

Audit Report

Administrative Costs Claimed by
the Texas Disability Determination
Services

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: February 4, 2013 **Refer To:**

To: Martha Lambie
Regional Commissioner
Dallas

From: Inspector General

Subject: Administrative Costs Claimed by the Texas Disability Determination Services (A-06-12-11283)

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

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



Patrick P. O'Carroll, Jr.

Attachment

Linda Dorn
Carla Krabbe
Gary S. Hatcher

Summary of Administrative Costs Claimed by the Texas Disability Determination Services (A-06-12-11283)

February 2013



Office of Audit

Objectives

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

Background

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

To make proper disability determinations, SSA authorizes each DDS to purchase medical examinations, X rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources. SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. In FFYs 2010 and 2011, TX-DDS claimed administrative costs totaling approximately \$302 million.

Our Conclusions

TX-DDS' controls over the accounting and reporting of administrative costs for FFYs 2010 and 2011 were effective to ensure costs claimed were allowable and funds were properly drawn. Cumulative drawdowns did not exceed cumulative disbursements during our audit period. Our limited review of TX-DDS' security controls environment indicated the controls were generally effective. We identified no reportable conditions. As such, we made no recommendations.

TX-DDS reduced the amount of occupied leased space, which is expected to lower administrative costs by approximately \$664,000 over the next 3 years. A total of 94 TX-DDS employees occupied 16,380 square feet of leased space in a facility adjacent to its main office building. As a result of recent decreases in staff levels, TX-DDS relocated the employees into the main office building and terminated the remaining 3 years on the adjacent facility's lease. We commend SSA and TX-DDS' combined initiative to reduce the DDS' physical footprint and reduce overall costs.

Our Recommendations

We identified no reportable conditions. As such, we made no recommendations.

TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	2
Conclusion	2
Agency Comments.....	2
Other Matter.....	2
Appendix A – Scope and Methodology	A-1
Appendix B – Agency Comments.....	B-1
Appendix C – Texas Department of Assistive and Rehabilitative Services Comments	C-1
Appendix D – Major Contributors.....	D-1

ABBREVIATIONS

C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
FFY	Federal Fiscal Year
POMS	Program Operations Manual System
SSA	Social Security Administration
TX-DARS	Texas Department of Assistive and Rehabilitative Services
TX-DDS	Texas Disability Determination Services
U.S.C.	United States Code

Form

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

OBJECTIVE

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

BACKGROUND

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

To make proper disability determinations, SSA authorizes each DDS to purchase medical examinations, X rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources.² SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization for costs reported on a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513).³

The Texas Department of Assistive and Rehabilitation Services (TX-DARS) is TX-DDS' parent agency and provides TX-DDS with financial, accounting, and personnel services. In FFYs 2010 and 2011, TX-DDS claimed administrative costs totaling approximately \$302 million (\$150,832,438 and \$150,941,449, respectively).

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

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

³ 20 C.F.R. §§ 404.1626 and 416.1026; SSA, POMS, DI 39501.020.B. (February 28, 2002), DI 39506.001.B (March 12, 2002), and DI 39506.202.A. (March 12, 2002).

Table 1: TX-DDS Administrative Costs

Category	Disbursements	Unliquidated Obligations	Total Obligations
FFY 2010 (Closed as of March 31, 2012)			
Personnel	\$73,482,816	\$0	\$73,482,816
Medical	\$46,982,153	\$0	\$46,982,153
Indirect	\$16,435,017	\$0	\$16,435,017
All Other	\$13,932,452	\$0	\$13,932,452
TOTAL	\$150,832,438	\$0	\$150,832,438
FFY 2011 (as of June 30, 2012)			
Personnel	\$75,994,821	\$230	\$75,995,051
Medical	\$50,185,702	\$31,059	\$50,216,761
Indirect	\$14,752,144	\$9,160	\$14,761,304
All Other	\$9,904,036	\$64,297	\$9,968,333
TOTAL	\$150,836,703	\$104,746	\$150,941,449

RESULTS OF REVIEW

TX-DDS' controls over the accounting and reporting of administrative costs for FFYs 2010 and 2011 were effective to ensure costs claimed were allowable and funds were properly drawn. Cumulative drawdowns did not exceed cumulative disbursements during our audit period. Our limited review of TX-DDS' security controls environment indicated the controls were generally effective.

CONCLUSION

We identified no reportable conditions. As such, we make no recommendations.

AGENCY COMMENTS

SSA and TX-DARS agreed with the contents of the report. See Appendix B for the full text of the Agency's comments and Appendix C for the full text of TX-DARS comments.

OTHER MATTER

TX-DDS reduced the amount of occupied leased space, which is expected to lower administrative costs by approximately \$664,000 over the next 3 years.⁴ A total of 94 TX-DDS employees occupied 16,380 square feet of leased space in a facility adjacent to its main office building. As a result of decreases in staff levels, TX-DDS relocated the employees into the main

⁴ SSA authorized TX-DDS to incur about \$77,000 in moving expenses but expects to reduce lease costs by \$741,000 over the next 3 years.

office building and terminated the remaining 3 years on the adjacent facility's lease. We commend SSA and TX-DDS' combined initiative to reduce the DDS' physical footprint and reduce overall costs.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

SCOPE

To accomplish our objectives, we reviewed the administrative costs Texas Disability Determination Services (TX-DDS) reported on its *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) for Federal Fiscal Years (FFY) 2010 and 2011. For the periods reviewed, we obtained evidence to evaluate recorded financial transactions and determine whether they were allowable under Office of Management and Budget Circular A-87 and appropriate as defined by the Social Security Administration's (SSA) Program Operations Manual System (POMS).

