



SOCIAL SECURITY

MEMORANDUM

Date: June 4, 2003

Refer To:

To: Beatrice M. Disman
Regional Commissioner
for New York

From: Assistant Inspector General
for Audit

Subject: Administrative Costs Claimed by the New York Disability Determination Division
(A-15-00-20053)

The attached final report presents the results of our audit. Our objectives were to evaluate the New York Disability Determination Divisions' internal controls over the accounting and reporting of administrative costs to determine if the costs claimed are allowable and properly allocated and to determine if the aggregate of the Social Security Administration funds drawn down agreed with total expenditures for the audit period.

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



Steven L. Schaeffer
Steven L. Schaeffer

Attachment

cc:

David Avenius
Lenore R. Carlson
Jeff Hild
Candace Skurnik

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ADMINISTRATIVE
COSTS CLAIMED BY THE
NEW YORK DISABILITY
DETERMINATION DIVISION**

May 2003 A-15-00-20053

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the 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

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.

Executive Summary

OBJECTIVES

The objectives of our audit of the New York Disability Determination Division (NY-DDD) were to:

- evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as the draw down of Social Security Administration (SSA) funds;
- determine whether costs claimed on the State Agency Report of Obligations for SSA Disability Programs (Form SSA-4513) for the period October 1, 1997 through September 30, 1999, were allowable and properly allocated; and
- determine if the aggregate of the SSA funds drawn down agreed with total authorized expenditures of the NY-DDD for the Fiscal Years (FY) 1998 through 1999.

BACKGROUND

The Disability Insurance (DI) program is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. The Supplemental Security Income (SSI) program provides a nationally uniform program of income to financially needy individuals who are aged, blind and/or disabled.

SSA is primarily responsible for implementing the general policies governing the development of the disability claims under the DI and SSI programs. Disability determinations under both DI and SSI are performed by an agency in each State or other responsible jurisdiction according to Federal regulations. In carrying out its obligation, each State agency (SA) is responsible for determining claimants' disabilities and ensuring that adequate evidence is available to support its determinations. To assist in making proper disability determinations, each SA is authorized by SSA to purchase medical examinations, x-rays and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources.

SSA pays the SA for 100 percent of allowable expenditures. Each year, SSA approves the SA's Disability Determination Services' budget. Once approved, the SA withdraws Federal funds through the U.S. Department of the Treasury's (Treasury) Automated Standard Application for Payments System for this purpose. At the end of each quarter of the Federal FY, each SA submits to SSA a Form SSA-4513 to account for program disbursements and unliquidated obligations. As of the reporting period ended December 31, 1999, NY-DDD obligated costs of \$281,397,817 on its Form SSA-4513 for the 2 FYs starting October 1, 1997 through September 30, 1999. Our audit

coverage included subsequent financial activities affecting these FYs as reported through June 30, 2002.

RESULTS OF REVIEW

NY-DDD claimed total obligated costs of \$281,397,817 million for the 2 FYs under audit as of December 31, 1999. The results of our substantive testing disclosed that in general, claim amounts reported as disbursed were allowable and properly allocated. However, our review of reporting practices disclosed that NY-DDD could not support unliquidated amounts reported on the quarterly Form SSA-4513s. We determined that the New York Office of Temporary and Disability Assistance's (NY-OTDA) reporting of obligations only served to misstate reported obligations, giving the appearance that NY-DDD was within its approved cumulative budget authorization when in FY 1998 obligations exceeded budget authorization by \$2.2 million. We further determined that this practice resulted in a lost opportunity cost to NY-DDD to fully recover all reported reimbursable costs for FY 1998 incurred under SSA's disability programs. While similar reporting concerns occurred for FY 1999 also, NY-DDD remained within the SSA authorized budget. In FY 1999, this practice earmarked funds as being obligated when they should have been de-obligated.

Our audit also disclosed conditions which require: (i) reclassifying certain disbursements in appropriate FYs, (ii) correcting obligation amounts reported for indirect costs, (iii) instituting additional controls to ensure disbursements are reported accurately, and (iv) maintaining inventory controls over SSA provided intelligent workstation (IWS)/local area network (LAN) equipment.

CONCLUSIONS AND RECOMMENDATIONS

We concluded the NY-DDD generally maintained documentation to support claimed disbursements, and for the most part, such disbursements were both allowable and properly allocated between FY appropriations. However, management's efforts need to be focused on eliminating deviations in reporting practices and improving certain accounting controls. We recommend the Regional Commissioner:

- Require NY-OTDA to follow specific guidelines in the Program Operations Manual System DI 38506.210 for reporting the status of all unliquidated obligations. Accordingly, eliminate negative unliquidated obligation entries totaling \$3,316,665 (\$3,193,607 in FY 1998 and \$123,058 in FY 1999) from the SSA Form-4513 reports for reporting quarter ended December 31, 1999 and report zeros in their place.
- Require NY-OTDA to eliminate unsupported positive unliquidated obligations from Form SSA-4513 Report and decrease budget authority to recognize obligations that are not valid in the amount of \$4,399,192 (\$975,961 in FY 1998 and \$3,423,231 in FY 1999).

- Require NY-OTDA to discontinue the use of unsupported adjustments in preparing the Form SSA-4513 report.
- Require NY-OTDA to implement a record keeping system, which would provide for accumulating and updating valid obligations for Medical Evidence of Records, Consultative Examinations, and all other non-personnel costs.
- Provide necessary documentation to support that funding will be available to meet final expenditure amounts for FY 98.
- Instruct NY-OTDA to reduce reported disbursements for FY 1998 by \$646,999 and increase FY 1999 disbursements by \$308,040 to properly adjust Form SSA-4513 reporting in appropriate FYs.
- Instruct NY-OTDA to reduce FY 1998 recorded indirect total obligations by \$1,250,255 and increase FY 1999 recorded indirect total obligations by \$499,017 to properly reflect indirect costs as provided in the Central Office Cost Allocation Claim system.
- Instruct NY-OTDA to take measures to improve Form SSA-4513 reporting accuracy by implementing a procedure of reconciling accumulated disbursements to Treasury reports containing funding balances and draw down activity.
- Require NY-OTDA to establish inventory control over IWS/LAN equipment in accordance with 20 Code of Federal Regulations §§ 404.1628 and 416.1028.

