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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**PUERTO RICO DISABILITY  
DETERMINATION PROGRAM**

**June 2012                  A-06-11-01132**

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**AUDIT REPORT**

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## **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.**



## SOCIAL SECURITY

### **MEMORANDUM**

Date: June 21, 2012

Refer To:

To: Beatrice Disman  
Regional Commissioner  
New York

From: Inspector General

Subject: Puerto Rico Disability Determination Program (A-06-11-01132)

### **OBJECTIVE**

For our audit of Federal Fiscal Year (FY) 2008 through 2010 administrative costs claimed by the Puerto Rico Disability Determination Program (PR-DDP), our objectives were to determine whether

- PR-DDP administrative costs claimed were allowable, supported, and accurately reported;
- indirect costs were valid and allowable; and
- PR-DDP's parent agency, the Puerto Rico Department of the Family (PR-DF), established a timeframe for resuming full responsibility for the issuance of PR-DDP administrative expense-related payments.

### **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.<sup>1</sup> 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.

<sup>1</sup> 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.

SSA reimburses the DDS for 100 percent of allowable reported expenditures up to its approved funding authorization, based on a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513). (See Appendix B for additional background, scope, and methodology.)

We initiated this audit at the request of SSA's Office of Disability Determinations staff, which stated that in FY 2008, PR-DF stopped paying PR-DDP medical consultants. To prevent the loss of these services, in December 2008, SSA's Office of Finance assumed responsibility for paying PR-DDP's medical consultants. Since that time, the Office of Finance has assumed responsibility for paying other PR-DDP expenses, which totaled approximately \$6.7 million in FY 2010.

## RESULTS OF REVIEW

PR-DDP administrative costs were generally allowable. However, PR-DF could not provide documentation supporting the validity of approximately \$2 million in unliquidated obligations<sup>2</sup> or reconcile approximately \$61,000 in reported disbursements. In addition, contradictory SSA policy allowed PR-DDP to charge about \$55,000 in indirect costs through inclusion of some medical-related costs in the indirect cost base. Finally, in April 2012, SSA returned responsibility for processing some payments to PR-DF. If PR-DF demonstrates it can make timely and accurate payments for these services, SSA plans to return full payment responsibility by September 2012.

## UNSUPPORTED UNLIQUIDATED OBLIGATIONS

PR-DF could not support approximately \$2 million in unliquidated obligations reported on Forms SSA-4513.

**Table 1: Unsupported Unliquidated Obligations**

FY	Amount Reported <sup>3</sup>	Amount Supported <sup>4</sup>	Amount Unsupported <sup>5</sup>
2008	\$267,763	\$3,568	\$264,195
2009	\$461,524	\$243,706	\$217,818
2010	\$2,056,800	\$533,244	\$1,523,556
<b>Total</b>	<b>\$2,786,087</b>	<b>\$780,518</b>	<b>\$2,005,569</b>

<sup>2</sup> Unliquidated obligations represent obligations for which payment has not been made.

<sup>3</sup> Unliquidated obligation balances reported for FYs 2008 through 2010 were as of March 2011.

<sup>4</sup> Amounts represent unpaid indirect costs claimed on Forms SSA-4513.

<sup>5</sup> Forms SSA-4513 submitted to SSA after completion of our audit fieldwork indicated that PR-DDP deobligated approximately \$1.5 million of the unsupported unliquidated obligations.

SSA policy states that valid unliquidated obligations should be supported by documents/records that describe the nature of the obligations and support the amounts recorded.<sup>6</sup> SSA policy also provides that State agencies should review unliquidated obligations at least once each month to cancel those that are no longer valid and screen consultative examination authorizations to determine whether the unliquidated obligation represents an authorization still in effect.<sup>7</sup> The PR-DDP officials stated they did not review unliquidated obligations monthly.

PR-DDP could not support unliquidated obligations primarily because PR-DF accounting staff did not reduce unliquidated obligation amounts to reflect SSA Office of Finance disbursements made for PR-DDP. PR-DF accounting staff acknowledged they did not reduce unliquidated obligation balances to reflect payments SSA made without written notification from PR-DDP.

