See Page 6 of report for explanation of questioned costs.

³ The amount breakdowns as follows:

\$ 8,958 See Page 5 of the report for explanation of the questioned costs;

\$ 90,769 See Page 4 of the report and Appendix B for explanation of the questioned costs; and

\$ 28,103 See Page 6 of the report and Appendix B for explanation of the questioned costs.

APPENDIX B

**QUESTIONED COSTS
FOR FISCAL YEARS 1995 THROUGH 1997**

QUESTIONED COSTS FOR FISCAL YEARS 1995 THROUGH 1997

FISCAL YEAR (FY) 1995

OBJ	Trans. ID	Enc. Ref.	Vendor Name	Vendor ID	Costs not Supported	Costs for Non-DDD Work
402	VTREJAR05069		Sandra Brown		\$380	
402	VMSEJAR13339		American Airlines	2373476744	\$780	
402	VMSEJAR13350		TWA, Inc.	2006761700	\$302	
408	VOCEJAR03588	CNTEJA590279	Dr. G. Nachbahr	00043428200	\$6,361	
408	VOCEJAR04281	ORDEJA70340	Patricia Cott Ph.D.	80526968500	\$9,850	
201	VOCEJAP33776	ORDEJA483255	Wang Lab, Inc.	00101816788	\$3,779	
405	VOCEJAP33772	ORDEJA485513	Wang Lab, Inc.	00101816788	\$3,660	
409	VOCEJAR00512	ORDEJA486107	Computer Temp, Inc.	60415201700		\$1,512
201	VOCEJAR00827	OFEEJA59570N	U.S. GSA	00000001800	\$512	
409	VOCEJAR03977	ORDEJA570246	Dix Hill Group, Inc.	80134270000	\$9,701	
409	VOCEJAR04339	ORDEJA570328	Superior Couriers	09635739788	\$6,000	
411	VOCEJAR05249	ORDEJA571029	Toucan Business Forms	03879258600	\$4,977	
409	VMSEJAX51994		Kelly Temporary Services	00695831800	\$2,500	
201	VIDEJAS95044				\$1,969	
409	VMSEJAR12487		The Staff Connection	87722462688		\$1,104
409	VMSEJAX52861		Kelly Temporary Services	00695831888	\$7,076	
409	VOCEJAR15693	CNTEJA595540	Dix Hill Group, Inc.	80134270000		\$9,887
				FY 1995 Totals	\$57,847	\$12,503

QUESTIONED COSTS FOR FISCAL YEARS 1995 THROUGH 1997

FY 1996

OBJ	Trans. ID	Enc. Ref.	Vendor Name	Vendor ID	Costs not Supported	Costs for Non-DDD Work
402	VTREJAB03599		US Air Lines		\$321	
402	VTREJAB03670		American Airlines		\$409	
402	VTREJAB11598		Marilyn Griffin		\$253	
409	VOCEJAB02672	CNTEJA695975	Computer Temp, Inc.	60415201700	\$6,374	
409	VOCEJAB03117	CNTEJA695540	Dix Hill Group, Inc.	80134270000	\$7,501	
201	VOCEJAB02915	OFEEJA69511N	U.S. GSA	00000001800	\$721	
409	VOCEJAB04151	CNTEJA695975	Computer Temp, Inc.	60415201700	\$2,052	
409	VOCEJAB04170	CNTEJA695975	Computer Temp, Inc.	60415201700	\$4,052	
409	VOCEJAB10303	CNTEJA696323	Dix Hill Group, Inc.	60415201700		\$1,263
409	VOCEJAB11640	CNTEJA696323	Dix Hill Group, Inc.	60415201700		\$1,601
409	VOCEJAB14478	CNTEJA696323	Dix Hill Group, Inc.	60415201700		\$4,450
201	VOCEJAB14596	ORDEJA662452	Federal Sales Service, Inc.	07793750644	\$926	
				FY 1996 Totals	\$22,609	\$7,314

QUESTIONED COSTS FOR FISCAL YEARS 1995 THROUGH 1997

FY 1997

OBJ	Trans. ID	Enc. Ref.	Vendor Name	Vendor ID	Costs not Supported	Costs for Non-DDD Work
401	VOCEJAB17841	ORDEJA662255	Metro	04885542300	\$1,000	
402	VTREJACS4455		M-C Hart-Wright			\$289
408	VOCEJACS1753	CNTEJA796294	Patricia Cott, Ph.D	80526968500	\$5,914	
201	VOCEJAB17840	OFEEJA69651N	U.S. GSA	00000001800	\$428	
411	VIDEJA707324	OIDEJABR9731	D.C. Dept. of Corrections		\$505	
411	VIDEJA708317	OIDEJABR9731	D.C. Dept. of Corrections		\$246	
409	VOCEJACS0372		Dix Hill Group, Inc.	80134270000		\$1,097
409	VOCEJACS0373		Dix Hill Group, Inc.	80134270000		\$1,079
409	VOCEJACS1234		Dix Hill Group, Inc.	80134270000		\$1,063
409	VOCEJACS1260		Dix Hill Group, Inc.	80134270000		\$959
409	VMSEJACS1549		Dix Hill Group, Inc.	80134270000		\$1,973
409	VMSEJACS1527		Dix Hill Group, Inc.	80134270000		\$1,826
411	VIDEJA705349	OIDEJABR9731	D.C. Dept. of Corrections		\$520	
411	VIDEJA705393	OIDEJABR9731	D.C. Dept. of Corrections		\$1,700	
	FY 1997 Totals				\$10,313	\$8,286
			Grand Totals		\$90,769	\$28,103

APPENDIX C

SSA AND DC-DDD COMMENTS

**OIG CONTACTS
AND STAFF ACKNOWLEDGMENTS**

OIG CONTACTS AND STAFF ACKNOWLEDGMENTS

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Acknowledgments

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Cheryl Robinson, Writer-Editor

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Ranking Minority Member, Senate Special Committee on Aging	1
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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
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