
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**NEW YORK STATE
DISABILITY DETERMINATION PROGRAM
INDIRECT COSTS**

May 2012 A-02-11-11135

AUDIT REPORT



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: May 21, 2012 Refer To:

To: Beatrice M. Disman
Regional Commissioner
New York

From: Inspector General

Subject: New York State Disability Determination Program Indirect Costs (A-02-11-11135)

OBJECTIVE

Our objective was to determine whether indirect costs claimed by the New York State Office of Temporary and Disability Assistance (OTDA) for Federal Fiscal Years (FFY) 2008 and 2009 were allowable and properly allocated.

BACKGROUND

The Disability Insurance (DI) program¹ provides benefits to wage earners and their families in the event the wage earner becomes disabled. The Supplemental Security Income (SSI) program² provides payments to financially needy individuals who are aged, blind, or disabled.

Under the Social Security Administration's (SSA) DI and SSI programs, disability determination services (DDS) in each State make disability determinations in accordance with Federal regulations.³ Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. In New York State, the Disability Determination Division (DDD) oversees four DDS processing centers.

¹ The DI program was established in 1954 under Title II of the *Social Security Act*. See *Social Security Amendments of 1954*, Pub.L. No. 83-761, Title I, § 106, 68 Stat. 1052, 1079 (1954), codified at *Social Security Act*, § 220 et seq., 42 U.S.C. § 420 et seq.

² In 1972, Congress enacted the SSI program under Title XVI of the *Social Security Act*. See *Social Security Amendments of 1972*, Pub. L. No. 92-603, Title III, § 301. 86 Stat. 1329, 1465 (1972), codified at *Social Security Act* § 1601 et seq., 42 U.S.C. § 1381 et seq.

³ *Social Security Act* §§ 221 and 1614, 42 U.S.C. §§ 421 and 1382c; see also 20 C.F.R. §§ 404.1601 et seq. and 416.1001 et seq.

SSA reimburses DDSs for 100 percent of allowable expenditures up to their approved funding authorization. At the end of each quarter of the fiscal year, each DDS submits a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) to account for program disbursements and unliquidated obligations.

OTDA is DDD's parent agency. OTDA comprises program and support components. The program components administer specific programs, such as the DDD. The support components provide administrative services that support the program components, such as accounting, budgeting, and personnel. The costs of the support components are allocated to the indirect costs of the program components they support.

OTDA's cost allocation plans (CAP) provide the allocation methodology for the distribution of support components' costs to the program components. The Department of Health and Human Services (HHS), Division of Cost Allocation (DCA), is the cognizant Federal agency that reviews and approves OTDA's CAPs.

New York State's Office of Children and Family Services (OCFS) prepares quarterly Central Office Cost Allocation Claims (COCAC). The COCAC costs are claimed on a cash basis of accounting, which means costs are recorded as they are paid. The COCAC's report for the DDD shows quarterly direct costs as well as indirect costs allocated to the DDD from Mainframe Operations, Open Systems Operations, Administrative Support Overhead, Program Support Overhead, and the DDD Support Component.

DDD claimed \$16.9 million in FFY 2008 and \$16.7 in FFY 2009 in indirect costs. Indirect costs are the total of three items:

- COCAC – total of four quarterly COCACS,
- Lump Sum Payments paid to DDD employees and related fringe benefit costs, and
- Human Services Enterprise Network claims (HSEN).

The amounts of indirect costs attributable to the total COCAC amount, lump-sum payments, related fringe costs, and HSEN are shown on the State of the Federal Budget (SFB) form. Appendix C summarizes the amount of indirect costs OTDA claimed for each category on the SFB for each FFY. The SFB report supports the DDD claims on Form SSA-4513.

We reviewed each category of indirect costs New York State claimed. Specifically, we reviewed payroll records and a sample of 140 expenditures, totaling over \$55 million, from the COCAC not related to personnel expenses to determine whether they were allowable and properly allocated. We reviewed the cost allocation basis and methodology established in the CAPs for OTDA programs and support components to determine whether the allocation basis had a rational correlation to the amount of benefit each program component received. We also determined whether costs were allocated in the method described in the CAPs. Additional details of our scope and methodology are in Appendix B.

RESULTS OF REVIEW

Some expenditures claimed as indirect costs were unallowable, improperly allocated, or inaccurate. OTDA claimed \$101,070 in unallowable, improperly allocated, or inaccurate indirect costs in FFY 2008 and \$100,321 in FFY 2009, for a total of \$201,391. These costs included expenditures allocated to the incorrect support component, unallowable charges for depreciable assets, duplicate charges for lump-sum payments and related fringe-benefit costs, and salary and related fringe-benefit costs for a non-DDD employee that were charged to the DDD.

OTDA was unable to provide adequate evidence to support \$43,269 of indirect costs allocated in FFY 2008 and \$37,946 allocated in FFY 2009. Without adequate evidence, we were unable to determine whether the indirect costs were allowable, properly allocated, or accurate.

Table 1: Unallowable, Not Properly Allocated, Inaccurate, and Unsupported Indirect Costs				
Indirect Costs	FFY 2008		FFY 2009	
	Unallowable, Improperly Allocated, or Inaccurate Costs	Unsupported Costs	Unallowable, Improperly Allocated, or Inaccurate Costs	Unsupported Costs
COCAC Expenditures	\$56,176	\$32,011	\$64,507	\$37,946
Lump-sum Payments and Fringe Benefits of DDD Support Employees	\$32,316	\$0	\$23,854	\$0
Non-DDD Employee (12 payroll periods)	\$12,578	\$0	\$11,960	\$0
HSEN	\$0	\$11,258	\$0	\$0
Total	\$101,070	\$43,269	\$100,321	\$37,946

The DDD Support Component provides administrative support services to the DDD but does not provide direct program assistance with disability reviews. Although expenses for this component are considered an indirect cost to the DDD, 100 percent of the component's costs are allocated to DDD.

We determined that OTDA did not have written procedures explaining the steps it took to calculate the indirect costs submitted to SSA to operate the DDD. As such, we asked OTDA staff to describe the methods it used. OTDA reported to us, in part, that it claimed indirect costs on a funding year basis for expenditures incurred for the DDD Support Component, which it stated SSA required that it do. This meant the OTDA should have claimed indirect costs in the FFY in which they were obligated. While

OTDA attempted to calculate costs on a funding-year basis, we determined it claimed costs on a cash basis, which meant it claimed costs in the FFY they were paid, regardless of when they were obligated.

EXPENDITURES IN THE COCAC

New York State's COCAC records all direct and indirect costs incurred by the OTDA and its different divisions. COCAC records costs on a cash basis of accounting, which means that it records costs as they are paid. COCAC's report for the DDD shows quarterly direct costs, as well as indirect costs allocated to the DDD from support components, including Mainframe Operations, Open Systems Operations, Administrative Support Overhead, Program Support Overhead, and the DDD Support Component.