### **DISBURSEMENTS LESS THAN AMOUNTS CLAIMED ON FORM SSA-4513**

PR-DDP could not provide documentation to support approximately \$61,000 in disbursements reported on Form SSA-4513. PR-DDP reports disbursements on two Forms SSA-4513: one for payments issued by PR-DF, and one for payments issued by SSA's Office of Finance (referred to as the Form SSA-4513 addendum). The Office of Finance provided transaction details for all payments it issued on PR-DDP's behalf. We attempted to reconcile the payments with disbursements reported on the Form SSA-4513 addendum. As shown in Table 2, disbursements reported for FYs 2008 through 2010 exceeded the value of the Office of Finance's payments by about \$61,000.

**Table 2: Office of Finance PR-DDP Administrative Cost Disbursements**

Fiscal Year	Reported on Form SSA-4513 Addendum	Disbursements Per SSA's Office of Finance	Difference
2008	\$375,030	\$339,011	\$36,019
2009	\$5,371,626	\$5,408,037	(\$36,411)
2010	\$6,683,356	\$6,622,288	\$61,068
<b>Total</b>	<b>\$12,430,012</b>	<b>\$12,369,336</b>	<b>\$60,676</b>

SSA's Office of Finance accounting staff stated they previously identified instances where they erroneously reported disbursements in the incorrect FY, and they may not have identified and corrected all errors.

<sup>6</sup> SSA, POMS, DI 39506.203 (March 12, 2002).

<sup>7</sup> Id.

## MEDICAL-RELATED COSTS INCLUDED IN DIRECT COST BASE

SSA generally reimbursed PR-DDP for indirect costs in accordance with the approved indirect cost rate agreements. However, we determined that contradictory language in SSA policy allowed PR-DDP to include some medical costs in its direct cost base, resulting in about \$55,000 in additional indirect cost reimbursements from SSA.

The PR-DDP indirect cost rate agreement states that the ". . . total direct cost base to which the indirect cost rate is applied excludes . . . medical costs for (a) Consultative Examinations (CEs) and (b) Medical Evidence of Record (MER)."<sup>8</sup> SSA policy states "Medical costs reflect the total costs incurred for the purchase of consultative examinations (CE) and medical evidence of records (MER) for all SSA disability programs. . . ."<sup>9</sup> However, the same SSA policy also states that ". . . If . . . the DDS contracts out the functions of copying reports, these copies are 'contracting out' costs."<sup>10</sup>

As illustrated in Table 3, PR-DDP classified the MER-related expenditures as contract costs, included the costs in the direct cost base, and applied the applicable indirect cost rate to the expenditures.

<b>Table 3: Indirect Costs Paid for MER Claimed as Contracted Costs</b>				
<b>FY</b>	<b>Rate Period</b>	<b>MER Claimed as Contracted Costs<sup>11</sup></b>	<b>Rate</b>	<b>Indirect Costs Paid</b>
2008	October 2007-June 2008	\$78,075	12.5%	\$9,759
2008	July 2008-September 2008	\$45,255	14.0%	\$6,336
2009	October 2008-September 2009	\$120,255	14.0%	\$16,836
2010	October 2009-September 2010	\$154,695	14.0%	\$21,657
<b>Total Paid</b>		<b>\$398,280</b>		<b>\$54,588</b>

SSA Office of Disability Determination staff stated this was the first case they had seen where a DDS contracted out MER copying expenses and applied indirect costs to the amounts paid. Wider application of this procurement method by other DDSs could result in higher overall indirect cost expenditures.

<sup>8</sup> *State and Local Rate Agreement* between the Commonwealth of Puerto Rico – Department of the Family and the Department of Health and Human Services, approved November 6, 2008.

<sup>9</sup> SSA, POMS, DI 39506.210 D.2 (March 12, 2002).