SA AND SSA COMMENTS

We received NY-OTDA's comments dated March 21, 2003. NY-OTDA partially concurred with our recommendations and provided comments which, in part, disagreed with our findings. A visit was scheduled for April 21, 2003, to meet with NY-OTDA and NY-DDD officials to substantiate the NY-OTDA comments and to determine whether report revisions were warranted. However, due to audit coordination problems between SSA and the State of New York on a separate audit issue, NY-OTDA would not agree to a follow-up meeting. Nevertheless, we advised NY-OTDA that we would issue our final report and would be available to discuss their comments at a later date. Starting on page 11 of the report, we have incorporated comments by NY-OTDA relevant to our recommendations where disagreement was expressed and have also revised our recommendations where we deemed necessary. Due to the length of the NY-OTDA comments, they are not attached to the report. However, the full text of the comments can be obtained upon written request to the Office of the Inspector General, Social Security Administration, Suite 300, Altmeyer Building, 6401 Security Boulevard, Woodlawn, Maryland 21235. The Regional Commissioner's comments are included as Appendix D.

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Acronyms

Act	Social Security Act
ASAP	Automated Standard Application for Payments System
CE	Consultative Examinations
CFR	Code of Federal Regulations
CMIA	Cash Management Improvement Act
COCAC	Central Office Cost Allocation Claim
DDS	Disability Determination Services
DI	Disability Insurance
Form SSA-4513	State Agency Report of Obligations for SSA Disability Programs
FFY	Federal Fiscal Year
FY	Fiscal Year
IWS/LAN	Intelligent Workstation/Local Area Network
MER	Medical Evidence of Record
NY-DDD	New York Disability Determination Division
NY-OSC	New York Office of the State Comptroller
NY-OTDA	New York Office of Temporary and Disability Assistance
ODO	Office of Disability Operations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
POMS	Program Operations Manual System
QER	Quarterly Expenditure Report
SA	State Agency
SSA	Social Security Administration
SSI	Supplemental Security Income
Treasury	U.S. Department of the Treasury

Introduction

OBJECTIVES

The objectives of our audit of the New York Disability Determination Division (NY-DDD) were to:

- evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as the draw down of Social Security Administration (SSA) funds;
- determine whether costs claimed on the State Agency Report of Obligations for SSA Disability Programs (Form SSA-4513) for the period October 1, 1997 through September 30, 1999, were allowable and properly allocated; and
- determine if the aggregate of the SSA funds drawn down agreed with total authorized expenditures of the NY-DDD for the Fiscal Years (FY) 1998 through 1999.

BACKGROUND

The Disability Insurance (DI) program established under title II of the Social Security Act (Act) is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. The Supplemental Security Income (SSI) program (title XVI of the Act) provides a nationally uniform program of income to financially needy individuals who are aged, blind and/or disabled.

SSA is primarily responsible for implementing the general policies governing the development of the disability claims under the DI and SSI programs. Disability determinations under both DI and SSI are performed by an agency in each State or other responsible jurisdiction according to Federal regulations. In carrying out its obligation, each State agency (SA) is responsible for determining claimants' disabilities and ensuring that adequate evidence is available to support its determinations. To assist in making proper disability determinations, each SA is authorized by SSA to purchase medical examinations, x-rays and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources.

SSA pays the SA for 100 percent of allowable expenditures. Each year, SSA approves the SA's Disability Determination Services' (DDS) budget. Once approved, the SA withdraws Federal funds through the U.S. Department of the Treasury's (Treasury) Automated Standard Application for Payments System (ASAP) for this purpose. At the end of each quarter of the Federal FY, each SA submits to SSA a Form SSA-4513 to account for program disbursements and unliquidated obligations.

Cash drawn from the Treasury to pay for program expenditures is to be drawn according to Federal regulations¹ and in accordance with intergovernmental agreements entered into by Treasury and States under the authority of the Cash Management Improvement Act of 1990 (CMIA).² An advance or reimbursement for costs under the program must be made according to the Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

NY-DDD financial reporting functions are primarily the responsibility of the New York Office of Temporary and Disability Assistance (NY-OTDA). Indirect costs are distributed according to a cost allocation plan from the New York Office of Children and Family Services, which is approved by the Department of Health and Human Services.

NY-DDD maintains eight locations and is a component within the NY-OTDA. NY-DDD also conducts work other than processing SSA disability determinations. SSA authorized a budget of \$281,397,817 for disability determinations for the audited FYs 1998 and 1999.

SCOPE AND METHODOLOGY

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

- reviewed applicable Federal regulations, pertinent parts of the POMS DI 39500 "DDS Fiscal and Administrative Management" and other instructions pertaining to administrative costs incurred by and the draw down of SSA funds covered by the CMIA agreement;
- interviewed NY-DDD personnel, New York's contracted single audit Certified Public Accounting firm, NY-OTDA personnel, NY-Office of the State Comptroller (NY-OSC) personnel, and SSA's staff at the New York Regional Office and the Office of Disability at Headquarters;
- reviewed NY-DDD general policies and procedures for administering the disability programs;
- reviewed and tested internal controls regarding accounting and financial reporting, and cash management activities;

¹ 31 Code of Federal Regulations (CFR) § 205.

² Public Law No. 101-453.

- performed an examination of the administrative expenditures (personnel, medical service, indirect and all other non-personnel costs) incurred and claimed by NY-DDD for the period October 1, 1997 through September 30, 1999;
- reconciled the official State accounting records to the administrative costs reported by NY-DDD to SSA on the Form SSA-4513 report for the period October 1, 1997 through September 30, 1999; and
- compared the amount of SSA funds drawn for support of program operations to the expenditures reported on the Form SSA-4513.

We tested documents supporting the \$281,397,817 of costs claimed by NY-DDD for the period October 1, 1997 through September 30, 1999, as reported to SSA as of December 31, 1999. However, we expanded our field work until August 2002 to analyze subsequent financial activities affecting these FYs, as reported through June 30, 2002, and related reporting practices by NY-OTDA.

We conducted our audit in accordance with generally accepted government auditing standards. The field work was conducted from August 2000 through August 2002 at NY-OTDA and the NY-DDD in Albany, New York, and at SSA Headquarters in Baltimore, Maryland.

