



Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

Audit Report

Colorado Disability Determination
Services Administrative Cost
Reporting

A-06-15-50033 | December 2015

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: December 31, 2015

Refer To:

To: Wanda Colon-Mollfulleda
Acting Regional Commissioner
Denver

From: Assistant Inspector General for Audit

Subject: Colorado Disability Determination Services Administrative Cost Reporting (A-06-15-50033)

The attached final report presents the results of our review. Our objectives were to determine whether the Colorado Disability Determination Services accurately reported obligations from Fiscal Year (FY) 2013 through the first quarter of FY 2015 and whether Automated Standard Application for Payments system withdrawals were consistent with reported disbursements. We also performed a limited review of Colorado Operations Resource Engine controls over safeguarding claimant and State employees' personally identifiable information.

If you wish to discuss the final report, please call me or have your staff contact Ron Gunia, Audit Director, at (214) 767-6620.



for

Steven L. Schaeffer, JD, CPA, CGFM, CGMA

Attachment

cc:

Ann Robert, Acting Associate Commissioner for Disability Determinations
Carla Krabbe, Associate Commissioner for Financial Policy and Operations
Gary S. Hatcher, Senior Advisor for Records Management and Audit Liaison Staff
Reggie Bicha, Executive Director, Colorado Department of Human Services
Vicki L. Johnson, Director, Colorado Disability Determination Services

Colorado Disability Determination Services Administrative Cost Reporting A-06-15-50033



December 2015

Office of Audit Report Summary

Objectives

To determine whether the Colorado Disability Determination Services (CO-DDS) accurately reported obligations from Fiscal Year (FY) 2013 through the first quarter of FY 2015 and whether Automated Standard Application for Payments (ASAP) system withdrawals were consistent with reported disbursements. We also performed a limited review of controls over safeguarding claimant and State employees' personally identifiable information.

Background

We conducted this review at the request of the Social Security Administration's (SSA) Denver Regional Office. CO-DDS performs disability determinations under the Disability Insurance and Supplemental Security Income programs. SSA reimburses CO-DDS for 100 percent of allowable reported expenditures up to its approved funding authorization. Once approved, CO-DDS' parent Agency, the Colorado Department of Human Services (CO-DHS), withdraws Federal funds through ASAP.

The State may not incur or make expenditures in excess of the amount SSA makes available to the State. Additionally, State agencies should control the rate of expenditures throughout the FY and take precautions to safeguard against over-expenditures of SSA's budget for disability program operations.

Findings

CO-DDS administrative cost reporting and cash management required improvement.

CO-DHS spent \$706,848 in FY 2014 appropriated funds for costs incurred in FY 2015. In March 2015, CO-DHS transferred \$706,848 in FY 2015 appropriated funds back to the FY 2014 appropriation.

CO-DHS did not timely draw Federal funds after it made and reported DDS-related disbursements. CO-DHS also submitted Forms SSA-4513 for FYs 2013 and 2014 that under-reported the amount of Federal funds SSA authorized CO-DDS to spend.

Finally, the State's accounting system provided more than 4,000 users access to a searchable database containing the personally identifiable information of approximately 27,000 State employees, vendors, and contractors.

Recommendations

We made two recommendations for corrective action.

SSA agreed with our findings and had no additional comments. CO-DHS agreed with Recommendation 1 but disagreed with Recommendation 2.

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ABBREVIATIONS

ASAP	Automated Standard Application for Payments
C.F.R.	Code of Federal Regulations
CO-DDS	Colorado Disability Determination Services
CO-DHS	Colorado Department of Human Services
CORE	Colorado Operations Resource Engine
DDS	Disability Determination Services
FY	Fiscal Year
PII	Personally Identifiable Information
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SSA	Social Security Administration
Stat.	U.S. Statutes at Large
Treasury	Department of the Treasury
U.S.C.	United States Code

Form

SSA-4513	<i>State Agency Report of Obligations for SSA Disability Programs</i>
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OBJECTIVES

Our objectives were to determine whether the Colorado Disability Determination Services (CO-DDS) accurately reported obligations from Fiscal Year (FY) 2013 through the first quarter of FY 2015 and whether Automated Standard Application for Payments (ASAP) system withdrawals were consistent with reported disbursements. We also performed a limited review of Colorado Operations Resource Engine (CORE) system controls over safeguarding claimant and State employees' personally identifiable information (PII).

