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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**SOUTH DAKOTA DISABILITY  
DETERMINATION SERVICES'  
ADMINISTRATIVE COST REPORTING**

**August 2011**

**A-06-11-11153**

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**AUDIT REPORT**

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## **Mission**

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

## **Authority**

**The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:**

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

**To ensure objectivity, the IG Act empowers the IG with:**

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

## **Vision**

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



## SOCIAL SECURITY

### MEMORANDUM

Date: August 4, 2011

Refer To:

To: Sean Brune  
Regional Commissioner  
Denver

From: Inspector General

Subject: South Dakota Disability Determination Services' Administrative Cost Reporting  
(A-06-11-11153)

### OBJECTIVE

Our objectives were to determine whether the South Dakota Disability Determination Services (SD-DDS) accurately reported obligations for Fiscal Years (FY) 2009 through 2010; and whether withdrawals made through the Automated Standard Application for Payments (ASAP) system were consistent with reported disbursements.

### BACKGROUND

We initiated this audit at the request of the Social Security Administration's (SSA) Office of Disability Determinations. Disability determination services (DDS) in each State or other responsible jurisdiction perform disability determinations under the Disability Insurance and Supplemental Security Income programs. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations.

SSA reimburses the DDS for 100 percent of allowable reported expenditures up to its approved funding authorization. Once approved, the DDS withdraws Federal funds through the Department of the Treasury's (Treasury) ASAP system. Funds drawn from Treasury to pay for program expenditures must be transferred in accordance with Federal regulations<sup>1</sup> and intergovernmental agreements entered into by Treasury and the States under the authority of the *Cash Management Improvement Act*.<sup>2</sup>

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<sup>1</sup> 31 C.F.R. § 205.1 *et seq.*

<sup>2</sup> Pub. L. No. 101-453, 104 Stat. 1058, in part amending 31 U.S.C. §§ 3335, 6501, and 6503 (1990).

Obligation authority is the monetary limit approved for State agency obligations to be incurred for SSA disability program operations.<sup>3</sup> The State may not incur or make expenditures for items of cost not approved by SSA or in excess of the amount SSA makes available to the State.<sup>4</sup> Additionally, State agencies should control the rate of expenditures throughout the year and take precautions to safeguard against inadvertent over-expenditures of SSA's budget for disability program operations.<sup>5</sup> If it appears expenditures may exceed the cumulative obligation authorization for the dates covered by the funding, State agencies must consult with SSA regional office staff.<sup>6</sup>

At the end of each fiscal quarter, each DDS is required to submit to SSA a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) to account for program disbursements and unliquidated obligations.<sup>7</sup> DDSs are also required to provide the regional office a monthly report of actual and projected obligations for the cost categories reported on the quarterly Form SSA-4513.<sup>8</sup> The Monthly Obligation Report provides SSA with actual data for all cost categories and projections for the following 2 months. According to SSA, the Monthly Obligation Report serves as a critical tool in making funding decisions for DDSs. As a result, the timeliness and accuracy of these reports is important to SSA.

## RESULTS OF REVIEW

SD-DDS did not accurately report obligations incurred in FYs 2009 and 2010. During these 2 years, SD-DDS consistently under-reported obligations on Monthly Obligation Reports. Under-reported amounts ranged from \$320,798 to \$913,257 compared to actual obligations SD-DDS subsequently reported on quarterly Forms SSA-4513. Under-reported obligations negatively affected SSA's ability to accurately forecast SD-DDS' funding requirements.

FY 2009 and 2010 withdrawals made through Treasury's ASAP system were consistent with reported disbursements. However, in FYs 2005 and 2008, SD-DDS withdrawals from Treasury exceeded its authority by a combined \$16,347. During the audit, SD-DDS refunded the overdrawn amounts to SSA.

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<sup>3</sup> SSA, POMS, DI 39506.200.B.3 (3/12/2002).

<sup>4</sup> SSA, POMS, DI 39506.001.A (3/12/2002).

<sup>5</sup> SSA, POMS, DI 39506.100.A.3 (3/12/2002).

<sup>6</sup> SSA, POMS, DI 39506.100.A.4 (3/12/2002).

<sup>7</sup> SSA, POMS, DI 39506.201 (3/12/2002). Unliquidated obligations represent obligations for which payment has not yet been made. DI 39506.200.B.4 (3/12/2002).

<sup>8</sup> SSA, POMS, DI 39506.260.A (3/12/2002).

## OBLIGATION REPORTING

SD-DDS did not accurately report obligations incurred in FYs 2009 and 2010. Cumulative obligations reported on Monthly Obligation Reports understated actual obligations reported on quarterly Forms SSA-4513 by as much as \$913,257 (see Table 1).

<b>Table 1. SD-DDS Obligation Under-reporting (FYs 2009 Through 2010)</b>			
<b>Period</b>	<b>Cumulative Obligations on Monthly Obligation Reports</b>	<b>Cumulative Obligations on Forms SSA-4513</b>	<b>Cumulative Under-reported Amounts</b>
<b>FY 2009</b>			
Oct–Dec 2008	\$518,952	\$1,235,847	(\$716,895)
Jan–Mar 2009	\$1,330,865	\$1,944,517	(\$613,652)
Apr–Jun 2009	\$2,089,567	\$3,002,824	(\$913,257)
Jul–Sep 2009	\$2,958,569	\$3,279,367	(\$320,798)
<b>FY 2010</b>			
Oct–Dec 2009	\$532,821	\$1,163,260	(\$630,439)
Jan–Mar 2010	\$1,402,523	\$2,146,121	(\$743,598)
Apr–Jun 2010	\$2,316,022	\$2,928,683	(\$612,661)
July–Sep 2010	\$3,259,525	\$3,668,386	(\$408,861)

This occurred because SD-DDS did not include the value of obligations incurred but not paid (unliquidated obligations) on its Monthly Obligation Reports. In May 2008, the Denver Region Center for Disability notified the SD-DDS about this problem and provided additional reporting instructions in September 2008 as part of the National DDS Fiscal Training. In addition, SSA informed us that it provided SD-DDS with resources and policy regarding obligation reporting, emphasizing that, in accordance with Federal Appropriations law, SSA calculates obligated amounts for each DDS based on total obligations incurred—not disbursements. However, the SD-DDS continued to under-report obligations on Monthly Obligation Reports.