Results of Review

NY-DDD claimed total obligated costs of \$281,397,817 million for the 2 FYs under audit as of December 31, 1999. The results of our substantive testing disclosed that in general, claim amounts reported as disbursed were allowable and properly allocated. However, our review of reporting practices disclosed that NY-DDD could not support unliquidated amounts reported on the Form SSA-4513s. We determined NY-OTDA's reporting of obligations only served to misstate reported obligations, giving the appearance that NY-DDD was within its approved cumulative budget authorization when in FY 1998 obligations exceeded budget authorization by \$2.2 million. We further determined that this practice resulted in a lost opportunity cost to NY-DDD to fully recover all reported reimbursable costs for FY 1998 incurred under SSA's disability programs. While similar reporting concerns occurred for FY 1999 also, NY-DDD remained within the SSA authorized budget. In FY 1999, this practice earmarked funds as being obligated when they should have been de-obligated.

Our audit also disclosed conditions which require: (i) reclassifying certain disbursements in appropriate FYs, (ii) correcting obligation amounts reported for indirect costs, (iii) instituting additional controls to ensure disbursements are reported accurately, and (iv) maintaining inventory controls over SSA provided intelligent workstation (IWS)/local area network (LAN) equipment.

REPORTING PRACTICES NOT IN COMPLIANCE WITH POMS

NY-OTDA did not comply with POMS procedures for reporting obligations. NY-OTDA only maintained accounting records on a cash basis and did not have data necessary to report accurately on its actual unliquidated obligations. We determined that the Form SSA-4513 reports were presented as though the NY-DDD remained within its allowed budget. In addition, amounts reported as unliquidated obligations for medical costs and non-personnel costs were determined as invalid. Financial controls were not in place to detect reporting inconsistencies.

POMS³ procedures provide specific detailed instructions for State agencies or other responsible jurisdictions to summarize various categories of cost as well as report whether these costs have been disbursed/liquidated or unliquidated. POMS⁴ procedures describe obligations as to their definition, what supports their validity and when they are to be reported. SSA requires reporting of this information in appropriate columns on the Form SSA-4513 report.

POMS DI 39506.210 provides the following instructions for reporting disbursements, unliquidated obligations and total obligations:

³ POMS DI 39506.210C.

⁴ POMS DI 39506.200B and DI 39506.201.

1. Column A (Disbursements)

Enter cumulative disbursements through the ending date of the report period for each category listed.

2. Column B (Unliquidated Obligations)

Enter amounts of all unliquidated obligations as of the ending date of the report period for each category listed.

3. Column C (Total Obligations)

The total cumulative obligations should reflect the sum of column A (Disbursements) and column B (Unliquidated Obligations) as of the ending date of the report period.

With regard to prior year obligations, the status of unliquidated obligations--including an explanation of why unliquidated obligations remain--should be given in a narrative statement accompanying the report.⁵ Also included in the report is the amount of cumulative obligations authorized and approved by the Regional Commissioner. Specific instructions to prepare the Form SSA-4513 report are located in POMS DI39506.210.

The report is an effective tool for States or other responsible jurisdictions to observe⁶ the quarterly cumulative rate of expenditures and control its rate throughout the year and to take precaution against over-expenditure of its budget for disability program operations. If it becomes clear that an agency will not need as much obligation authority as authorized, it will be reduced. However, such reduction will be made only after advance consultation between the SSA regional office and the SA.⁷

OBLIGATIONS REPORTED ON FORM SSA-4513 REPORT WERE NOT SUPPORTED

NY-OTDA reported amounts on the Form SSA-4513 reports, which could not be supported. We requested the support for the Forms SSA-4513 on multiple occasions, but the support was not forthcoming. Through further analysis, we concluded that these amounts generally were not logical. For example, for FY 1998, amounts reported as unliquidated obligations for Medical Evidence of Records (MER) necessary to making determinations of applicant's eligibility remained relatively unchanged at \$975,961 from January 2000. Unliquidated obligations for MERS for FY 1999 were reported at \$3,840 and again remain unchanged through June 2002. We believe NY-OTDA used Column B to reconcile what they reported as Total Obligations. This was done by comparing the disbursements column to the total obligation column. If the disbursements were greater than total obligations, a negative amount⁸ was inserted into the unliquidated obligation

⁵ POMS DI 39506.203B.

⁶ POMS DI 39506.100A.3.

⁷ POMS DI 39506.100A.5.

⁸ We requested a definition of negative unliquidated obligations and was not provided a reasonable explanation. Nor could we envision a situation in which a negative obligation balance would occur.

column, if disbursements were lower than total obligations, a positive number was entered into the unliquidated obligation column as shown for example on the Form SSA-4513 below.

DEPARTMENT OF HEALTH AND HUMAN SERVICES SOCIAL SECURITY ADMINISTRATION			DDS
STATE AGENCY REPORT OF OBLIGATIONS FOR SSA DISABILITY PROGRAMS			
OF AGENCY	STATE	SA CODE	
Office of Temporary & Disability Assistance	NEW YORK	330	
	FISCAL YEAR 1998	FOR PERIOD 10/01/97-12/31/99	
	(A) DISBURSEMENT	(B) UNLIQUIDATED OBLIGATIONS	(C) TOTAL OBLIGATIONS
1. Personnel Service Costs.....	79,613,976	(1,675,218)	77,938,758
2. Medical Costs (sum 2a + 2b).....	34,234,537	102,696	34,337,233
a. Consultative Examinations (Sum a1 + a2 + a3)...	30,678,008	(873,265)	29,804,743
(1) Disability Insurance Claims (DI).....	8,698,565	(253,078)	8,445,487
(2) Supplemental Security Income Claims (SSI) .	17,208,282	(440,289)	16,767,993
(3) Concurrent DI/SSI Claims.....	4,771,161	(179,898)	4,591,263
b. Medical Evidence of Record (Sum b1 + b2 + b3) ..	3,556,529	975,961	4,532,490
(1) Disability Insurance Claims (DI).....	1,432,500	448,070	1,880,570
(2) Supplemental Security Income Claims (SSI) .	1,490,030	418,060	1,908,090
(3) Concurrent DI/SSI Claims.....	633,999	109,831	743,830
3. Indirect Costs.....	0	9,908,469	9,908,469
4. All Other Nonpersonnel Costs.....	16,090,627	(645,124)	15,445,503
5. Total: (Sum of lines 1, 2, 3, + 4 above),.....	129,939,140	7,690,823	137,629,963
6. Cumulative Quarterly Obligation Authorization.....	X-100	X-100	X-100
7. SSA-871 Attached Yes X No	X-100	X-100	X-100

We were not provided a reason for why reports were prepared in this manner. We determined that to reflect the true status of valid obligations for this report period, adjustments were needed to eliminate both negative and positive unliquidated obligations in Column B of the Form SSA-4513 report. Our recalculations disclosed that NY-OTDA's reported obligations now exceeded its budget authority by \$2,217,646 as on the next page.