<sup>10</sup> *Id.*

<sup>11</sup> Costs refer to amounts PR-DF paid a specific vendor to obtain and provide MER copies. We determined that PR-DDP correctly classified other MER-related expenditures as Medical Costs not subject to application of indirect costs.

In March 2012, the Office of Disability Determination and New York Regional staffs met to discuss this issue. Agency staff had reservations regarding the impact this issue had on the indirect cost base and the reporting of medical costs. Agency staff also agreed that SSA policies, as written, were contradictory and allowed DDSs to classify MER-related expenditures as contracted expenses but not report the full amount of medical costs on the medical cost line.

The Office of Disability Determination informed us it would review current policies and provide clear guidance on where DDSs should report medical costs on Forms SSA-4513. Office of Disability Determination officials also stated they will ask the PR-DF to remove “contracting out” costs associated with the procurement of MER from the next annual indirect cost agreement negotiations.

## **RESUMPTION OF ADMINISTRATIVE EXPENSE PAYMENT RESPONSIBILITY**

In FY 2006, the Puerto Rico Treasury Department changed its funding practices, which resulted in payment delays to PR-DDP physicians and vendors. The payment delays affected PR-DDP’s ability to provide timely service to disabled residents of Puerto Rico. To ensure continued services, effective December 2008, SSA assumed responsibility for payments to PR-DDP medical consultants, CE providers, and certain MER providers. In FY 2009, SSA assumed responsibility for additional PR-DDP non-personnel cost.<sup>12</sup>

In July 2009, PR-DF officials informed SSA that the Puerto Rico Treasury Department had taken action regarding federally funded agencies and ordered immediate processing and release of payments. As a result, the PR-DF requested permission to resume full responsibility for payment of PR-DDP administrative costs.

SSA was reluctant to relinquish payment responsibility to PR-DF without concrete details of the “. . .action [taken] regarding federally funded agencies.” In August 2009, SSA requested that PR-DF provide an action plan, including details of any directives issued to the Puerto Rico Treasury Department as well as a description of the enforcement mechanism used if these procedures were not followed.

In November 2011, PR-DF provided the New York Region a draft action plan stating its commitment to providing timely payments to suppliers. Between December 2011 and March 2012, the New York Region and PR-DF revised and clarified the action plan.

Effective April 1, 2012, PR-DF resumed processing all payments related to Electronic Data Processing Maintenance, Miscellaneous (Parking), and Other Costs (Occupancy, Utilities, and Contracting Out of MER Retrieval Service). A New York Region official stated that SSA will evaluate payment performance. If PR-DF demonstrates it can make timely and accurate payments for these services, SSA plans to return responsibility for Personnel Costs (Medical Consultants) in July 2012 and Medical Costs (Consultative Examinations) in September 2012.

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<sup>12</sup> In FY 2010, SSA paid directly approximately \$6.7 million of PR-DDP administrative cost expenses.

## CONCLUSION AND RECOMMENDATIONS

PR-DDP administrative costs were generally allowable. However, PR-DDP could not provide documentation to support the validity of approximately \$2 million in unliquidated obligations or reconcile \$61,000 in disbursements reported on Forms SSA-4513. SSA generally reimbursed indirect costs in accordance with approved indirect cost rate agreements; however, inconsistencies in SSA policy allowed PR-DDP to apply indirect costs to some medical-related expenditures, resulting in approximately \$55,000 in additional indirect costs. Finally, SSA has been working since August 2009 to return responsibility for PR-DDP administrative expense payments to PR-DF. In April 2012, PR-DF resumed responsibility for processing some additional payments. If PR-DF demonstrates it can timely and accurately pay for these services, SSA plans to return full payment responsibility by September 2012.

We recommend that:

1. PR-DDP review unliquidated obligations at least once each month and deobligate balances that are no longer valid or supported.
2. PR-DDP and PR-DF maintain support of unliquidated obligations that describes the nature of each unliquidated obligation and supports the amounts recorded.
3. PR-DDP work with SSA's Office of Finance to reconcile the disbursement details with PR-DDP fiscal ledgers used for reporting purposes and, if appropriate, reduce Form SSA-4513 disbursements by \$60,676.