- Reviewed applicable Federal laws, regulations, and pertinent parts of SSA's POMS and other instructions pertaining to administrative costs claimed by TX-DDS and draw down of SSA funds.
- Interviewed staff at the Texas Department of Assistive and Rehabilitative Services (TX-DARS) and TX-DDS.
- Reconciled State accounting records with the administrative costs reported by TX-DDS on Forms SSA-4513 for FFYs 2010 and 2011.
- Examined the administrative expenditures (Personnel, Medical, and All Other Non-Personnel costs) incurred and claimed by TX-DDS for FFYs 2010 and 2011 on Forms SSA-4513.
- Reviewed the indirect cost charges TX-DDS claimed for FFY 2011 and compared the approved rate with the amount of indirect costs charged.
- Compared the amount of SSA funds drawn to support the program operations to the allowable expenditures reported on Forms SSA-4513.
- Determined whether TX-DDS excluded the cost of non-SSA work from the costs it claimed on Forms SSA-4513 for FFYs 2010 and 2011.
- Conducted limited general control testing that encompassed reviewing the physical access security at the TX-DDS.
- Reviewed policies and procedures related to personally identifiable information to determine whether the TX-DDS had controls in place to protect these data.

We determined the data provided by TX-DARS and TX-DDS and used in our audit were sufficiently reliable to achieve our audit objectives. We assessed the reliability of the data by reconciling them with the costs claimed on the Form SSA-4513 and by conducting detailed audit testing on selected data elements in the electronic data files.

We performed audit work at the TX-DDS and TX-DARS in Austin, Texas, and the audit office in Dallas, Texas. We conducted fieldwork from February through September 2012. We conducted the 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

The sampling methodology encompassed the three general areas of costs reported on the SSA-4513: (1) Personnel, (2) Medical Services, (3) All Other Non-personnel costs. TX-DDS provided FY 2010 computerized data for use in statistical sampling.

Personnel Costs

We sampled 50 employee salary items from 1 randomly selected pay period in FY 2011. We tested regular and overtime payroll and hours for each individual. We verified that approved time records were maintained and supported the hours worked. We tested payroll records to ensure TX-DDS correctly paid employees and adequately documented these payments.

We also reviewed payments to all medical consultants during a randomly selected period in FY 2011. We determined whether TX-DDS paid medical consultants in accordance with approved contracts and verified that selected medical consultants were properly licensed.

Medical Services Costs

We sampled 50 items using a stratified random sample of medical costs based on the proportion of medical evidence of record and consultative examination costs to the total medical costs claimed. We determined whether sampled expenditures were adequately documented and amounts paid were in accordance with approved rate schedules.

All Other Non-personnel Costs

We stratified All Other Non-personnel costs into 10 categories: (1) Occupancy, (2) Contracted Costs, (3) Electronic Data Processing Maintenance, (4) New Electronic Data Processing Equipment/Upgrades (5) Equipment Purchases and Rentals, (6) Communications, (7) Applicant Travel, (8) DDS Travel, (9) Supplies, and (10) Miscellaneous. We selected a stratified random sample of 50 items based on the proportion of costs in each category to the total costs. We traced expenditures to supporting documentation to determine their validity and accuracy.

General Security Controls

We conducted limited general security control testing. Specifically, we reviewed the following eight areas related to general security controls: (1) Perimeter Security, (2) Internal Security, (3) Physical Access Controls, (4) Visitor Access Guidelines, (5) Office Safety, (6) Personally Identifiable Information, (7) Security Plan, and (8) Other Security Controls. We determined whether the general security controls the TX-DDS had in place were satisfactory.

Appendix B – AGENCY COMMENTS

January 08, 2013

Subject: Dallas Reply: Signed Draft Report (A-06-12-11283)

Dear Pat,

We appreciate the Dallas OIG Audit Division staff involved in the Administrative Costs Claimed by the Texas Disability Determination Services (A-06-12-11283) audit, which included Ron Gunia, Neha Smith, Warren Wasson, and Clara Soto. Their professional approach in working collaboratively with the Texas DDS and their parent agency is appreciated. The audit report was clear and concise and the Dallas Region concurs with the results.

The audit team also acknowledged the hard work and effort of the Texas DDS in reducing their facility costs, providing significant cost savings for SSA. I know the Texas DDS appreciated that acknowledgement, which again confirmed the cooperative mission of the OIG team.

Sincerely,

Martha J. Lambie
Regional Commissioner

Appendix C – TEXAS DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICES COMMENTS



Debra Wanser
Commissioner

December 17, 2012

Mr. Patrick P. O'Carroll, Jr.
Inspector General
Office of the Inspector General
Social Security Administration
6401 Security Boulevard
Baltimore, MD 21235-0001

Dear Mr. O'Carroll:

Thank you for the opportunity to review and provide written comment on the draft report, *Administrative Costs Claimed by the Texas Disability Determination Services* (A-06-12-11283). We are in agreement with the contents of the report, and the facts presented are valid.

We appreciate your team's efforts on this audit. The commendation within the report regarding Texas Disability Determination Services' effort to reduce the physical footprint and reduce overall costs was also appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Wright".

Mary L. Wright, CPA
Chief Financial Officer

cc: Mary Wolfe, Assistant Commissioner, Texas Department of Assistive and Rehabilitative Services

Appendix D– MAJOR CONTRIBUTORS

Ron Gunia, Director

Neha Smith, Audit Manager

Warren Wasson, Senior Auditor

Clara Soto, Senior Auditor

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