REPORTING ITEMS	DISBURSEMENTS	UNLIQUIDATED OBLIGATIONS	TOTAL OBLIGATIONS
Personnel Service Costs	\$ 79,613,976	\$ -	\$ 79,613,976
Medical Costs	34,234,537		34,234,537
Consultative Examinations	30,678,008	-	30,678,008
Disability Insurance (DI) Claims	8,698,565	-	8,698,565
Supplemental Security Income (SSI) Claims	17,208,282	-	17,208,282
Concurrent DI/SSI Claims	4,771,161	-	4,771,161
Medical Evidence of Records	3,556,529		3,556,529
DI Claims	1,432,500		1,432,500
SSI Claims	1,490,030		1,490,030
Concurrent DI/SSI Claims	633,999		633,999
Indirect Costs	-	9,908,469	9,908,469
All Other Non-personnel Costs	16,090,627	-	16,090,627
Total	\$ 129,939,140	\$ 9,908,469	\$ 139,847,609
Cumulative Quarterly Obligation Authorization			\$ 137,629,963
Obligations Exceeding Authorization			\$ 2,217,646

We believe NY-OTDA's reporting of obligations violated established regulations and policies between SSA and the State of New York requiring compliance with written guidelines.

We determined that similar adjustments were required for FY 1999. We are recommending appropriate adjustments as detailed in Appendices A and B to NY-DDD's Form SSA-4513 reports for both FYs audited as of the reporting period ended December 31, 1999.

ADDITIONAL FUNDING COULD BE REQUESTED

Our review of applicable regulations including OMB guidance disclosed that funding might still be available to meet shortfalls.

OMB Circular A-34,⁹ addresses the availability of funding when the FY has ended as follows:

"Expired phase is the time period when the appropriations are no longer allowed to incur new obligations but are still available to pay old bills. During this phase, the appropriation is available to liquidate valid obligations incurred during the unexpired phase. You may make adjustments to increase or decrease valid obligation incurred during the

⁹ OMB Circular No. A-34 (2000), Section 11 – TERMS AND CONCEPTS, 11.6 “What are the phases of availability for annual and multi-year appropriations?”

unexpired period but not previously reported. Normally this phase lasts for five fiscal years except when a law specifically lengthens this phase.

Annual appropriations expire at the beginning of the subsequent fiscal year, unless otherwise specified by law."

OBLIGATIONS REPORTED IN THE WRONG FY

During our examination of administrative expenditures incurred and claimed for the period under audit, we identified \$985,960 in rental expenditures funded using prior year expired funds.

31 U.S.C. §1502 (a) provides that:

"The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability...the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law."

Funds provided under titles II and XVI of the Act for DDSs are taken out of SSA's Limitation and Administrative Expense account and are to be obligated within each FY period.

For the 2 FYs under audit, we randomly sampled each of the reported expenditure categories identified on the Form SSA-4513 reports. While for the most part, reported expenditures were supported, allowable, and properly allocated, we conducted a more detailed review¹⁰ of office rental costs since accounting and reporting problems had been identified in a prior administrative cost review conducted by our office. Our review identified 24 transactions totaling \$985,960 incurred in FYs 1999 and 2000, yet subsequently disbursed from and accounted for in FYs 1998 and 1999, respectively.

At the end of FYs 1998 and 1999, the Office of Disability Operations (ODO) provided authorization and guidance to the New York Regional Office to provide advanced funding to include upcoming rental costs. NY-DDD in turn, used \$646,999 of expired 1998 funding for FY 1999 rental costs. These same financial events occurred using \$338,959 in FY 1999 funding for FY 2000 rental costs. To make proper adjustment of funds and report obligations in accordance with Federal regulations, the following adjustments should be made.

¹⁰ Office of the Inspector General Audit Report entitled, *Audit of the Administrative Costs Claimed by the Oregon Disability Determination Services – CIN A-15-99-52021* issued February 2001.

Adjustment Required	Effect on FY 1998 Funding	Effect on FY 1999 Funding	Effect on FY 2000 Funding
1. FY 1999 Cost funded from FY 1998 Funds, should be reversed.	(\$646,999)	\$646,999	
2. FY 2000 Cost funded from FY 1999 Funds, should be reversed.		(\$338,959)	\$338,959
Net Rental Adjustments by FY	(\$646,999)	\$308,040	\$338,959

REPORTED INDIRECT COSTS INCORRECTLY STATED

NY-OTDA used the Central Office Cost Allocation Claim (COCAC) system to accumulate indirect costs for reimbursement by Federal agencies using its services.

Our work was limited to tracing totals from COCAC to the Form SSA-4513 Report for the 2 FYs under review. Our comparison of COCAC data to reported amounts disclosed that indirect costs for the 2 years were overstated by \$751,238 as follows:

COCAC vs Form SSA-4513 Total Obligations			
FY	COCAC	Form SSA-4513	Difference
1998	\$ 8,658,214	\$ 9,908,469	\$ 1,250,255
1999	\$ 7,941,836	\$ 7,442,819	\$ (499,017)
Total	\$ 16,600,050	\$ 17,351,288	\$ 751,238

Adjustments to correct the overstatement and understatement of indirect costs are detailed in Appendices A and B.