We reviewed a sample of COCAC costs that were included in the total indirect costs claimed by OTDA to determine whether the costs were allowable and allocable to the DDD. We also reviewed the supporting vouchers of the COCAC's costs to determine whether the costs charged were accurate and supported. We found that some of the costs charged to DDD were unallowable, improperly allocated, inaccurate, or unsupported. Please see Table 2.

Table 2: Unallowable, Improperly Allocated, Inaccurate, and Unsupported COCAC Expenditures

COCAC Expenditures	FFY 2008		FFY 2009	
	Unallowable, Improperly Allocated, or Inaccurate Costs	Unsupported Costs	Unallowable, Improperly Allocated, or Inaccurate Costs	Unsupported Costs
Non-personnel Services	\$14,926	\$20,166	\$62,918	\$37,946
Depreciation	\$41,250	\$0	\$1,589	\$0
Training	\$0	\$11,845	\$0	\$0
Total	\$56,176	\$32,011	\$64,507	\$37,946

Non-personnel Service Costs

Non-personnel Service (NPS) costs include moving, supplies, materials, telephone charges, and other costs that are not personnel costs. The COCAC captures NPS expenditures incurred by OTDA components, and allocates a percentage to the DDD.

We reviewed 140 NPS costs and found that 97 (69 percent) were allowable and 28 (20 percent) were unallowable, improperly allocated, or inaccurate. We were unable to determine whether the remaining 15 (11 percent) NPS costs were allowable because there was not enough documentation to support them. Examples of the unallowable, improperly allocated, inaccurate, and unsupported costs follow. See Appendix D for a complete list of these costs.

Unallowable, Improperly Allocated, or Inaccurate NPS Costs

OTDA charged the DDD \$14,926 in unallowable, improperly allocated, or inaccurate NPS costs in FFY 2008 and \$62,918 in FFY 2009. For these costs, OTDA billed the wrong amount, did not divide costs among its components correctly, or allocated expenses to the wrong component.

Examples of incorrect billing for expenses include the following.

- Invoices from the State of New York, Office for Technology (OFT), which bills OTDA for information technology services including mainframe, server, back-up, and electronic mail services, contained incorrect calculations. The stated rate multiplied by the number of units did not equal the total amount on the invoice.
- OTDA paid a consultant for the incorrect amount of hours, resulting in an overpayment.

Examples of OTDA dividing costs incorrectly among its components include the following.

- OTDA incorrectly divided server usage costs among its components. Worksheets provided by OTDA to support the division of server usage costs among OTDA components displayed a different number of total server units and rate per unit than was shown on the invoice. As a result, OTDA allocated DDD more in indirect costs than it should have. OTDA staff stated the incorrect and inconsistent charges were the result of an error in the spreadsheet formula used to calculate costs for the voucher.
- Itemized charges on an OFT invoice for electronic mail usage did not match the costs on the OTDA voucher. Electronic mail service costs are allocated between Administrative Support Overhead and another non-Federal OTDA support area. OTDA overcharged Administrative Support Overhead for electronic mail services, and as a result, over-allocated OFT's charges for electronic mail services to DDD.

Examples of OTDA's allocating costs to the wrong component include the following.

- OFT charged some costs to Open Systems Operations when it should have charged them to Mainframe Operations. Based on the approved CAPs, Mainframe Operations allocated a lower percentage of its cost to the DDD than Open Systems Operations.
- An expenditure for brochures, posters, booklets, and other materials publicizing OTDA programs was allocated to Administrative Support Overhead.⁴ In general, costs charged to Administrative Support Overhead support the administrative and personnel costs in the operation of OTDA programs. It would have been more

⁴ OTDA, Administrative Support Overhead, engages in activities that support the staff and administrative operations of all areas of OTDA. Such activities include accounting, payroll, and personnel services.

appropriate to charge the cost to Program Support Overhead⁵ since the promotional materials disseminated information about the assistance programs OTDA administers. In general, Program Support Overhead costs are program costs that support the mission and goals of the public services OTDA administers.

Unsupported NPS Expenditures

We were unable to determine whether \$20,166 of NPS costs in FFY 2008 and \$37,946 in FFY 2009 were allowable and properly allocated because we did not receive any documentation, or received insufficient documentation, from OTDA to support them.

Examples of insufficient documentation include the following.

- One cost for maintenance was allocated to more than one OTDA component, but documentation provided by OTDA did not explain why each component was allocated the percentage it was.
- We did not receive timesheets to support an invoice for consultant work we selected for our review. OTDA supported other expenditures for consultant work with timesheets.

DEPRECIATION

We reviewed a list of nine assets OTDA acquired in FFYs 2008 and 2009, which included a photocopier and information and technology equipment, to determine whether they were depreciated correctly. Per the Federal Financial Accounting Standard No. 6, *Accounting for Property, Plant, and Equipment*,⁶ agencies must recognize the cost of assets through depreciation. OTDA claimed both the original purchase price and the depreciation expense for four of the assets. Accordingly, SSA was charged twice for the cost of these assets.

OCFS reported to us that it planned to take corrective action and return \$41,250 for FFY 2008 and \$1,589 for FFY 2009 that was initially claimed as the purchase prices of the assets. The cost of these assets will depreciate over a 5-year period from the date of acquisition.

TRAINING

DDD was allocated \$11,845 for FFY 2008 training costs from Administrative Support Overhead. The documentation and explanations provided by State staff did not provide

⁵ OTDA, Program Support Overhead, engages in activities that support other OTDA organizations responsible for the goals and direction of the assistance programs that OTDA administer.

⁶ Federal Accounting Standards Advisory Board, *Accounting for Property, Plant, and Equipment*, General Property, Plant, and Equipment, Statement of Federal Financial Accounting Standards 6, Chapter 2: Property, Plant, And Equipment, Expense Recognition, pages 16-17, Paragraphs 35 and 36. (Issued November 30, 1995, effective for periods beginning after September 30, 1997).

sufficient evidence to ensure that OTDA staff received training equal to the amount allocated to OTDA's Administrative Support Overhead component. For example, the vouchers provided did not identify the specific training classes offered or the staff or unit that benefitted from the training. Without this support, we could not verify that the training costs should be charged to Administrative Support Overhead.

UNLIQUIDATED OBLIGATIONS

OTDA recorded \$4.4 million on the FFY 2008 SSA-4513 as an unliquidated obligation. Similarly, OTDA recorded \$5.8 million on the FFY 2009 SSA-4513 as an unliquidated obligation. State agencies should provide documentation on the status of unliquidated obligations with the quarterly Form SSA-4513.⁷ Documentation to support the unliquidated obligations was not attached to the Forms SSA-4513, and OTDA did not separately provide SSA with documentation to support the amount of unliquidated obligations. In response, OTDA stated it will provide SSA support for unliquidated obligations on the SSA-4513.