BACKGROUND

We initiated this audit at the request of the Social Security Administration's (SSA) Denver Regional Office. 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 expenditures up to its approved funding authorization. Once approved, the DDS withdraws Federal funds through the Department of the Treasury's (Treasury) Automated Standard Application for Payments System (ASAP). Funds drawn from the Treasury to pay for program expenditures must be transferred in accordance with Federal regulations¹ and intergovernmental agreements entered into by Treasury and the States under the authority of the *Cash Management Improvement Act*.²

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.³ 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-4513.⁴ The Colorado Department of Human Services (CO-DHS) is CO-DDS' parent agency and provides CO-DDS with financial, accounting, and personnel services.

¹ 31 C.F.R. § 205.1 et seq.

² *Cash Management Improvement Act*, Pub. L. No. 101-453, 104 Stat. 1058 (1990).

³ SSA, POMS, DI 39506.200B.4 (March 12, 2002) and SSA, POMS, DI 39506.201 (March 12, 2002).

⁴ SSA, POMS, DI 39506.26 (March 12, 2002).

RESULTS OF REVIEW

CO-DDS administrative cost reporting required improvement. CO-DHS spent \$706,848 in FY 2014 appropriated funds for costs incurred in FY 2015. In March 2015, CO-DHS transferred \$706,848 in FY 2015 appropriated funds back to the FY 2014 appropriation.

CO-DHS did not timely draw Federal funds after making DDS-related disbursements. CO-DHS also submitted Forms SSA-4513 for FYs 2013 and 2014 that under-reported the amount of Federal funds SSA authorized CO-DDS to spend.

Finally, the CORE system provided more than 4,000 users⁵ access to a searchable database containing the PII of approximately 27,000 State employees, vendors, and contractors.

FY 2014 Funds Used for FY 2015 Administrative Costs

The CO-DHS used \$706,848 in FY 2014 funds to pay expenses incurred in FY 2015. The use of one FY's funds to pay another FY's expenditures violates Federal law.⁶

CO-DHS Controller stated use of the FY 2014 grant beyond the end of FY 2015 occurred as the result of an accounting error. To correct the discrepancy, on March 3, 2015, CO-DHS transferred \$706,848 from the FY 2015 ASAP account into the FY 2014 ASAP account.

CO-DHS Did Not Timely Draw Federal Funds

CO-DHS did not timely draw Federal funds after it made and reported DDS-related disbursements. According to its *Cash Management Improvement Act Agreement* with Treasury, the State shall request reimbursement for DDS-related expenditures so funds are deposited in a State account on the settlement date of payments issued by the State.

However, as illustrated in Table 1, for almost every quarter of the 3 FYs reviewed, CO-DHS drew significantly less in Federal funds than the total amount of DDS-related expenditures it reported.

⁵ Estimated number of users per CO-DHS.

⁶ Per 31 U.S.C. § 1502 (a), "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 or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of this title. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law."