SIGNIFICANT DISBURSEMENT OMITTED FROM FORM SSA-4513 REPORT

Our review of the NY-OTDA cash management practices disclosed that drawdowns exceeded reported disbursements by \$2,377,842. Our review disclosed an inadvertent omission involving a draw down to reimburse NY-DDD for indirect costs. Reporting disbursement activity and executing drawdowns are performed by separate entities, the NY-OTDA and NY-OSC. Controls can be improved by recognizing the need for both entities to reconcile accumulated disbursement activity to ensure all transactions are accounted for and properly reported.

Functions related to accounting and reporting for disbursements were performed by NY-OTDA's Budget, Finance, and Data Management. Drawing down funds from Treasury were performed by the NY-OSC. NY-OTDA's procedures include preparation of journal vouchers to fund the State's reimbursement for indirect costs and to request the NY-OSC to execute the required draw down. NY-OTDA also accounts for these journal vouchers in accumulating disbursement totals for reporting on the Form SSA-4513 report.

While necessary controls to ensure separation of duties were in place, NY-OTDA had not adopted a control procedure to ensure reconciliation of reported disbursement totals to total drawn down amounts maintained on Treasury reports by the NY-OSC. As a result, there were inadequate controls in place to ensure the accuracy of reported transactions.

Our audit tests call for determining whether State agencies or other responsible jurisdictions only draw down funds in order to meet immediate funding needs in accordance with applicable Federal Regulations.¹¹ Our comparison of Treasury's ASAP to the reported disbursements on the Form SSA-4513 identified an apparent excess over draw. We determined that FY 1998 draw downs exceeded "reported" disbursements by \$2,377,842.

Our review of disbursement activity extended past the audit cut off-date to ensure cash management activities were addressed during the period of our field work.¹² We identified a \$3 million draw down made on March 21, 2001, on the ASAP Account Statement Inquiry. This amount was in excess of reimbursable disbursements reported on the Form SSA-4513 report covering that period. We reported the discrepancy to NY-OTDA. NY-OTDA took immediate action to research its files and provided us documentation showing that a disbursement reporting omission had occurred on the Form SSA-4513 and was later corrected. We discussed with NY-OTDA and the NY-OSC a recommendation that NY-OTDA be provided with current information to ensure that all draw down activity reconciles with reported disbursements on the Form SSA-4513 report.

IWS/LAN EQUIPMENT NOT INCLUDED IN NY-DDD INVENTORY

NY-DDD did not record IWS/LAN equipment on its Fixed Asset Tracking System. Federal regulations¹³ provide for the State to have title to equipment purchased for disability program purposes. The State is also responsible for maintaining all such equipment, including identifying the equipment by labeling and inventory.

We were able to verify that the IWS/LAN equipment was identified and properly located at various offices. The staff stated that there were plans to put the value of the IWS/LAN equipment into FATS, but system compatibility problems have hindered its completion.

¹¹ 31 CFR §205.11(b) states "A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs."

¹² We reviewed disbursement and draw down activity as of the end of our field work in August 2002.

¹³ 20 CFR §§ 404.1628 and 416.1028.

Conclusions and Recommendations

We concluded the NY-DDD generally maintained documentation to support claimed disbursements, and for the most part, such disbursements were both allowable and properly allocated between FY appropriations. However, efforts need to be focused on eliminating deviations in reporting practices and improving certain accounting controls. We recommend the Regional Commissioner:

- 1. Require NY-OTDA to follow specific guidelines in the POMS DI 38506.210 for reporting the status of all unliquidated obligations. Accordingly, eliminate negative unliquidated obligation entries totaling \$3,316,665 (\$3,193,607 in FY 1998 and \$123,058 in FY 1999) from the SSA Form 4513 reports for reporting quarter ended December 31, 1999, and report zeros in their place.**

NY-OTDA's COMMENTS

NY-OTDA partially concurred with our recommendations as synopsized below:

New York has confidence in the accuracy of unliquidated obligations reported on SSA Form-4513 (Quarterly Expenditure Report). Negative unliquidated obligations during the audit periods were primarily result of the method for reporting certain indirect costs and cost coding errors in expenditure processing.

The obligations for the majority of costs reported on the Quarterly Expenditure Report (QER) are based on actual vouchers costs processed one of the following: DDD's fiscal processing system, NY-OTDA's purchasing system, and/or NY-OTDA's Accounts payable process.

Disbursements reported on the QER are tied to expenditure information from the NY-OSC that reflects all payments made by New York State. Unliquidated obligations are, therefore, correctly, the difference between actual costs which constitute reported obligations and the amounts officially disbursed according to New York's fiscal regulator that are reported as disbursements (also referred to as expenditures).

New York accounting structure, with thousand of separate fiscal transactions, does not facilitate tracking outstanding individual unliquidated obligations, which would require significantly more time and staff resources and has the potential to result in inaccurate reporting.

Unliquidated obligations are, therefore, the difference between estimated obligations and actual expenditures. Once all costs have been processed post-year, obligations are adjusted to disbursements.

As recommended by the Office of the Inspector General (OIG), New York will expand explanations in the QER to address outstanding unliquidated obligations.

New York is acting to eliminate or minimize unliquidated obligations. Negative unliquidated obligations during the audit periods were primarily the result of the method for reporting indirect costs and coding errors in expenditure processing. Other causes have been resolved since the 12/00 QER were issued.

REGIONAL COMMISSIONER'S COMMENTS

The Regional Commissioner concurred with our recommendation.

OIG RESPONSE

The Form SSA-4513 report referred to as the “QER” in New York’s comments is a misnomer. As stated in POMS, the report is titled the “State Agency Report of Obligations for SSA Disability Programs.”

POMS DI 39506.200B and DI 39506.201 define the terms under which obligations are established and reported. These POMS sections require specificity in reporting obligation information. It remains unclear to us how NY-OTDA can determine what total costs are if it does not know the amount of unliquidated transactions needed to arrive at total costs.

NY-OTDA also provided additional commentary regarding vouchered costs and unliquidated obligations; however, we were unable to substantiate those comments. We were also unable to document certain adjustments for indirect costs, and reclassifications of consultative examinations (CE) and MERs which, as explained to us, resulted in negative adjustments that NY-OTDA will take action to minimize or eliminate.