LUMP-SUM PAYMENTS AND FRINGE BENEFITS OF DDD SUPPORT COMPONENT EMPLOYEES

Lump-sum payments for accrued leave were paid to individuals who had separated from the DDD or DDD Support Component. These payments were 100-percent allocable to the DDD as an indirect cost. Fringe-benefit payments are computed as a percentage of the lump-sum payments.

OTDA claimed the same lump-sum payments for the DDD Support Component on the SSA-4513 twice. OTDA claimed lump-sum payments for the DDD Support Component through the COCAC line of the SFB totaling \$22,469 for FFY 2008 and \$16,750 for FFY 2009. It also claimed these same amounts in the lump-sum payment line of the SFB. OTDA uses the SFB to support the SSA-4513, so any duplicate charges recorded in the SFB are included on the SSA-4513. OTDA also claimed the same fringe-benefit costs of the lump-sum payments, totaling \$16,951, twice.

OTDA indicated that it planned to correct its method of claiming lump-sum payments paid to the DDD Support Component and adjust the SSA-4513s for FFY 2008 and FFY 2009 accordingly.

PERSONNEL SERVICES AND FRINGE BENEFITS OF DDD SUPPORT EMPLOYEES

DDD support staff provides the DDD administrative support services. For example, the DDD had approximately 900 employees, which requires a dedicated human resource and personnel department to support its administrative needs. The DDD support staffs'

⁷ SSA, POMS, DI 39506.203, *Updating and Reconciling Unliquidated Obligations*. (Effective March 12, 2002)

salaries and fringe benefits are considered an indirect cost, which SSA reimburses 100 percent. DDD support staff has a unique charge code to distinguish it from other State employees.

We reviewed payroll data for the six payroll periods with the highest dollar amount in each FFYs 2008 and 2009, for a total of 12 payroll periods. We found the salary of one employee should not have been claimed as a DDD-related cost. The employee's charge code was incorrectly annotated as the DDD Support Component charge code. Because of this error, the DDD claimed \$8,747 in FFY 2008 and \$8,441 in FFY 2009, totaling \$17,188, in unallowable personnel services costs for the 12 payroll periods we reviewed. The employee's fringe-benefit costs of \$7,350 for the 12 payroll periods we reviewed were also inappropriately charged to the DDD.

OTDA indicated that it planned to correct the charge code of the employee and adjust personnel costs accordingly.

CLAIMING DDD SUPPORT COMPONENT COSTS

OTDA relies on COCAC as the source of indirect costs incurred by the DDD. COCAC accounts for almost 98 percent of indirect costs claimed, with lump-sum payments and fringe benefits on those payments, and HSEN accounting for the remaining indirect costs. Expenditures from support components are recorded on a cash basis in the COCAC. OTDA used COCAC information to calculate the cash-based costs for the DDD on the SFB.

COCAC includes the DDD Support Component's allocated costs to the DDD. The DDD Support Component provides administrative support services to the DDD and does not provide direct program assistance with disability reviews. Although expenses for this component are considered an indirect cost to the DDD, 100 percent of the component's costs is allocated to DDD. OTDA reported SSA requires that it draw reimbursement for expenditures incurred by the DDD Support Component on a funding year basis.

OTDA was unable to provide a written description of the methods it used to calculate total indirect costs. As OTDA described the process to us, it computes all FFY costs obligated by the DDD Support Component in a funding year and reports these separately on the SFB. OTDA did not use COCAC, or the accounting records used to create the COCAC, to compute the total funding year expenditures for the DDD Support Component. Instead, OTDA used other accounting records to compute the funding year costs for the DDD Support Component. OTDA then subtracted the DDD Support Component's total funding year expenditures from the total cash-based costs of the four quarterly COCAC reports. OTDA records the remaining indirect cost amount as a separate line item on the SFB. Since OTDA includes both the funding year costs it subtracted from the COCAC and the remaining cash-based costs in the COCAC on the SFB, it is in effect including all cash-based costs. Since the SFB is used to support the indirect costs claimed on the SSA-4513, OTDA claims the costs incurred by the DDD Support Component on a cash basis.

To accurately claim costs for the DDD Support Component on a funding-year basis on the SFB, OTDA would need to subtract all the cash-based costs incurred by the DDD Support Component from the COCAC costs before they are recorded on the SFB, and then include the component's funding year based costs on the SFB. Because costs were claimed on a cash basis, the indirect costs reported on the SSA-4513 did not accurately reflect the relationship of the costs obligated to support the DDD's operations and the funds appropriated to fund the DDD in a given FFY. Additionally, we reviewed the DDD Support Component's funding year expenditures for NPS for FFYs 2008 and 2009. We found that OTDA did not always record obligations in the appropriate fiscal year when recording funding year costs. OTDA acknowledged these errors and will take actions to correct its records.

HSEN

The HSEN project's objective was to modernize technologies and telecommunications that provided New York's service agencies better access to State-wide information. The project began in 2003 and was completed in 2008. According to the CAP, costs should be allocated to OTDA based on the proportional relationship between the number of identified HSEN users in each New York State benefiting service agency. HSEN costs should further be allocated to program components within OTDA based on an established allocation basis.

On the March 31, 2011 SFB, the DDD claimed \$11,258 in unliquidated obligations for HSEN charges in FFY 2008. OTDA did not provide us sufficient documentation to support the allocation basis used to allocate the HSEN costs to DDD. As such, the HSEN costs allocated to the DDD were unsupported.

CONCLUSION AND RECOMMENDATIONS

OTDA claimed \$201,391 in unallowable, improperly allocated, or inaccurate costs in FFYs 2008 and 2009. OTDA may have claimed additional unallowable costs. We found that OTDA claimed the salary of a non-DDD employee as part of the costs claimed for the DDD Support Component in the 12 pay periods we reviewed. OTDA may have also claimed this employee's salary in other pay periods in FFYs 2008 and 2009. Additionally, OTDA was unable to provide adequate evidence to support \$81,215 in indirect costs in FFYs 2008 and 2009. Without adequate evidence, we were unable to determine whether the indirect costs were allowable or properly allocated. We also found that OTDA did not accurately calculate the funding year costs of the DDD Support Component.

Additionally, we were unsure why the Component's personnel and related costs were claimed as an indirect cost since they only provided administrative services to the DDD and 100 percent of their salaries were claimed and reimbursed by SSA. All other DDD employee salaries were claimed as direct costs.

Lastly, we did not always receive clear and consistent descriptions from OTDA staff on the methods used to claim indirect costs. While the staff assisted us throughout our audit, staff sometimes had different understandings of how costs were calculated. The lack of written procedures added to the difficulty of gaining a clear understanding of the State's processes.

