



## SOCIAL SECURITY

### **MEMORANDUM**

**Date:** July 31, 2008

**Refer To:**

**To:** Manuel J. Vaz  
Regional Commissioner  
Boston

**From:** Inspector General

**Subject:** Quick Response Evaluation: Connecticut Department of Social Services' Request for Additional Funding (A-15-08-28120)

The attached final quick response evaluation presents the results of our review. The objective of our review was to evaluate the Connecticut Department of Social Services' (Parent Agency) request for \$46,940 in additional funding for Federal Fiscal Year 2003 indirect costs. The Parent Agency allocates indirect costs to its components, one of which is the Connecticut Disability Determination Services, which is funded by the Social Security Administration.

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:  
Candace Skurnik

# ***QUICK RESPONSE EVALUATION***

*Connecticut Department of Social Services'  
Request for Additional Funding*

A-15-08-28120



July 2008

## **Mission**

**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, 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**

**We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.**

# *Background*

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## **OBJECTIVE**

The objective of our review was to evaluate the Connecticut Department of Social Services' (Parent Agency) request for \$46,940 in additional funding for Federal Fiscal Year (FFY) 2003 indirect costs. The Parent Agency allocates indirect costs to its components, one of which is the Connecticut Disability Determination Services (CT-DDS), which is funded by the Social Security Administration (SSA).

## **BACKGROUND**

On September 7, 2004, we issued a report on *Indirect Costs Claimed by the Connecticut Disability Determination Services* (A-15-03-23041). The report recommended that Connecticut return money to SSA for certain Statewide central service costs that were erroneously allocated to the CT-DDS in FFY 2003. Specifically, we excluded (1) the Department of Administrative Services/Bureau of Collection Services (DAS/BCS) and (2) the Office of the Attorney General (OAG) statewide central service costs related to the Child Support Enforcement, Title IV-D program.<sup>1</sup>

On September 28, 2007, we issued a *Follow-up Audit: Indirect Costs for the Connecticut Disability Determination Services for the Period July 1, 2003 through June 30, 2005* (A-15-07-16034). This audit found that Connecticut had refunded the money as recommended in the prior report.

On October 12, 2007, SSA formally notified the Parent Agency that the indirect cost allocations for FFY 2003 had been finalized. However, on December 17, 2007, the Parent Agency responded that, based on its books and records, the amount the Parent Agency had refunded was too high. The Parent Agency requested additional funding of \$46,940 to compensate for the indirect costs to which the Parent Agency believed it was entitled.

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<sup>1</sup> The Child Support Enforcement program was established in 1975 as Title IV-D of the *Social Security Act*, § 451 et seq. (42 U.S.C. § 651 et seq.). Its purpose is to require that States provide a number of services including locating noncustodial parents, establishing paternity, obtaining child and spousal support, and ensuring that assistance in obtaining support will be available to all children for whom such assistance is requested.

## *Results of Review*

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The Parent Agency requested additional funding of \$46,940 to compensate for the indirect costs to which the Parent Agency believed it was entitled as follows.

| Parent Agency's Calculation<br>of Final Adjustment to Allowable CT-DDS Indirect Costs |                   |                      |               |
|---|-------------------|----------------------|---------------|
| FFY 2003<br>Quarter Ended   | OIG<br>Adjustment | CT-DDS<br>Adjustment | Difference    |
| March 31, 2003  | \$52,399          | \$37,667             | \$14,732      |
| June 30, 2003   | <u>245,300</u>    | <u>213,092</u>       | <u>32,208</u> |
| Total   | \$297,699         | \$250,759            | \$46,940      |

We found that the Parent Agency did not adjust its books and records for our prior recommendations to refund indirect costs that were charged to SSA in error. In our opinion, the request for \$46,940 in additional funding represents the amount of indirect costs that were inappropriately charged to the CT-DDS instead of the Title IV-D program.

Specifically, we verified that the Parent Agency adjusted the SSA-4513, *State Agency Report of Obligations for SSA Disability Programs*, to correct the \$46,940 in indirect costs that were previously charged in error. However, the Parent Agency did not remove \$46,940 of indirect costs from the CT-DDS' accounting books and records.

## *Matter for Consideration*

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Based on our evaluation, additional funding for FFY 2003 indirect costs is not warranted. We brought this to the attention of the Parent Agency and they agreed with our opinion that no funds were due to or from the Parent Agency for FFY 2003. See Appendix C for the Parent Agency's response.

# **Appendices**

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[\*\*APPENDIX A – Acronyms\*\*](#)

[\*\*APPENDIX B – Scope and Methodology\*\*](#)

[\*\*APPENDIX C – Connecticut Department of Social Services Response\*\*](#)

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## **Appendix A**

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### **Acronyms**

|               |   |
|---------------|---|
| CAP           | Cost Allocation Plan  |
| CT-DDS        | Connecticut Disability Determination Services                       |
| DAS/BCS       | Department of Administrative Services/Bureau of Collection Services |
| DSS           | Department of Social Services                                       |
| FFY           | Federal Fiscal Year   |
| OAG           | Office of the Attorney General                                      |
| QE            | Quarter Ending  |
| Parent Agency | Connecticut Department of Social Services                           |
| SSA           | Social Security Administration                                      |
| SSA-4513      | State Agency Report of Obligations for SSA Disability Programs      |
| SWCAP         | Statewide Cost Allocation Plan                                      |
| U.S.C.        | United States Code  |