## AGENCY COMMENTS

SSA agreed with the recommendations. PR-DF also provided comments. See Appendices D and E for the full texts of SSA and PR-DF's comments, respectively.



Patrick P. O'Carroll, Jr.

# Appendices

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[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Schedule of Total Costs Reported on Forms SSA-4513, *State Agency Report of Obligations for SSA Disability Programs*

[APPENDIX D](#) – Agency Comments

[APPENDIX E](#) – Puerto Rico Department of the Family Comments

[APPENDIX F](#) – OIG Contacts and Staff Acknowledgments

## **Appendix A**

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### **Acronyms**

CE	Consultative Examination
C.F.R.	Code of Federal Regulations
DDS	Disability Determination Service
Form SSA-4513	<i>State Agency Report of Obligations for SSA Disability Programs</i>
FY	Fiscal Year
MER	Medical Evidence of Record
POMS	Program Operations Manual System
PR-DDP	Puerto Rico Disability Determination Program
PR-DF	Puerto Rico Department of the Family
SSA	Social Security Administration
U.S.C.	United States Code

# **Scope and Methodology**

## **SCOPE**

We identified and reviewed the administrative costs the Puerto Rico Disability Determination Program (PR-DDP) reported to the Social Security Administration (SSA) on the *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) for the period October 1, 2007 through September 30, 2010.

To accomplish our audit objectives, we:

- Reviewed applicable Federal laws and regulations, pertinent parts of SSA's Program Operations Manual System, and other instructions pertaining to administrative costs incurred by PR-DDP and the drawdown of SSA funds.
- Obtained data from Puerto Rico's Department of the Family (PR-DF), PR-DDP, and SSA to support amounts reported on Forms SSA-4513 for Fiscal Years (FY) 2008 through 2010. We tested the reliability of the data by comparing disbursements, by category and in total, with amounts reported on the SSA-4513.
- Compared the amount of Federal funds drawn for support of program operations to the total expenditures on Form SSA-4513.
- Interviewed staff from SSA, PR-DF, and PR-DDP.
- Documented our understanding of PR-DF's system of internal controls over the accounting and reporting of administrative costs.
- Selected a random sample of Personnel, Medical Consultant, and Medical costs.
  - Reviewed a sample of 25 employees from 1 pay period in April 2010 and traced information to accounting records, timesheets, and personnel files.
  - Selected all 25 PR-DDP medical consultants paid during the March 2010 pay period to determine whether the consultants were licensed and payments to the consultants complied with the terms of their employment contract.
  - Sampled medical cost payments for Medical Evidence of Record payments and reviewed a batch with the highest amount paid for FY 2010.
  - Sampled medical cost payments for consultative examination payments and reviewed a batch with the highest amount paid in FY 2010.

- Evaluated the indirect cost rates claimed by PR-DDP for FYs 2008 through 2010 and the corresponding indirect cost rate agreements.

The electronic data we 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 the Forms SSA-4513. We also conducted detailed audit testing on selected data elements in the electronic data files.

We conducted our fieldwork from June through January 2012 at PR-DF and PR-DDP in San Juan, Puerto Rico, and the Office of Audit in Dallas, Texas. 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 Personnel and Medical costs, as reported on Forms SSA-4513. We obtained computerized data from PR-DF for FY 2010 to use in statistical sampling.

### **Personnel Costs**

We sampled 25 employee salary items from 1 randomly selected pay period in FY 2010. 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. We tested payroll records to ensure PR-DDP correctly paid employees and adequately documented these payments.

We also selected all PR-DDP medical consultants paid during the randomly selected pay period in FY 2010. We determined whether sampled costs were reimbursed properly and ensured the selected medical consultants were licensed.

### **Medical Costs**

We sampled 50 medical evidence and consultative examination records from FY 2010 using a proportional random sample. We determined whether sampled costs were properly reimbursed.