We recommend that SSA:

1. Instruct OTDA to refund the \$201,391 in unallowable, improperly allocated, or inaccurate costs we identified.
2. Work with OTDA to determine whether it claimed additional unallowable costs related to the non-DDD employee salary included as part of the DDD Support Component's claimed costs.
3. Instruct OTDA to refund the \$81,215 in unsupported costs if it cannot provide evidence to support them.
4. Determine whether the salaries of the DDD Support Component employees should be claimed as a direct cost and instruct OTDA accordingly.
5. Work with OTDA to establish a written set of mutually agreed upon procedures for the accounting, reporting, and drawing down of attributable funds claimed on the SSA-4513s.

AGENCY AND OTDA COMMENTS AND OIG RESPONSE

SSA agreed with the recommendations. See Appendix E for the full text of SSA's comments to our report.

OTDA agreed to make the appropriate adjustments to the funds it claimed in response to our first three recommendations. OTDA qualified its response to Recommendation 3 by stating that it believed it provided supporting documentation, and where it agrees it did not, it would make claiming adjustments. We found that the documentation provided to us did not sufficiently support the costs allocated to the DDD.

In response to Recommendation 4, OTDA commented that reporting the DDD Support Component as an indirect cost dated back many years. Since DDD Support Component staff work within the DDD and only support DDD employees, we concluded that it would be appropriate to charge their costs as a direct cost.

In response to Recommendation 5, the State responded, in part, that OTDA has written procedures for the accounting, reporting, and drawing down of funds claimed that are available to SSA for review. We requested written documentation of OTDA's procedures at the beginning of the audit engagement which OTDA did not provide. Absent documentation, we had numerous discussions with OTDA staff about its

procedures. Throughout the discussions, OTDA staff did not indicate documentation existed or offer to provide documentation on its procedures. To date, OTDA has not provided documentation on its procedures. Accordingly, we continue to conclude that OTDA does not have documentation on the accounting, reporting, and drawing down of attributable funds claimed on the SSA-4513s.

See Appendix F for the full text of OTDA's comments to our report.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr."

Patrick P. O'Carroll, Jr.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – State of the Federal Budget - Indirect Cost Sub-categories

[APPENDIX D](#) – Central Office Cost Allocation Claim: Non-personnel Services Expenditures

[APPENDIX E](#) – Agency Comments

[APPENDIX F](#) – Office of Temporary and Disability Assistance Comments

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

Appendix A

Acronyms

CAP	Cost Allocation Plan
C.F.R.	Code of Federal Regulations
COCAC	Central Office Cost Allocation Claim
DCA	Division of Cost Allocation
DDD	Division of Disability Determinations
DDS	Disability Determination Services
DI	Disability Insurance
FFY	Federal Fiscal Year
HHS	Department of Health and Human Services
HSEN	Human Service Enterprise Network
NPS	Non-Personnel Service
OCFS	Office of Children and Family Services
OFT	Office for Technology
OIG	Office of Inspector General
OMB	Office of Management and Budget
OTDA	Office of Temporary and Disability Assistance
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SFB	State of the Federal Budget
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Scope and Methodology

To meet our objective, we:

- Reviewed the indirect costs claimed by Office of Temporary and Disability Assistance (OTDA) on its Form SSA-4513 and State of the Federal Budget (SFB) for Federal Fiscal Years (FFY) 2008 and 2009 as of March 31, 2011.
- Reviewed Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*; the Social Security Administration's (SSA) Program Operations Manual System; and the Department of Health and Human Services' (HHS) approved Cost Allocation Plan (CAP).
- Reviewed the CAPs for each support component that allocated costs to the New York Division of Disability Determinations (DDD) and determined whether the methodology was appropriate. If that support component had indirect costs from another support component, we reviewed the CAP for that area as well.
- Reviewed the New York State Single Audit Reports for the period April 1, 2008 through March 1, 2010.¹
- Met with personnel at the New York State OTDA, the New York State Office of Children and Family Services (OCFS), SSA's New York Regional Office, and HHS' Division of Cost Allocation.
- Obtained an understanding of the accounting data and procedures used to prepare the quarterly Central Office Cost Allocation Claims (COCAC) and SFB. This involved an understanding of when revenues, expenditures, transfers, and the related assets and liabilities were recognized in the accounts and reported in the accounting documents.
- Determined the amount of fringe benefits on personnel costs. Fringe benefits were 45.53 percent of personnel costs that were paid for April 1, 2007 through March 31, 2008, 42.67 percent of personnel costs for April 1, 2008 through March 31, 2009, and 41.49 percent for April 1, 2009 through March 31, 2010.
- Reviewed the Statewide Cost Allocation Plan to ensure amounts charged to OTDA for New York State-wide indirect costs were correct.
- Selected two training projects from OCFS and OTDA to determine whether costs claimed in a selected quarter were accurate, allowable, and allocable.

¹ SSA OIG, *Management Advisory Report: Single Audit of the State of New York for the Fiscal Year Ended March 31, 2009 (A-77-11-00011)*, May 10, 2011 reported indirect costs were charged to various Federal agencies, including SSA, based on CAP methodologies that were pending approval by HHS' DCA. HHS issued an OIG Clearance Document in May 2011 in response to the finding in the New York State Single Audit Report for the Fiscal Year Ending March 31, 2009.

- Selected four support components that charged indirect expenses to the DDD. We added salaries for individuals for three quarters in FFYs 2008 and 2009 to ensure the total salaries equaled COCACs salaries.
- Reconciled the accounting records to the Non-Personnel Services costs claimed by OTDA on its SFB for FFYs 2008 and 2009.
- Reconciled lump-sum payment amounts for the DDD indirect and direct personnel. Selected a sample of 12 lump-sum payments and ensured they were calculated correctly.
- Reviewed timesheets for a sample of 13 personnel for 2 pay periods to ensure their salaries were computed correctly.
- Reviewed a sample of 140 expenditures for FFYs 2008 and 2009 ranging from (\$84,240) to \$4,750,000, totaling over \$55 million. We selected expenditures from a population cost of \$97.1 million. We reviewed
 - 60 expenditures for the DDD Support unit,
 - 40 expenditures for the Administrative Support unit,
 - 12 expenditures for the Mainframe Operations unit,
 - 12 expenditures for the Open Systems Operations unit, and
 - 16 expenditures for the Program Support unit.
- Reviewed nine assets, totaling \$3,450,238 that OTDA acquired during FFYs 2008 and 2009 to determine whether proper accounting procedures were followed in recording depreciation.

The COCAC system operates through a step-down allocation process, which resulted in reallocation of costs to other support areas and finally to the DDD program account. Our determinations of questioned costs represented the final allocation to the DDD.