### **Scope and Methodology**

After we completed our audit of the Federal Fiscal Year (FFY) 2003 indirect cost allocation for the Connecticut Disability Determination Services (CT-DDS), the Connecticut Department of Social Services (Parent Agency) requested \$46,940 in additional funds. The Social Security Administration (SSA) requested that we comment on the Parent Agency's request for additional funds. To complete our objectives, we:

- Reviewed Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and other instructions pertaining to administrative costs incurred by the CT-DDS.
- Interviewed staff at the Parent Agency.
- Reviewed prior SSA Office of the Inspector General reports as follows.
  - ✓ *Follow-Up Review on Potential Indirect Cost Rate Increases at Connecticut Disability Determination Services* (A-15-03-23041), September 7, 2004.
  - ✓ *Follow-up Audit: Indirect Costs for the Connecticut Disability Determination Services for the Period July 1, 2003 through June 30, 2005* (A-15-07-16034), September 28, 2007.
- Reviewed the computation of the indirect costs charged to the CT-DDS. The specific steps performed consisted of the following.
  - ✓ Determined whether the Statewide Cost Allocation Plan allocation method fairly and accurately allocated expenses to the CT-DDS for Department of Administrative Services/Bureau of Collection Services and Office of the Attorney General costs.
  - ✓ Compared the final amount of indirect Department of Administrative Services/Bureau of Collection Services and Office of the Attorney General cost allocated to the CT-DDS with our recommended amount, to ensure that all prior refunds were made.
- Reconciled the accounting records to the CT-DDS indirect costs reported on Form SSA-4513, *State Agency Report of Obligations for SSA Disability Programs*.

We determined that the computerized data used during our review were sufficiently reliable given our objective and intended use of the data and should not lead to incorrect or unintended conclusions. This evaluation was conducted in accordance with the Quality Standards for Inspections. Our field work was performed at SSA Headquarters from January to May 2008.

## ***Appendix C***

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# **Connecticut Department of Social Services Response**

**DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF FINANCIAL MANAGEMENT & ANALYSIS  
MEMORANDUM**

To: Mark Meehan, SSA/OIG/OG

From: Lee Voghel, Director

Date: April 25, 2008

Re: Indirect Costs for FY 2003

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This is a follow up to our telephone conference on March 28th and additional documentation you forwarded to us to support your conclusion that no funds were due the DSS as a result of reprocessing the CAP for the March and June quarters of FFY 2003.

We reviewed the reports that were produced as a result of our reprocessing the three quarters, March, June and September, 2003. The older CAP files were archived, and had to be retrieved and re-run to complete our analysis, because of the time it has taken to finalize these audits. We reprocessed the Cost Allocation Plans for the QE 03/31/03, QE 06/30/03 and QE 09/30/03 to determine the revised costs allocated to all state and federal programs.

Our revisions for the QE 03/31/03 and QE 06/30/03 included 100% of OAG/IV-D costs allocated to the Disability Programs. We assumed that the Comptroller was going to correct the OAG/IV-D costs through the roll forward adjustment in SWCAP. Since the SWCAP for SFY 2005 was already final, no roll forward adjustments for OAG/IV-D could be made for FY 2003. Roll forward adjustments for OAG/IV-D for FY 2004 and FY 2005 were subsequently made in the SFY 2006 and SFY 2007 SWCAP. We accept your reduction of 65% of OAG costs allocated to the Disability Programs for the QE 03/31/03 and QE 06/30/03. The reduction was based on the historical pro rata share of OAG/IV-D costs as compared to the total amount of OAG costs in the SWCAP calculation. Because these adjustments were not booked by the Comptroller, we are not able to go back and re-run with actuals and so have agreed to rely on your estimate.

We also reviewed your reconciliation for the QE 09/30/03. In the process of pulling the original CAP allocations from archive and re-running the quarter, we did not adjust SWCAP for the disallowed DAS/BCS costs. We have now re-processed the September quarter to exclude the DAS/BCS costs and ran Schedule .2 reports which allocate \$401,118 to the DDS rather than the \$465,886 used in our calculation.

Because we are unable to capture the actual adjustments for the March and June quarters, and based on our respective analyses, we agree with your recommendation that no funds are due to or from the DSS for FFY 2003.

Please let me know if you have any questions or need additional information.

xc: Florence Wolford  
M. Gilbert  
K. Carey  
M. Spallone  
T. Rice  
P. Kostek

## ***Appendix D***

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# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Kristen Schnatterly, Acting Audit Director, Financial Audit Division, (410) 965-0433

Mark Meehan, Acting Audit Manager, Financial Audit Division, (410) 966-7147

### ***Acknowledgments***

In addition to those named above:

Florence Wolford, Auditor-in-Charge, Financial Audit Division, (410) 966-9382

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[www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-15-08-28120.

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## **Overview of the Office of the Inspector General**

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

### **Office of Audit**

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

### **Office of Investigations**

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

### **Office of the Counsel to the Inspector General**

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

### **Office of External Relations**

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

### **Office of Technology and Resource Management**

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.