## **Appendix C**

### **Schedule of Total Costs Reported on Forms SSA-4513, State Agency Report of Obligations for SSA Disability Programs**

<b>Puerto Rico Disability Determination Program</b>			
<b>FY 2008</b>			
<b>REPORTING ITEMS</b>	<b>DISBURSEMENTS</b>	<b>UNLIQUIDATED OBLIGATIONS</b>	<b>TOTAL OBLIGATIONS</b>
Personnel	\$7,905,008	\$0	\$7,905,008
Medical	\$3,376,880	\$39,126	\$3,416,006
Indirect	\$1,172,212	\$3,568	\$1,175,780
All Other	\$1,534,191	\$225,069	\$1,759,260
<b>TOTAL</b>	<b>\$13,988,291</b>	<b>\$267,763</b>	<b>\$14,256,054</b>
<b>FY 2009</b>			
<b>REPORTING ITEMS</b>	<b>DISBURSEMENTS</b>	<b>UNLIQUIDATED OBLIGATIONS</b>	<b>TOTAL OBLIGATIONS</b>
Personnel	\$7,899,903	\$0	\$7,899,903
Medical	\$3,543,181	\$146,897	\$3,690,078
Indirect	\$756,107	\$243,706	\$999,813
All Other	\$1,710,991	\$70,921	\$1,781,912
<b>TOTAL</b>	<b>\$13,910,182</b>	<b>\$461,524</b>	<b>\$14,371,706</b>
<b>FY 2010</b>			
<b>REPORTING ITEMS</b>	<b>DISBURSEMENTS</b>	<b>UNLIQUIDATED OBLIGATIONS</b>	<b>TOTAL OBLIGATIONS</b>
Personnel	\$7,550,821	\$5,257	\$7,556,078
Medical	\$4,028,721	\$1,373,387	\$5,402,108
Indirect	\$328,135	\$533,244	\$861,379
All Other	\$1,527,298	\$144,912	\$1,672,210
<b>TOTAL</b>	<b>\$13,434,975</b>	<b>\$2,056,800</b>	<b>\$15,491,775</b>

## ***Appendix D***

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### **Agency Comments**



## SOCIAL SECURITY

### MEMORANDUM

**Refer To:**

**Date:** May 23, 2012

**To:** Patrick P. O'Carroll, Jr.  
Inspector General

**From:** Regional Commissioner  
New York

**Subject:** Puerto Rico Disability Determination Program (A-06-11-01132)

The New York Region appreciates the opportunity to comment on the draft report to determine whether the Puerto Rico Disability Determination Program (PR-DDP) administrative costs claimed were valid, supported, and accurately reported.

The three (3) recommendations for SSA included in your draft audit of this review are:

1. SSA should instruct the Puerto Rico Disability Determination Program (PR DDP) to review unliquidated obligations at least once each month and deobligate balances that are no longer valid or supported. (Questioned Costs \$2,005,569)
2. SSA should instruct the PR-DDP and the PR-DF to maintain support of unliquidated obligations that describe the nature of each unliquidated obligation and supports the amount recorded
3. SSA will instruct the PR DDP to work with SSA's Office of Finance to reconcile the disbursement details with the PR DDP fiscal ledgers used for reporting purposes and, if appropriate, reduce Form SSA 4513 disbursements by \$60,676.

The recommendations cited appear to be reasonable and justifiable. Based on the results of the review, it is apparent that the PRDF continues to demonstrate its inability to manage the fiscal operation of the Puerto Rico Disability Determination program and its noncompliance with federal standards.

Since December of 2009, the region and the NY Center for Disability (NYCD) has requested corrective action on a number of unresolved OIG recommendations that pertain to three Single Audits of the Commonwealth of Puerto Rico Department of the Family for FY ending 2006, 2007, and 2009 (A-77-09-00011, A-77-09-00012, A-77-11-00013). The NYCD recently became aware of a fourth Single Audit that covered FY 2008 and was issued on June 2011 (A-77-11-00012).