We performed our audit work at the OTDA and at DDD in Albany, New York, and the New York Regional Office between January and November 2011. We determined the data used in this report were sufficiently reliable given the review objective and intended use. The entities audited were the OTDA and the DDD in the Office of the Deputy Commissioner for Center for Specialized Services. 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.

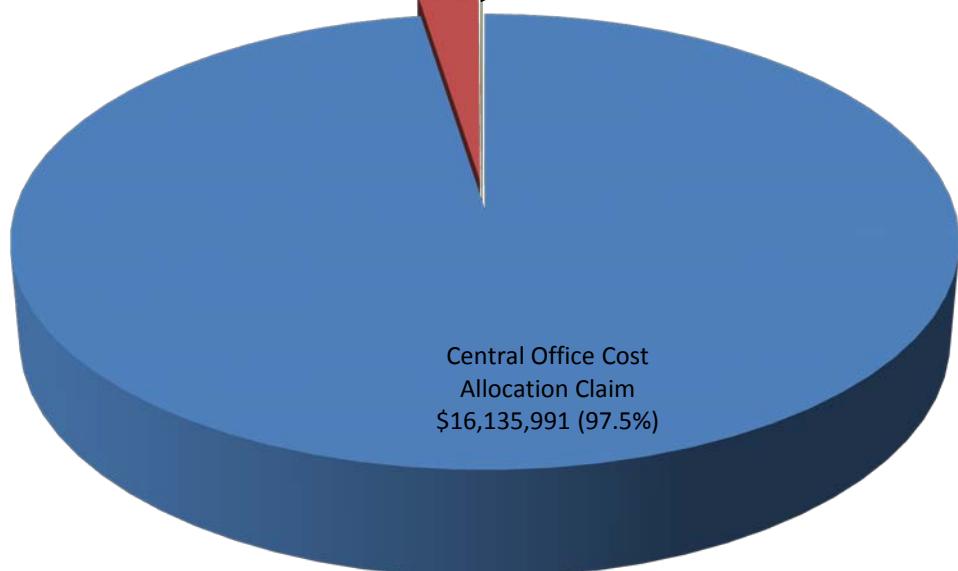
State of the Federal Budget – Indirect Costs Sub-categories

**Indirect Costs Claimed by
New York State Office of Temporary Disability
and Disability Assistance
Federal Fiscal Year 2008**

\$16,547,025

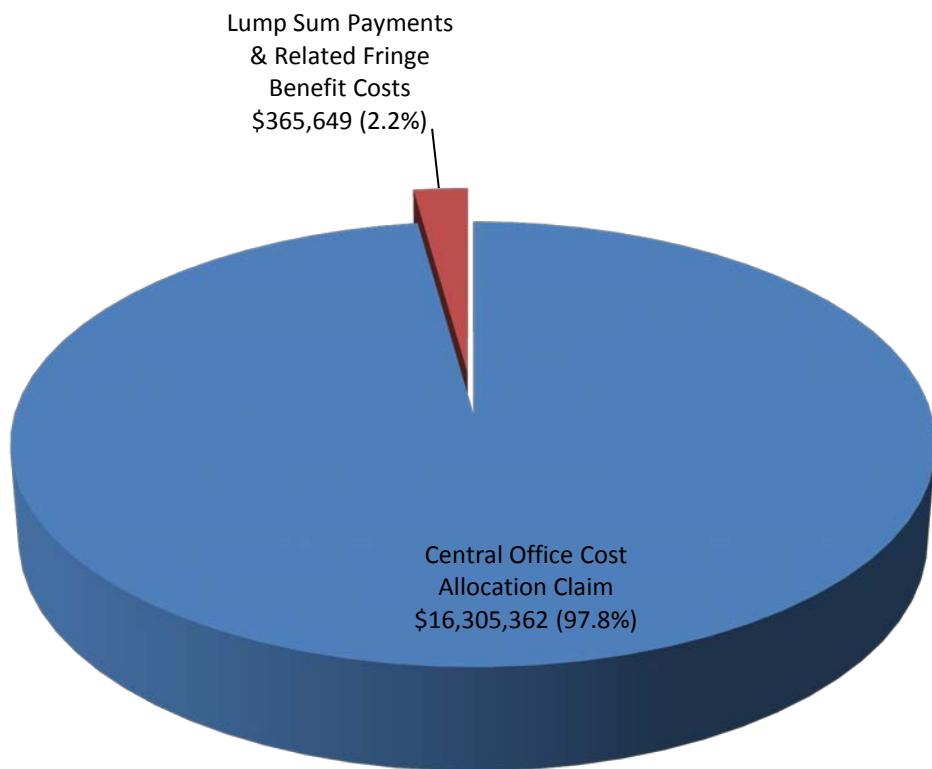
Lump Sum Payments
& Related Fringe
Benefit Costs
\$399,776 (2.4%)

Human Service
Enterprise Network
\$11,258 (0.1%)



The total indirect cost on the State of the Federal Budget (SFB) is \$16,879,341. The Central Office Cost Allocation Claim's (COCAC) amount shown in this pie graph matches the claims from the four quarterly COCACs reports. The indirect cost of \$16,547,025 shown on this pie graph does not include \$300,000 of potential expenses that Office of Temporary and Disability Assistance (OTDA) has yet to deobligate, and \$32,316 of unallowable lump-sum payments and related fringe-benefit costs.

**Indirect Costs Claimed by
New York State Office of
Temporary Disability and Assistance
Federal Fiscal Year 2009
\$16,671,011**



No Human Service Enterprise Network Costs in FFY 2009

The total indirect cost on the SFB is \$16,693,922. The indirect cost of \$16,671,011 shown on this pie graph does not include \$22,906 of unallowable lump-sum payments and related fringe-benefit costs. The difference of additional \$5 is due to rounding of individual line items on the SFB.

Central Office Cost Allocation Claim: Non-personnel Services Expenditures

Non-personnel Service (NPS) costs include moving costs, supplies, materials, telephone charges, and other costs that were not personnel costs. We reviewed 140 expenditure items that were recorded on 128 unique vouchers.¹ The tables below are the vouchers with examples of the unallowable, improperly allocated, inaccurate, and unsupported costs for Federal Fiscal Years (FFY) 2008 and 2009.