- 2. Require NY-OTDA to eliminate unsupported positive invalid obligations from Form SSA-4513 Report and decrease budget authority to recognize obligations no longer valid in the amount of \$4,399,192 (\$975,961 in FY 1998 and \$3,423,231 in FY 1999).**

NY-OTDA'S COMMENTS

NY-OTDA did not concur with our recommendation; this issue is discussed in Recommendation #3.

REGIONAL COMMISSIONER'S COMMENTS

The Regional Commissioner concurred with our recommendation.

OIG RESPONSE

See Recommendation 3 for our response.

3. Require NY-OTDA to discontinue the use of unsupported forced obligations in preparing the Form SSA-4513 report.

NY-OTDA'S COMMENTS

NY-OTDA did not concur with our recommendations as synopsized below:

NY-OTDA completed a reconciliation of fringe benefits for FY 1998. Documentation supports the obligations reported and transactions are underway to expend the unliquidated obligation of \$322,077.

MER cost is based on processing of vouchers through the DDS's fiscal processing system. Obligations are based on vouchers processed for payment and sent to the NY-OSC for payment. The amounts reported for Federal Fiscal Year (FFY) 1998 and FFY 1999 are based on the end of year report from the Fiscal Processing System. Accordingly, these obligations are the actual costs of MER vouchers that will not change after the end of the FY. For FFY 1998, MER vouchers totaled \$4,532,490.

It appears that MER disbursements were erroneously reported as CE disbursements, reflected as CE overspending. The reporting error is being corrected.

The OIG conclusion that the figure reported in Column B of the Form SSA-4513 (unliquidated obligations) is the result of the difference between total obligations and disbursements is indeed correct. The obligation from the DDD fiscal system is the controlling factor. New York is not forcing the unliquidated amount to match invalid obligations.

REGIONAL COMMISSIONER'S COMMENTS

The Regional Commissioner concurred with our recommendation.

OIG RESPONSE

Again, without being provided documentation, we are unable to document NY-OTDA actions to reconcile fringe benefits. Nor can we confirm that \$322,077 in unliquidated obligations is based on legitimate obligations which had been incurred within FY 1998.

We are also unable to confirm that the Fiscal Processing System can be associated with unliquidated obligation information reported on the From SSA-4513 report. Based on OTDA's explanation, it's unclear how the unliquidated amounts and resulting total obligation amounts were not reduced by cancellations which normally occur after a FY ends.

The information provided does not explain how the lapse time from which certain estimated unliquidated obligations can continue to be reported after the FY ends. This practice is a clear violation of POMS¹⁴ in that such funds remain available only for obligations were clearly created and documented as incurred during the FY from which the appropriation was established. The need to report all available funds as obligated for extended periods of time without a supporting record system to substantiate such obligations, we conclude is not appropriate. NY-DDD reporting of invalid unliquidated obligations also occurred with FY 1995 funds when the NY-OTDA had reported Total Obligations of over \$113 million starting in November 1995 and ending in April 2000, then reporting total obligations exceeding \$108 million in the final reporting quarter ending June 30, 2000. This resulted in almost \$5 million in funding authority which could have been used for an earlier SSA program need.

In regards to recommendation #3, we agree that the term "forced" could be somewhat misleading and have revised our recommendation accordingly as shown on page ii of the Executive Summary to this report.

4. Require NY-OTDA to implement a record keeping system, which would provide for accumulating and updating valid obligations for MERS, CEs, and all other non-personnel costs.

NY-OTDA'S COMMENTS

NY-OTDA did not concur with our recommendations as synopsized below:

As previously stated by the NY-OTDA, MER cost is based on processing of vouchers through DDS's Fiscal Processing System. Obligations are based on vouchers processed for payment and sent to the NY-OSC for payment. The amounts reported for FFY 1998 and FFY 1999 are based on data from the Fiscal Processing System.

Non-personnel costs are accumulated and tracked by various systems and methods. For example:

- Applicant travel vouchers sent for payment are tracked by an internal DDD automated system in the Processing Unit.

¹⁴ POMS DI 39506.200B.

- Items acquired by purchase request/purchase order, such as furniture, equipment, electronic data processing and building renovations are tracked by the NY-OTDA Purchasing System.
- Billing and vouchers from contractors for services such as transcription, medical record imaging, medical peer review, parking, security guards and interpreters are verified and reconciled by DDD and sent to the NY-OTDA for payment. These costs have been routinely tracked for many years on spreadsheet programs (currently Excel programs) developed and maintained by DDD Central Office staff.
- NY-OTDA maintains systems and records for vouchers and chargebacks received directly by the parent agency such as commercial telephone service, Office of General Services telecommunications costs, rent and office maintenance.

Although the following NY-OTDA comments were included under Recommendation #1, we believe that they relate this recommendation also:

Some cost items such as supplies, represent thousands of individual orders and requisitions from agency stores placed by each DDD region and the Central Office during the course of a FY. Obligations on the QER are estimates based on past experience, applying cost per case experience from prior periods to project dispositions. Actual disbursement activity occurs many months after the end of a FY as orders and chargebacks clear the pipeline. DDD does not have the system to determine the exact amount of outstanding unliquidated orders and requisitions in order to determine the exact amount of outstanding unliquidated obligations at any one time. DDD and NY-OTDA are able, at some point post-FY, to adjust estimated obligations consistent with expenditures. The adjustment can be made when no significant disbursement activity has occurred for a reasonable amount of time post-FY, based on past experience. The obligation is then adjusted to match the disbursement.

REGIONAL COMMISSIONER'S COMMENTS

The Regional Commissioner concurred with our recommendation.

OIG RESPONSE

We continue to believe that a record system meeting POMS¹⁵ requirements which is reconcilable with the Form SSA-4513 report is not available and auditable.

5. Coordinate a decision with the Office of Disability to determine the availability of funding for those obligations currently unfunded.

¹⁵ POMS DI 39506.200B.

NY-OTDA'S COMMENTS

NY-OTDA did not concur with our recommendations as synopsized below:

NY-DDD assessment of obligations and funding in FY 1998 and 1999 indicates that sufficient budget authority exists.

OIG's identification of additional funding needs is primarily related to:

- Overstating the amount of personal funding required, by including personnel-related indirect cost disbursements in total obligations. These disbursements should be shifted to the indirect cost category.
- Failure to reduce indirect cost obligations to the COCAC claim amounts.
- Shifting SSA approved forward funding costs from the year allocation in which they were funded to the following year.