Table 1: Reported Disbursements Versus ASAP Cash Draws

Period	Forms SSA-4513 Reported Disbursements	Funds Drawn from ASAP	Difference
FY 2013			
Oct 2012–Dec 2012	\$4,005,364	\$3,685,143	\$320,221
Oct 2012–Mar 2013	8,518,917	7,974,156	544,761
Oct 2012–June 2013	13,316,206	12,142,616	1,173,590
Oct 2012–Sep 2013	18,179,465	17,701,703	477,762
Oct 2012–Dec 2013	18,800,806	18,462,191	338,615
Oct 2012–Mar 2014	18,681,534	18,541,694	139,840
Oct 2012–June 2014	18,685,9987	18,546,943	139,055
FY 2014			
Oct 2013–Dec 2013	4,415,775	3,477,377	938,398
Oct 2013–Mar 2014	9,391,477	8,630,494	760,983
Oct 2013–June 2014	14,752,165	13,445,339	1,306,826
Oct 2013–Sep 2014	19,816,697	15,715,762	4,100,935
Oct 2013–Dec 2014	20,114,513	20,452,801	(338,288)⁸
Oct 2013–Mar 2015	20,177,514	19,747,281	430,233
Oct 2013–June 2015	20,233,336	20,044,414	188,922
FY 2015			
Oct 2014–Dec 2014	4,914,443	1,175,640	3,738,803
Oct 2014–Mar 2015	10,048,217	4,193,070	5,855,147
Oct 2014–June 2015	15,063,159	11,541,625	3,521,534

CO-DDS staff stated that reported disbursements typically exceeded actual disbursements because system interface issues prevented timely transfer of funds from ASAP to the State after it issued CO-DDS-related expenditures.

CO-DHS' practice of not drawing Federal funds on the settlement date of DDS-related payments created confusion. In addition to the differences shown in Table 1, unliquidated obligations on DDS administrative cost reports did not reconcile with account balances recorded in ASAP. To illustrate, on July 31, 2014, CO-DHS issued the final CO-DDS Form SSA-4513 for FY 2013. That Form indicated that \$19 in DDS-related obligations remained unliquidated. CO-DHS had not drawn any Federal funds from the FY 2013 ASAP account since April 2014. However, as of

⁷ On its final Form SSA-4513 for FY 2013, submitted on July 31, 2014, CO-DDS reported total program costs of \$18,686,017, which included \$19 in unliquidated obligations. However, total program costs exceeded CO-DDS' approved Cumulative Obligation Authority by \$4,483. To address this discrepancy, on September 12, 2014, SSA increased CO-DHS' Cumulative Obligation Authority by \$4,483.

⁸ This is the only accounting period where cash draws exceeded reported disbursements. This occurred because CO-DHS improperly used more than \$700,000 in FY 2014 funds to pay FY 2015 expenses but did not transfer FY 2015 appropriated funds back to the FY 2014 account until the subsequent quarter.

July 22, 2015, nearly 2 years after the end of FY 2013, the ASAP account balance was \$139,074. Similarly, on August 4, 2015, the State reported that CO-DDS FY 2014 unliquidated obligations totaled only \$8,012. However, the FY 2014 ASAP account contained a \$126,470 balance. The long periods of dormancy in these accounts raised concerns regarding the continued need for these funds. CO-DHS subsequently liquidated these obligations.

CO-DHS Under-reported Cumulative Obligational Authorization

As illustrated in Table 2, CO-DHS under-reported the amount of Federal funds that SSA authorized CO-DHS to spend in FYs 2013 and 2014.

Table 2: Comparison of Approved Obligational Authority with Obligational Authorization Reported on Forms SSA-4513.

Period	Approved Obligational Authority	Reported Obligational Authorization	Difference
FY 2013			
Oct 2012–Dec 2012	\$6,670,030	\$6,670,030	\$0
Oct 2012–Mar 2013	10,460,816	9,016,430	1,444,386
Oct 2012–June 2013	15,222,720	13,526,270	1,696,450
Oct 2012–Sep 2013	18,575,888	18,567,222	\$8,666
FY 2014			
Oct 2013–Dec 2013	5,413,547	5,413,547	0
Oct 2013–Mar 2014	12,080,575	7,943,477	4,137,098
Oct 2013–June 2014	18,637,264	15,122,926	3,514,338
Oct 2013–Sep 2014	20,524,529	20,524,529	0
FY 2015			
Oct 2014–Dec 2014	5,840,464	5,840,464	0
Oct 2014–Mar 2015	14,016,135	14,016,135	0
Oct 2014–June 2015	17,463,473	17,463,373	0

The obligational authority places a cumulative limit on the Federal funds available to the State agency.⁹ Once obligational authority is approved, SSA makes the funds available to CO-DDS through its ASAP account. CO-DHS seemed to have corrected whatever caused these reporting errors and has correctly reported obligational authorization since the 4th quarter of FY 2014.