FFY 2008 NPS Expenditure Items Reviewed for Unallowable, Improperly Allocated, Inaccurate, or Unsupported Costs			
NPS Voucher	Reason NPS Cost was Unallowable, Improperly Allocated, Inaccurate or Unsupported	Unallowable Cost, Improperly Allocated or Inaccurate Cost	Unsupported Cost
1	Did not receive support documentation		(\$121.80)
2	Did not receive support documentation		(\$44.69)
3	Did not receive support documentation		\$6.35
4	Did not receive support documentation		\$984.87
5	Did not receive support documentation		\$6.06
6	Did not receive support documentation		\$110.37
7	Allocated costs to an incorrect support component	\$11,707.80	
8	Transfer of funds did not match itemized costs		\$26.74
9	Transfer of funds did not match itemized costs		\$589.12

¹ We selected 140 NPS cost items and reviewed each one as a separate item. We reported percentages based on 140 NPS costs reviewed. We reviewed 12 vouchers for which we selected multiple cost items each as part of our sample. There were 128 unique vouchers. We found 35 of the 128 vouchers had unallowable, inaccurate, and unsupported costs.

FFY 2008 NPS Expenditure Items Reviewed for Unallowable, Improperly Allocated, Inaccurate, or Unsupported Costs			
NPS Voucher	Reason NPS Cost was Unallowable, Improperly Allocated, Inaccurate or Unsupported	Unallowable Cost, Improperly Allocated or Inaccurate Cost	Unsupported Cost
10	Insufficient documentation to support Office for Technology (OFT) Data Center charges		\$13,104.58
11	Insufficient documentation to support moving cost		\$5,504.75
12	OFT Data Center Billing – Incorrect division of information technology (IT) costs and incorrect email charges	(\$923.39)	
13	OFT Data Center Billing – Incorrect rate used for billing and incorrect email charges	(\$886.41)	
14	OFT Data Center Billing - Incorrect division of IT costs and incorrect email charges	(\$1,047.57)	
15	OFT Data Center Billing - Incorrect division of IT costs and incorrect email charges	(\$1,034.32)	
16	OFT Data Center Billing - Incorrect division of IT costs and incorrect email charges	(\$1,010.80)	
17	OFT Data Center Billing - Incorrect rate used for billing and incorrect email charges	\$16,636.55	
18	OFT Data Center Billing – Incorrect division of IT costs and incorrect email charges	(\$8,515.96)	
Total		\$14,925.90	\$20,166.35

Note: All dollar amounts shown is the allocated cost to the DDD. Amounts stated in the COCAC NPS Costs section of the report maybe \$1 more or less because of rounding.

FFY 2009 NPS Expenditure Items Reviewed for Unallowable, Improperly Allocated, Inaccurate, or Unsupported Costs			
NPS Voucher	Reason NPS Cost was Unallowable, Improperly Allocated, Inaccurate or Unsupported	Unallowable Cost, Improperly Allocated or Inaccurate Cost	Unsupported Cost
1	Did not receive support documentation		\$1,005.10

FFY 2009 NPS Expenditure Items Reviewed for Unallowable, Improperly Allocated, Inaccurate, or Unsupported Costs			
NPS Voucher	Reason NPS Cost was Unallowable, Improperly Allocated, Inaccurate or Unsupported	Unallowable Cost, Improperly Allocated or Inaccurate Cost	Unsupported Cost
2	Did not receive support documentation		\$24.96
3	Missing timesheet to support consultant charges		\$7,200
4	Incorrect consultant time charges resulting in an underpayment	(\$75)	
5	Incorrect consultant time charges resulting in an overpayment	\$540	
6	Insufficient documentation to support maintenance cost		\$29,716.39
7	OFT Data Center Billing - Incorrect rate used for billing and incorrect email charges	\$13,887.23	
8	OFT Data Center Billing - Incorrect division of IT costs and incorrect email charges	(\$42.92)	
9	OFT Data Center Billing - Incorrect division of IT costs and incorrect email charges	\$1,069.75	
10	OFT Data Center Billing - Incorrect division of IT costs and incorrect email charges	\$1,603.26	
11	OFT Data Center Billing - Incorrect division of IT costs and incorrect email charges	\$1,128.64	
12	OFT Data Center Billing - Incorrect rate used for billing and incorrect email charges	\$1,145.78	
13	OFT Data Center Billing - Incorrect rate used for billing	(\$344.24)	
14	OFT Data Center Billing - Incorrect rate used for billing and incorrect email charges	\$12,915.91	
15	OFT Data Center Billing - Incorrect rate used for billing and incorrect email charges	\$13,838.11	
16	OFT Data Center Billing - Incorrect rate used for billing and incorrect email charges	\$15,442.45	

FFY 2009 NPS Expenditure Items Reviewed for Unallowable, Improperly Allocated, Inaccurate, or Unsupported Costs			
NPS Voucher	Reason NPS Cost was Unallowable, Improperly Allocated, Inaccurate or Unsupported	Unallowable Cost, Improperly Allocated or Inaccurate Cost	Unsupported Cost
17	OFT Data Center Billing - Incorrect division of IT costs and incorrect email charges	\$1,809.21	
Total		\$62,918.18	\$37,946.45

Note: All dollar amounts shown is the allocated cost to the DDD. Amounts stated in the COCAC NPS Costs section of the report maybe \$1 more or less because of rounding.

Appendix E

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Refer To:

Date: April 20, 2012

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

From: Regional Commissioner
New York

Subject: New York State Disability Determination Program Indirect Cost Review
(A-02-11-11135) - (Your Memorandum Dated March 22, 2012)

The New York Region appreciates the opportunity to comment on the draft report to determine whether indirect costs claimed by the New York State Office of Temporary and Disability Assistance for Federal Fiscal Years 2008 and 2009 were allowable and properly allocated.

The five (5) recommendations for SSA included in your draft audit of this review are:

1. SSA should instruct the New York State (NYS) Office of Temporary and Disability Assistance (OTDA) to refund the \$201,391 in unallowable, not properly allocated, or inaccurate costs we identified.
2. SSA should work with NYS OTDA to determine whether it claimed additional unallowable costs related to the non-DDD employee salary included as part of the DDD Support Component's claimed costs.
3. SSA should instruct NYS OTDA to refund the \$81,215 in unsupported costs if it cannot provide evidence to support them.
4. SSA should determine whether the salaries of the DDD Support Component employees should be claimed as a direct cost and instruct NYS OTDA accordingly.
5. SSA should work with NYS OTDA to establish a written set of mutually agreed upon procedures for the accounting, reporting, and drawing down of attributable funds claimed on the SSA-4513s.

The recommendations cited appear to be reasonable and justifiable. They will assist us in further improving the NYS OTDA adherence to SSA policies and regulations.

If you have any questions, they may be directed to Joseph Cafaro, Director, at (212) 264-7250, or Dinah Laurich, Disability Program Administrator in the Center for Disability Programs at 212-264-7251.