During this two-year period, the PRDF failed to take corrective action on a number of findings that deal with accounting records, personnel file and payroll test, period of availability of federal funds, payroll costs claimed for federal reimbursement, and financial reporting. In their responses, the PRDF has shown inadequate corrective action, stating that findings were addressed partially or that prior findings still prevail. Although numerous notices requesting the PRDF to comply with federal standards have had little impact, we will continue to work with your office and the Office of Disability Determinations to find an effective resolution.

If your staff has any questions, they may call Joseph Cafaro, Director of CD, at (212) 264-7250, or Jose Colon, Deputy Director in the CD at 212-264-7252.

/s/  
Beatrice M. Disman

## ***Appendix E***

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### **Puerto Rico Department of the Family Comments**



June 8, 2012

Mr. Patrick O' Carroll  
Office of the Inspector General  
Social Security Administration

Dear Mr. O' Carroll:

This is in response to the findings cited in audit report Administrative cost claimed by the Commonwealth of Puerto Rico Disability Determination Program (A-06-11-01132)

**I -Section: Results of Review:**

*..PR-DF could not provide documentation supporting the validity of approximately \$2 million in unliquidated obligations or reconcile approximately \$61,000 in reported disbursements. In Addition contradictory SSA policy allowed PR DDP to charge about \$55,000 in indirect costs through the inclusion of some medical related costs in the indirect cost base.*

**A:** PR DDS and DF are conducting a careful review of accounts with obligations to reconcile payments of the open periods, which is a complex task, prior to determining if an obligation should be eliminated. Every payment or in which accounts were included are being reviewed, before establishing final disbursements and remaining obligations.

**B:** The Copy service provided by a private Company runs under Contracted Costs account.

**POMS DI 39542.001 Contracting Out DDS Functions – General**

**2. CONTRACTING FOR PHOTOCOPY SERVICE**

- a. Sources of medical evidence such as mental health clinics, VA hospitals, and similar institutions may be unable to provide the evidence promptly because of a lack of resources or other reasons.
- b. When this occurs, DDSs may consider other alternatives for obtaining the evidence including contracting with a private photocopying service.

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Commonwealth of Puerto Rico Disability Determination  
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c. When contracting for photocopying services, DDSs must ensure that:

- o provisions for assuring the confidentiality of SSA records are included in the contract and are in place before the operation begins;
- o a certification system assures that copies of evidence the DDS receives are true and exact copies of the original document. (This may be accomplished by a letter from the source's records librarian, a certification stamp on the back of the copy, etc.)

The Indirect Costs agreement indicates:

Disability Determination Program: The total direct cost base to which the indirect cost rate is applied excludes capital expenditures (buildings, individual items of equipment, alterations and renovations), subawards, flow-through funds, and medical costs for (a) Consultative Examinations (CE's) and (b) Medical Evidence of Record (MERs).

The photocopy service rendered by private company is not part of exclusions in the agreement to compute Indirect costs. Unless there is a change in Manual of Operations and the agreement, the indirect cost applied for photocopy services, were allowable and correct as part of the base from the Indirect Cost

## II-Unsupported unliquidated obligations

*"PR DF could not support approximately 2 million in unliquidated obligations reported on forms SSA 4513"*

The base for Indirect Cost (IC) is determined by the Indirect Cost agreement, applying to already reported disbursements, excluding some items as established previously by the agreement: Equipment, EDP New, Medical Costs and IC per se.

Otherwise, when obligations change to disbursements, it becomes part of the base for IC, increasing obligations of IC. This issue was brought in 2008 to the attention of federal authorities, but continues pending to be addressed. We have not received final instructions about this issue. Current IC's are:

FY	Total Disbursements	Medical Costs	Equipment	EDP NEW	IC Claimed	Net BASE	1st Rate	2nd Rate	Total IC	Obligation
2008	\$13,736,592.38	\$3,001,850.39	\$155,348.44	\$939.88	\$1,172,212	\$10,579,453.67	12.5% X \$6,481,593=\$810,199	14% X \$4,097,860.67 =\$573,700.50	\$1,383,899.50	\$211,688
2009	\$8,538,555.88	\$519,586.80	\$101,693.37	\$1,500	\$756,106.73	\$7,159,668.98	14% x\$7,159,668.98= \$1,002,353.66		\$1,002,353.66	\$246,246.93
2010	\$6,771,727.07	\$265,830	\$4,946.33		\$328,135.39	\$6,172,815.35	14% \$6,172,815.35= \$864,194.15	X	\$864,194.15	\$536,058.76

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### **III- Disbursement Less than amount claimed on Form SSA 4513**

*PR-DDP could not provide documentation to support approximately \$61,000 in disbursements reported on Form SSA 4513. PR DDP reports disbursements on two Forms SSA 4513: one for payments issued by PR DF and one for payments issued by SSA's Office of Finance (referred to as the Form SSA 4513 addendum). The Office of Finance provided transaction details for all payments it issued on behalf of PR-DDP. We attempted to reconcile the payments with disbursements reported on the form SSA 4513 addendum. As shown in the Table 2, disbursement reported for FYs 2008 through 2010 exceed the value of the Office of Finance payments by about \$61,000.....SSA Office of Finance accounting staff stated they previously identified instances where they erroneously reported disbursements in the incorrect FY, and they may not have identified and corrected the errors.*

A reconciliation report did by PR-DDS, about Central Office payments, was submitted to Federal authorities at the beginning of this year and establishes several findings (mistakes) about the Fiscal year reported of the payments by Federal office. At this moment, we do not have information about the action taken as result of the report.

PR-DDP payments are booked monthly verifying them one by one. The Reconciliation made by PR-DDP showed that Federal authorities are charging payments to incorrect FY, and a mismatch will obviously occurs. PR-DDP has background material of every recorded payment to support SSA 4513 for the proper year.

#### **Resumption of Administrative Expense Payment Responsibility**

Since April of this year, the process of payment is being gradually returning to PR Government successfully.

#### **Conclusions and recommendations**

- 1. PR-DDP review unliquidated obligations at least once each month and deobligate balances that are no longer valid or supported.***

Funds are deobligated by the end of every FY, when DF informed DDP that they have additional funds, not used. Medical evidence request (MER) funding and Consultative Exam (CE) funding are obligated based on system reports, quarterly. Since DDP response of MER is up to 70%, it is applied to deduct the full amount provided by system record and keep close to the real numbers. All other obligations correspond to payments in process.

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- 2. PR-DDP and PR-DF maintain support of unliquidated obligations that describes the nature of each unliquidated obligation and supports the amount recorded.*

PR-DDP keeps record of every unliquidated obligations as well as PR DF. Based on federal and Commonwealth accountability differences, they differ on the way they record payments. When the accounts are reconciled and the correct match is done, conciliated obligations discard those that no longer applies. Reconciliation of accounts was re-initiated late April, considering previous employees in charge of book and reconciliation of accounts retired.

- 3. PR-DDP work with SSA's Office of Finance to reconcile the disbursement details with PR-DDP fiscal ledgers used for reporting purposes and, if appropriate, reduce Form SSA -4513 disbursements by \$60,676.*

PR DDP submitted to Federal Authorities a Reconciliation report already. No action reported as result of it. We believe this information reconciles the previous findings recognized by the Single Audit. For further information on this matter do not hesitate to contact me at Angel M. Figueroa Medina or [amfigueroa@familia.gobierno.pr](mailto:amfigueroa@familia.gobierno.pr)

Cordially,



Angel M. Figueroa Medina  
Assistant Secretary of Administration

## ***Appendix F***

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# OIG Contacts and Staff Acknowledgments

### ***OIG Contacts***

Ron Gunia, Director, Dallas Audit Division

Neha Smith, Audit Manager, Denver Audit Office

### ***Acknowledgments***

In addition to those named above:

Clara Soto, Senior Auditor

Warren Wasson, Senior Auditor

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-06-11-01132.

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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.

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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**

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