Controls over PII

The CORE system provided more than 4,000 users with access to a searchable database that included names, Social Security numbers (last four digits, when applicable), addresses, bank names, and bank account numbers (last four digits) for approximately 27,000 State employees,

⁹ SSA, POMS, DI 39506.200B.3 (March 12, 2002).

vendors, and contractors. The searchable database included the PII of all DDS employees who received travel reimbursements processed through CORE.

CO-DHS officials stated the searchable database did not contain the PII of SSA employees or claimants. As a result, the State's disclosure of PII did not directly violate Federal law or regulations. The State's practice of including only the last four digits of employees' Social Security and bank account numbers may have reduced the likelihood of PII misuse, but it did not eliminate the potential for a PII breach. Because of heightened concerns about exposure of PII and identity theft, we believe this issue requires the attention of CO-DHS and other State government officials.

CONCLUSIONS

CO-DHS erroneously spent \$706,848 from the FY 2014 ASAP account for FY 2015 expenditures, did not timely draw Federal funds after making DDS-related disbursements, and submitted Forms SSA-4513 for FYs 2013 and 2014 that under-reported the amount of Federal funds SSA authorized CO-DDS to spend. Finally, the State's accounting system provided more than 4,000 users access to a searchable database containing the PII of approximately 27,000 State employees, vendors, and contractors.

RECOMMENDATIONS

We recommend that SSA:

1. Instruct CO-DHS to cease use of one FY's appropriation for obligations incurred in another FY.
2. Encourage State officials to establish system controls limiting PII access to users with a valid need for the information.

AGENCY COMMENTS AND OFFICE OF THE INSPECTOR

GENERAL RESPONSE

SSA agreed with our findings and had no additional comments. See Appendix B for the text of SSA's comments.

CO-DHS agreed with Recommendation 1 but disagreed with Recommendation 2. CO-DHS and Office of the State Controller officials do not agree that information in question meets the definition of PII as the truncated taxpayer identification and bank account numbers cannot specifically identify an individual. Officials stated the CORE system had adequate mitigating controls in place and used industry standards and leading practices to reduce misuse of PII and identity theft. Officials added that before users can access CORE, the State requires that they sign a Statement of Agreement certifying that they will use the data for official State business only, access only the information needed for their job, and keep all data confidential. Further, State officials believed that our report included incorrect data because the searchable database included information related to 20,550 State employees. The rest of the 27,000 entries pertained

to searchable information on vendors and contractors that should not be included in this report. See Appendix C for the text of CO-DHS' comments.

We do not believe the State has a legitimate business purpose for allowing over 4,000 CORE users to access sensitive information on more than 27,000 State employees, vendors and contractors. State officials assert that information in the searchable database does not meet the definition of PII and that truncating taxpayer identification and bank account numbers prevents identification to an individual. However, PII includes names, addresses, personal identification numbers like SSNs or taxpayer identification numbers, and financial account numbers.¹⁰ All of these are in the subject database. Partial identifiers, such as the first or last few digits of SSNs are also often considered PII because they are still nearly unique identifiers that are linked or linkable to a specific individual.¹¹

Officials indicated the State employs the honor system to protect this sensitive data. However, a signed Statement of Agreement does nothing to prevent a user from accessing the data for non-business purposes.