Consistent under-reporting of total obligations negatively affected SSA's ability to accurately forecast SD-DDS' funding requirements. As a result, twice during this 2-year period, SD-DDS exceeded its obligation authority.<sup>9</sup>

<sup>9</sup> SD-DDS exceeded obligation authority by \$290,219 in the 2<sup>nd</sup> Quarter of FY 2009 and \$270,751 in the 1<sup>st</sup> Quarter of FY 2010.

## **SD-DDS TREASURY ASAP WITHDRAWALS**

SD-DDS withdrawals made through Treasury's ASAP system in FYs 2009 and 2010 were within its established authority and consistent with reported disbursements. However, during FYs 2005 and 2008, SD-DDS made ASAP withdrawals that exceeded its Treasury authority by a total of \$16,347. The Center for Disability Programs staff stated that SD-DDS initially did not acknowledge the errors or repay the funds. However, after we initiated this review, SD-DDS refunded the overdrawn amounts.<sup>10</sup>

## **CONCLUSION AND RECOMMENDATION**

SD-DDS under-reported monthly obligations incurred in FYs 2009 and 2010 because it did not include the value of unliquidated obligations incurred on Monthly Obligation Reports submitted to SSA. SD-DDS' FY 2009 and 2010 withdrawals made through Treasury's ASAP system were consistent with reported disbursements. However, in FYs 2005 and 2008, SD-DDS withdrawals from Treasury exceeded its authority by a total of \$16,347. During the audit, SD-DDS refunded the overdrawn amounts to SSA. We consider this issue resolved.

For future reporting periods, we recommend that SSA direct the SD-DDS to accurately report obligations incurred, including unliquidated obligations, on Monthly Obligation Reports.

## **AGENCY COMMENTS**

SSA agreed with our recommendation. The Agency's comments are included in Appendix C. The South Dakota Department of Human Services accepted the findings as final and offered no further comments.



Patrick P. O'Carroll, Jr.

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<sup>10</sup> On November 17, 2010, SSA received a \$16,347.33 payment from SD-DDS.

# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

## Acronyms

ASAP	Automated Standard Application for Payments
C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
FY	Fiscal Year
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SD-DDS	South Dakota Disability Determination Services
SSA	Social Security Administration
Treasury	Department of the Treasury
U.S.C.	United States Code

### Forms

SSA-872	State Agency Obligational Authorization for SSA Disability Programs
SSA-4513	State Agency Report of Obligations for SSA Disability Programs

# Scope and Methodology

To accomplish our objectives, we:

- Reviewed applicable Federal laws, regulations, pertinent parts of the Social Security Administration's (SSA) Program Operations Manual System, and other instructions pertaining to administrative costs incurred by the South Dakota Disability Determination Services (SD-DDS) and draw down of SSA funds.
- Reviewed the State of South Dakota Single Audit reports issued in 2007, 2008, and 2009.
- Interviewed staff and officials at SSA's Office of Finance and Denver Regional Office.
- Compared the *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) to the *State Agency Obligational Authorization for SSA Disability Programs* (Form SSA-872) and Monthly Obligation Reports for Fiscal Years (FY) 2009 and 2010.
- Analyzed the Monthly Obligation Reports for FYs 2009 and 2010 to determine whether SD-DDS accurately reported obligations.
- Reviewed withdrawals made through the Department of the Treasury's (Treasury) Automated Standard Application for Payments (ASAP) system to determine whether they were consistent with reported disbursements.
- Confirmed that SD-DDS repaid the FY 2005 and 2008 Treasury ASAP overdraws.

We performed the audit from November 2010 through March 2011 at the SSA Regional Office in Denver, Colorado. We did not test the general or application controls of SSA systems that generated electronic data used for this audit. Instead, we traced selected transactions to source documents and performed other validation tests. As a result, we found the data to be sufficiently reliable to meet our audit objectives. 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.

## Agency Comments



### SOCIAL SECURITY

#### MEMORANDUM

**Date:** June 21, 2011 **Refer To:**

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

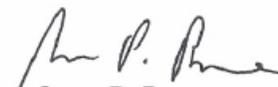
**From:** Regional Commissioner  
Denver

**Subject:** South Dakota Disability Determination Services' Administrative Cost Reporting  
(A-06-11-11153)

Thank you for the opportunity to review and comment on the South Dakota Disability Determination Services' Administrative Cost Reporting (A-06-11-11153) draft audit report. We concur with the findings and recommendations of the audit. We will continue to work with the South Dakota Disability Determination Services to ensure they accurately report the obligations they incur, including unliquidated obligations, on Monthly Obligation Reports.

Your staff may direct questions to Sue Neitzert, Center for Disability, at (303) 844-7100.

Sincerely,

  
Sean P. Brune

## OIG Contacts and Staff Acknowledgments

Ron Gunia, Director, Dallas Audit Division

Neha Smith, Audit Manager, Denver Office

For additional copies of this report, please visit our Website at [www.ssa.gov/oig](http://www.ssa.gov/oig) or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-06-11-11153.

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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**

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### **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.

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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.

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