/s/
Beatrice M. Disman

Appendix F

Office of Temporary and Disability Assistance Comments



NEW YORK STATE
OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE
40 NORTH PEARL STREET
ALBANY, NEW YORK 12243-0001

Andrew M. Cuomo
Governor

May 3, 2012

Mr. Timothy Nee
Director, New York Audit Division
Social Security Administration
Office of the Inspector General
26 Federal Plaza, Room 3737
New York, NY 10278

Dear Mr. Nee:

The New York State Office of Temporary and Disability Assistance (OTDA) has reviewed the draft report, *New York State Disability Determination Program Indirect Costs* (A-02-11-11135), prepared by your office as a result of your review of indirect costs claimed during Federal Fiscal Years 2008 and 2009.

Enclosed are our official comments on the findings, recommendations, and conclusion of the draft report. OTDA follows stringent procedures for accounting, reporting and claiming indirect costs. We do not fully agree with the \$282,606 in unallowable and unsupported costs identified by this report. Having said that, we are pleased with the fact that the \$282,606 amount comprises less than one percent of the approximately \$33.5 million in indirect costs claimed during the period under review. We believe that is an indication of the strong internal controls we have in place.

If you have any questions or need additional information, please contact me or Valerie Boyd at (518) 402-6855.

Sincerely,

Kevin Kehmna, Director
Bureau of Audit and Quality Improvement

Attachment

cc: Elizabeth Berlin, Office of Temporary and Disability Assistance
Nancy Maney, Office of Temporary and Disability Assistance
Wilma Brown Phillips, Office of Temporary and Disability Assistance
Linda Glassman, Office of Temporary and Disability Assistance
Gloria Toal, Office of Temporary and Disability Assistance
Maria Vidal, Office of Temporary and Disability Assistance
Susan Costello, Office of Children and Family Services

"providing temporary assistance for permanent change"

Response to SSA OIG Audit

Unallowable, Not Properly Allocated or Inaccurate NPS Costs:

SSA Result - OTDA charged the DDD \$14,926 in unallowable, not properly allocated, or inaccurate NPS costs in FFY 2008 and \$62,918 in FFY 2009. For these costs, OTDA billed the wrong amount, did not divide costs among its components correctly, or allocated expenses to the wrong component.

OTDA Response - OTDA agrees with this finding. We will work with the Office of Children and Family Services (OCFS) to adjust Central Office Cost Allocation Claims for FFY 2008 and FFY 2009, shifting these costs to the appropriate allocation methodology.

Unsupported NPS Expenditures:

SSA Result - We were unable to determine whether \$20,166 of NPS costs in FFY 2008 and \$37,946 in FFY 2009 were allowable and properly allocated because we did not receive any documentation, or received insufficient documentation, from OTDA to support them.

OTDA Response - OTDA agrees with this finding. We will work with the Office of Children and Family Services (OCFS) to adjust Central Office Cost Allocation Claims for FFY 2008 and FFY 2009, shifting these costs to the appropriate allocation methodology.

Depreciation:

SSA Result - We reviewed a list of nine assets OTDA acquired in FFYs 2008 and 2009, which included a photocopier and information and technology equipment, to determine whether they were depreciated correctly. Per the Federal Financial Accounting Standard No. 6, Accounting for Property, Plant, and Equipment, agencies must recognize the cost of assets through depreciation. OTDA claimed both the original purchase price and the depreciation expense for four of the assets. Accordingly, SSA was charged twice for the cost of these assets. OCFS reported to us that it planned to take corrective action and return \$41,250 for FFY 2008 and \$1,589 for FFY 2009 that was initially claimed as the purchase prices of the assets. The cost of these assets will depreciate over a 5-year period from the date of acquisition.

OCFS Response - The adjustments requested by the SSA-OIG auditors were made in COCAC adjustments numbers 11 -T7 for the October-December 2008 period in the amount of \$1,618 (amount referenced by auditors of \$1,589 requires clarification) related to the Disability Determinations Program and 11-T6 for the October to December 2007 period in the amount of \$41,792 (amount referenced by auditors of \$41,250 requires clarification) related to the Disability Determinations program. These adjustments were given to SSA-OIG auditors at a meeting we attended at OTDA on August 25, 2011.

Training:

SSA Result - DDD was allocated \$11,845 for FFY 2008 training costs from Administrative Support Overhead. The documentation and explanations provided by State staff did not provide sufficient evidence to ensure that OTDA staff received training equal to the amount allocated to OTDA's Administrative Support Overhead component. For example, the vouchers provided did not identify the specific training classes offered or the staff or unit that benefitted from the

training. Without this support, we could not verify that the training costs should be charged to Administrative Support Overhead.

OCFS Response - In our opinion, the documentation provided to the auditors does identify the specific training classes offered and the staff or unit that benefitted from the training. In addition to the vouchers provided, OCFS also provided copies of the signed work-plan (shows the type of training/classes) and the training roster listing the trainees and their organization. Please note that the vouchers OCFS receives relating to training contracts do not list the attendees and/or the specific training classes. That information is contained in the other documentation that was previously provided.

Unliquidated Obligations:

SSA Result - OTDA recorded \$44 million on the FFY 2008 SSA-4513 as an unliquidated obligation. Similarly, OTDA recorded \$5.8 million on the FFY 2009 SSA-4513 as an unliquidated obligation. State agencies should provide documentation on the status of unliquidated obligations with the quarterly Form SSA-4513. Documentation to support the unliquidated obligations was not attached to the Forms SSA-4513, and OTDA did not separately provide SSA with documentation to support the amount of unliquidated obligations. In response, OTDA stated it will provide SSA support for unliquidated obligations on the SSA-4513.

OTDA Response - Unliquidated obligations are fully supported by the Central Office Cost Allocation Claim. We have previously never submitted the addendum to the SSA-4513 and to date have not been notified by SSA that this was required. We are uncertain that the addendum is necessary. OTDA will submit the addendum in the future as requested by SSA.

Lump-Sum Payments and Fringe Benefits of DDD Support Component Employees:

SSA Result - OTDA claimed the same lump-sum payments for the DDD Support Component on the SSA-4513 twice. OTDA claimed lump-sum payments for the DDD Support Component through the COCAC line of the SFB totaling \$22,469 for FFY 2008 and \$16,750 for FFY 2009. It also claimed these same amounts in the lump sum payment line of the SFB. OTDA uses the SFB to support the SSA-4513, so any duplicate charges recorded in the SFB are included on the SSA-4513. OTDA also claimed the same fringe benefit costs of the lump-sum payments, totaling \$16,951, twice. OTDA indicated that it planned to correct its method of claiming lump-sum payments paid to the DDD Support Component and adjust the SSA-4513s for FFY 2008 and FFY 2009 accordingly.

OTDA Response - OTDA agrees with this finding. We will adjust the SSA-4513's for FFY 2008 and FFY 2009, and subsequent years. OTDA will update our written procedures to ensure we do not claim duplicate charges for the lump-sum payments and related fringe benefits.