NY-OTDA asserted under Recommendation #3, that it still has \$643,315 in available (unused) budgetary authority:

NY-OTDA Recalculation of FY 1998 Obligations

Personnel Costs	\$ 78,412,030
Medical Costs	34,262,603
CE	29,730,113
MER	4,532,490
Indirect Costs	8,658,214
Other Costs	15,653,801
Total Costs	\$136,986,648
Allocation	\$137,629,963
Difference	\$ 643,315

REGIONAL COMMISSIONER'S COMMENTS

The Regional Commissioner did not concur with our recommendation.

Recommendation Number 5, which requires that the New York Regional Office coordinate with the Office of Disability to determine the availability of funding for those obligations currently unfunded, presumes that the obligations as recalculated by the auditors reflect FY 1998 actual obligations. Based on FY 1995, FY 1996, and FY 1997 data, which is maintained in the Regional Office, we project that the "personal service costs" for FY 1998 will not change, that the excess "personal service costs" disbursements will satisfy the unliquidated obligation for "indirect costs," and that the State will deobligate some of the costs that are now obligated for FY 1998 "indirect costs." To assume otherwise would be contrary to historical patterns.

OIG RESPONSE

Since both NY-OTDA and the Regional Commissioner disagree with our recommendation and believe that there will be sufficient funding to meet final accumulated disbursements, we are therefore revising our recommendation as now provided on page iii of the Executive Summary of our report as follows:

Revised Recommendation 5.

Obtain necessary documentation from the NY-OTDA to support that funding will be available to meet final expenditure amounts for FY 1998.

- 6. Instruct NY-OTDA to reduce reported disbursements for FY 1998 by \$646,999 and increase FY 1999 disbursements by \$308,040 to properly adjust Form SSA-4513 reporting in appropriate FYs.**

NY-OTDA'S COMMENTS

NY-OTDA partially concurs with our recommendations as synopsized below:

OIG states that SSA ODO authorized the SSA New York Regional Office to provide advanced funding (forward funding) in each FY to support the rent costs. The budget authority for each year provided for forward funding of costs.

NY-DDD and NY-OTDA followed SSA directives. The issue of the "proper" year for reporting obligations and charging of costs correctly falls between OIG and the SSA Disability Program, not New York State. Unless SSA adjusts the allocation amount in each FY to remove forward funding, properly reported disbursements should not be changed in fiscal reports for FFY 1998, 1999, or 2000.

REGIONAL COMMISSIONER'S COMMENTS

The Regional Commissioner concurred with our recommendation.

OIG RESPONSE

Our recommendation requests the Regional Commissioner take necessary action to make the audit adjustment mentioned in Recommendation #6. We would conclude that any necessary adjustments needed to the allocation would also be made.

- 7. Instruct NY-OTDA to reduce FY 1998 recorded indirect total obligations by \$1,250,255 and increase FY 1999 recorded indirect total obligations by \$499,017 to properly reflect indirect costs as provided in the COCAC.**

NY-OTDA AND REGIONAL COMMENTS

We have concurrence from both OTDA and the Regional Commissioner's office.

- 8. Instruct NY-OTDA to take measures to improve Form SSA-4513 reporting accuracy by implementing a procedure of reconciling accumulated disbursements to Treasury reports maintaining funding balances and draw down activity.**

NY-OTDA AND REGIONAL COMMENTS

We have concurrence from both the NY-OTDA and the Regional Commissioner's office.

- 9. Require NY-OTDA to establish inventory control over IWS/LAN equipment in accordance with 20 CFR §§ 404.1628 and 416.1028.**

NY-OTDA'S COMMENTS

NY-OTDA concurred with our recommendations but disagreed with the basis of the finding.

REGIONAL COMMISSIONER'S COMMENTS

The Regional Commissioner concurred with our recommendation.

OIG RESPONSE

We have taken NY-OTDA's comments into consideration and modified the text of the report to recognize the existing tracking system and the need to incorporate IWS/LAN equipment into the system.

Appendices

Appendix A

New York Disability Determination Division Reported/Allowed

Appendix A

NEW YORK DISABILITY DETERMINATION DIVISION OBLIGATIONS REPORTED/ALLOWED

Fiscal Year (FY) 1998											
	Unliquidated Obligations					Disbursements					Total Obligations
	Personnel	Medical	Indirect	All Other	Total	Personnel	Medical	Indirect	All Other	Total	
As Reported by State Agency	\$(1,675,218)	\$ 9,908,469	\$ (645,124)	\$ 7,588,127	\$79,613,976		\$0		\$16,090,627	\$95,704,603	\$103,292,730
Consultative Examination (CE)											
Disability Insurance (DI)		\$ (253,078)		\$ (253,078)			\$ 8,698,565			\$ 8,698,565	\$ 8,445,487
Supplemental Security Income (SSI)		\$ (440,289)		\$ (440,289)			\$17,208,282			\$17,208,282	\$16,767,993
Concurrent SSI/DI		\$ (179,898)		\$ (179,898)			\$ 4,771,161			\$ 4,771,161	\$ 4,591,263
Medical Evidence of Record (MER)											
DI		\$ 448,070		\$ 448,070			\$ 1,432,500			\$ 1,432,500	\$ 1,880,570
SSI		\$ 418,060		\$ 418,060			\$ 1,490,030			\$ 1,490,030	\$ 1,908,090
Concurrent SSI/DI		\$ 109,831		\$ 109,831			\$ 633,999			\$ 633,999	\$ 743,830
Total Claimed by State Agency	\$(1,675,218)	\$ 102,696	\$ 9,908,469	\$ (645,124)	\$ 7,690,823	\$79,613,976	\$34,234,537	\$0	\$16,090,627	\$129,939,140	\$137,629,963
1. Reduce amounts reported as unliquidated obligations for MERs and CEs determined to be invalid.		\$ (975,961)		\$ (975,961)							\$ (975,961)
2. Eliminate amounts identified as negative unliquidated used to force reporting balances and understate total obligations.	\$ 1,675,218	\$ 873,265	\$ 645,124	\$ 3,193,607							\$ 3,193,607
3. Reduce FY 1998 disbursement by FY 1999 rental costs inappropriately charged.								\$ (646,999)	\$ (646,999)	\$ (646,999)	
4. Reduce FY 1998 indirect cost obligations in order to reconcile with Central Office Cost Allocation Claim system.		\$ (1,250,255)		\$ (1,250,255)							\$ (1,250,255)
Reported Amounts per audit.	\$0	\$0	\$ 8,658,214	\$0	\$ 8,658,214	\$79,613,976	\$34,234,537	\$0	\$ 15,443,628	\$ 129,292,141	\$ 137,950,355