Personnel Services and Fringe Benefits of DDD Support Employees:

SSA Result - We reviewed payroll data for the six payroll periods with the highest dollar amount in each FFYs 2008 and 2009, for a total of 12 payroll periods. We found the salary of one employee should not have been claimed as a DDD-related cost. The employee's charge code was incorrectly annotated as the DDD Support Component charge code. Because of this error, the DDD claimed \$8,747 in FFY 2008 and \$8,441 in FFY 2009, totaling \$17,188, in unallowable personnel services costs for the 12 payroll periods we reviewed. The employee's fringe-benefit

costs of \$7,350 for the 12 payroll periods we reviewed were also inappropriately charged to the DDD. OTDA indicated that it planned to correct the charge code of the employee and adjust personnel costs accordingly.

OTDA Response - OTDA agrees with this finding. The employee has been adjusted to the correct charge code and Central Office Cost Allocation Claims for FFY 2008 and FFY 2009 will be adjusted so these charges will not be claimed as a DDD related cost.

Claiming DDD Support Component Costs

SSA Result - OTDA was unable to provide a written description of the methods it used to calculate total indirect costs. As OTDA described the process to us, it computes all FFY costs obligated by the DDD Support Component in a funding year and reports these separately on the SFB. OTDA did not use COCAC, or the accounting records used to create the COCAC, to compute the total funding year expenditures for the DDD Support Component. Instead, OTDA used other accounting records to compute the funding year costs for the DDD Support Component. OTDA then subtracted the DDD Support Component's total funding year expenditures from the total cash-based costs of the four quarterly COCAC reports. OTDA records the remaining indirect cost amount as a separate line item on the SFB. Since OTDA includes both the funding year costs it subtracted from the COCAC and the remaining cash-based costs in the COCAC on the SFB, it is in effect including all cash-based costs. Since the SFB is used to support the indirect costs claimed on the SSA-4513, OTDA claims the costs incurred by the DDD Support Component on a cash basis.

To accurately claim costs for the DDD Support Component on a funding-year basis on the SFB, OTDA would need to subtract all the cash-based costs incurred by the DDD Support Component from the COCAC costs before they are recorded on the SFB, and then include the component's funding year based costs on the SFB. Because costs were claimed on a cash basis, the indirect costs reported on the SSA-4513 did not accurately reflect the relationship of the costs obligated to support the DDD's operations and the funds appropriated to fund the DDD in a given FFY. Additionally, we reviewed the DDD Support Component's funding year expenditures for NPS for FFYs 2008 and 2009. We found that OTDA did not always record obligations in the appropriate fiscal year when recording funding year costs. OTDA acknowledged these errors and will take actions to correct its records.

OTDA Response - OTDA maintains process documentation as well as step-by-step written instructions for reporting indirect costs which is available to SSA for review and validation; to our knowledge, OTDA provided all documentation requested in the course of the audit related to this process. OTDA claims indirect costs through our Central Office Cost Allocation Claim (COCAC) which is on a cash basis. The cash basis COCAC is also used to claim indirect costs for several other programs. To claim DDD indirect costs using a different accounting basis would be inconsistent with the treatment for other Federal awards and would not be in accordance with OBM Circular A-87.

We agree that there were isolated incidents where obligations were not recorded in the correct funding year. The expenditures for these obligations will be transferred to the correct funding years.

HSEN

SSA Result - On the March 31, 2011 SFB, the DDD claimed \$11,258 in unliquidated obligations for HSEN charges in FFY 2008. OTDA did not provide us sufficient documentation to support the allocation basis used to allocate the HSEN costs to DDD. As such, the HSEN costs allocated to the DDD were unsupported.

OTDA Response - OTDA maintains that the documentation provided adequately supports the allocation of HSEN costs to the DDD program and does not agree with this finding. OTDA has responded to all questions raised by the SSA OIG auditors and we have received no further requests for clarification or additional documentation

Conclusion and Recommendations

1. Instruct OTDA to refund the \$201,391 in unallowable, not properly allocated, or inaccurate costs SSA OIG identified.

OTDA Response - OTDA will make the necessary accounting and claiming adjustments for amounts in which we are in agreement.

2. Work with OTDA to determine whether it claimed additional unallowable costs related to the non-DDD employee salary included as part of the DDD Support Component's claimed costs.

OTDA Response - OTDA believes the erroneous claim was an isolated incident and it should not be concluded that we claimed additional unallowable costs.

3. Instruct OTDA to refund the \$81,215 in unsupported costs if it cannot provide evidence to support them.

OTDA Response - OTDA believes it has provided supporting documentation and where it agrees it hasn't will make claiming adjustments.

4. Determine whether the salaries of the DDD Support Component employees should be claimed as a direct cost and instruct OTDA accordingly.

OTDA Response - DDD and the SSA Regional Office had ongoing discussions in the past concerning the categorization of staff and the impact on productivity calculations. SSA strongly encouraged DDD to review direct and indirect staff with the goal of adjusting these categories consistent with other state Disability Determination Services (DDS) offices in order to more accurately reflect productivity. This is consistent with SSA policy as staff so identified are performing support tasks (budgeting, fiscal reporting, fiscal transactions, personnel management, facility management, purchasing, contract management, asset management) not directly related to case processing that otherwise would be handled by state parent agencies or other state offices. This action puts DDD on a more equal basis in comparison to staffing and PPWY reporting of other states. This policy dates back many years and was reviewed and accepted in the previous OIG review.

5. Work with the OTDA to establish a written set of mutually agreed upon procedures for the accounting, reporting, and drawing down of attributable funds claimed on the SSA-4513s.

OTDA Response - OTDA maintains that the cash basis COCAC is an accurate and appropriate method for claiming indirect costs for DDD and for other Federal awards. OTDA has written procedures for the accounting, reporting, and drawing down of funds claimed. We acknowledge that the claiming method is complicated and can be confusing. OTDA feels that conducting the audit through emails and one-on-one phone calls made the process more confusing and led to misunderstandings. We would have preferred to have face-to-face meetings or conference calls with the auditors to review our work papers and explain our process.

Appendix G

OIG Contacts and Staff Acknowledgments

OIG Contacts

Tim Nee, Director, New York Audit Division

Christine Hauss, Audit Manager

Acknowledgments

In addition to those named above:

Susan Yuen, Program Analyst

David Mazzola, Audit Manager

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-02-11-11135.

DISTRIBUTION SCHEDULE

Commissioner of Social Security
Chairman and Ranking Member, Committee on Ways and Means
Chief of Staff, Committee on Ways and Means
Chairman and Ranking Minority Member, Subcommittee on Social Security
Majority and Minority Staff Director, Subcommittee on Social Security
Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives
Chairman and Ranking Minority Member, Committee on Oversight and Government Reform
Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives
Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives
Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Committee on Finance
Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy
Chairman and Ranking Minority Member, Senate Special Committee on Aging
Social Security Advisory Board

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.