New York Disability Determination Division Obligations Reported/Allowed

Appendix B

NEW YORK DISABILITY DETERMINATION DIVISION OBLIGATIONS REPORTED/ALLOWED

Fiscal Year (FY) 1999											
	Unliquidated Obligations					Disbursements					Total Obligations
	Personnel	Medical	Indirect	All Other	Total	Personnel	Medical	Indirect	All Other	Total	
As Reported by State Agency	\$8,459,675		\$7,442,819	\$2,639,506	\$18,542,000	\$72,569,665		\$ 0	\$16,014,988	\$ 88,584,653	\$107,126,653
Consultative Examination (CE)											
Disability Insurance (DI)											
Supplemental Security											
Income (SSI)											
Concurrent SSI/DI											
Medical Evidence of Record (MER)											
DI											
SSI											
Concurrent SSI/DI											
Total Claimed by State Agency	\$8,459,675	\$ 660,667	\$7,442,819	\$2,639,506	\$19,202,667	\$72,569,665	\$35,980,534	\$ 0	\$16,014,988	\$124,565,187	\$143,767,854
1. Reduce amounts reported as unliquidated obligations for MERs, CEs, and non-personnel determined to be invalid.											
		\$ (783,725)		\$ (2,639,506)	\$ (3,423,231)						\$ (3,423,231)
2. Eliminate amounts identified as negative unliquidated used to force reporting balances and understate total obligations.											
		\$ 123,058		\$ 123,058							\$ 123,058
3. Net increase FY 1999 disbursements by FY 1998 and FY 1999 rental costs adjustments.											
4. Increase FY 1999 indirect cost obligations in order to reconcile with Central Office Cost Allocation Claim system.											
		\$ 499,017		\$ 499,017							\$ 499,017
Reported Amounts per Audit	\$ 8,459,675	\$ 0	\$7,941,836	\$ 0	\$16,401,511	\$72,569,665	\$35,980,534	\$ 0	\$ 16,323,028	\$ 124,873,227	\$ 141,254,738

Questioned Costs

Appendix C

QUESTIONED COSTS

Incorrect Fiscal Year (FY) Payments

Invoice	Amount	Comments
Office Rent		
8110333	\$1,157.00	FY 99 expense was charged to FY 98
8110355	\$666.67	FY 99 expense was charged to FY 98
8110363	\$625.31	FY 99 expense was charged to FY 98
8110325	\$25,192.74	FY 99 expense was charged to FY 98
8110326	\$1,272.00	FY 99 expense was charged to FY 98
8110327	\$1,366.08	FY 99 expense was charged to FY 98
8110329	\$188,121.50	FY 99 expense was charged to FY 98
8110396	\$188,121.50	FY 99 expense was charged to FY 98
8110383	\$56,087.28	FY 99 expense was charged to FY 98
8110435	\$84,486.83	FY 99 expense was charged to FY 98
8110361	\$1,950.00	FY 99 expense was charged to FY 98
8110362	\$59,609.67	FY 99 expense was charged to FY 98
8110336	\$38,343.07	FY 99 expense was charged to FY 98
FY 98 Total	\$646,999.65	
9110271	\$188,121.50	FY 00 expense was charged to FY 99
9110265	\$1,157.00	FY 00 expense was charged to FY 99
9110268	\$3,683.68	FY 00 expense was charged to FY 99
9110270	\$25,192.74	FY 00 expense was charged to FY 99
9110291	\$666.67	FY 00 expense was charged to FY 99
9110304	\$56,087.28	FY 00 expense was charged to FY 99
9110299	\$625.31	FY 00 expense was charged to FY 99
9110300	\$59,609.67	FY 00 expense was charged to FY 99
9110274	\$1,366.08	FY 00 expense was charged to FY 99
9110302	\$1,950.00	FY 00 expense was charged to FY 99
9110303	\$500.00	FY 00 expense was charged to FY 99
FY 99 Total	\$338,959.93	

Appendix D

Agency Comments

Appendix D



SOCIAL SECURITY

MEMORANDUM

Date: February 4, 2003 **Refer To:** S2D2G5

To: Steven L. Schaeffer
Assistant Inspector General
for Audit

From: Regional Commissioner
New York

Subject : Audit of Administrative Costs Claimed by the New York Disability Determination Division
(A-15-00-20053)

We welcome the opportunity to review the draft report representing the results of your audit of the administrative costs claimed by the New York (NY) Disability Determination Division (DDD) for fiscal years (FYs) 1998 through 1999.

Based on your findings we agree with all of the conclusions and recommendations in the draft report with the exception of number 5. Recommendation number 5, which requires that the New York Regional Office coordinate with the Office of Disability to determine the availability of funding for those obligations currently unfunded, presumes that the obligations as recalculated by the auditors reflect FY 1998 actual obligations. Based on FY 1995, FY 1996 and FY 1997 data, which is maintained in the Regional Office, we project that the "personnel service costs" obligations for FY 1998 will not change, that the excess "personnel service costs" disbursements will satisfy the unliquidated obligation for "indirect costs", and that the State will deobligate some of the costs that are now obligated for FY 1998 "indirect costs". To assume otherwise would be contrary to historical patterns.

If members of your staff have any questions on this matter they should be directed to Gene Purk, (212) 264-7283 in the Center for Disability Programs.

/ s /
Beatrice M. Disman

Appendix E

OIG Contacts and Acknowledgments

OIG Contacts

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Acknowledgments

In addition to those named above:

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Steven Sachs, Senior Auditor

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The Office of Executive Operations (OEO) supports the Office of the Inspector General (OIG) by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the *Government Performance and Results Act*. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

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The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.