In the report, we state the database contained information on approximately 27,000 *State employees, vendors, and contractors*. We appreciate the State's clarification that only 20,550 of the 27,000 records included State employee information. However, the State's comments appear to disregard more than 6,000 vendors and contractors whose sensitive information is also viewable by all CORE users. The fact the State indiscriminately makes these records available to all CORE users, whether or not they require access to the information to perform their jobs, should concern every State employee, vendor, and contractor.



for

Steven L. Schaeffer, JD, CPA, CGFM, CGMA
Assistant Inspector General for Audit

¹⁰ National Institute of Standards and Technology, *Guide to Protecting the Confidentiality of Personally Identifiable Information (PII)* (Special Publication 800-122), paragraph 2.2, April 2010.

¹¹ National Institute of Standards and Technology, *Guide to Protecting the Confidentiality of Personally Identifiable Information (PII)* (Special Publication 800-122), paragraph 2.2, note 21, April 2010.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

The Social Security Administration’s (SSA) Denver Regional Office requested we conduct this review. To accomplish our objectives, we reviewed the administrative costs Colorado Disability Determination Services (CO-DDS) reported on its *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) for Fiscal Years (FY) 2013 and 2014 and through the first quarter of 2015. We also:

- Reviewed applicable Federal laws, regulations, and pertinent SSA policies and procedures;
- Reviewed Monthly Obligation Reports;
- Reviewed Automated Standard Application for Payments (ASAP) reports;
- Compared disbursements reported on Form SSA-4513 with ASAP disbursements and Monthly Obligation Reports; and
- Interviewed SSA, CO-DDS, and Colorado Department of Human Services staff.

We did not review individual administrative cost expenditures as part of this audit.

We conducted our audit from March to August 2015 in Dallas, Texas, and Denver, Colorado. We determined the data used for this audit were sufficiently reliable to meet our audit objectives. The primary entity audited was CO-DDS and SSA’s Denver Regional Office under the Office of the Deputy Commissioner for Operations. We conducted this performance 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.

Appendix B – AGENCY COMMENTS

From: Mashak, Kevin

Sent: December 11, 2015

Subject: Denver Region Reply – Action Needed – FW: Signed Draft Report (A-06-15-50033)

Ron,

Thank you for the opportunity to provide comments on the draft report. We have not received any written comments from the State. We agree with the report findings and have no additional comments.

Please let me know if you have any questions.

Thank you.

Kevin

Appendix C – COLORADO DEPARTMENT OF HUMAN SERVICES COMMENTS



COLORADO
Department of Human Services

December 11, 2015

Steven L. Schaeffer, Assistant Inspector General for Audit
Office of the Inspector General
Social Security Administration
6401 Security Blvd.
Baltimore, MD 21235-0001

Re: Draft Audit Report A-06-15-50033

Dear Mr. Schaeffer:

In response to the Colorado Disability Determination Service (DDS) Administrative Cost Reporting Audit Draft report of November 9, 2015, please find the enclosed combined response from the Colorado Department of Human Services (CDHS) and the Colorado Department of Personnel and Administration (DPA) to the findings and observations related to the DDS program. Per your request, electronic comments are being sent to Ronald.Gunia@ssa.gov, Audit Director.

We apologize for the delay in sending our comments and appreciate your assistance. If you have any further questions, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in blue ink that reads "Reggie Bicha".

Reggie Bicha
Executive Director CDHS

CC: Mark Wester, Director Office of Community Access and Independence
Sarah Aurich, Deputy Director Office of Community Access and Independence
Vicki L. Johnson, Director Disability Determination Services

RECOMMENDATIONS

1. Instruct CO-DHS to cease use of one FY's appropriation for obligations incurred in another FY.

Colorado Department of Human Services Response (CDHS):

The CDHS agrees with this recommendation. Program accounting staff will work closely with the program staff to ensure all coding is updated at each federal fiscal year end. Although the expenses in question were ultimately reclassified to the appropriate grant year, in the future the program accounting staff will ensure that all expenditures are classified correctly to the appropriate grant year as they occur.

2. Encourage State officials to establish system controls limiting PII access to users with a valid need for the information.

Office of the State Controller Response (OSC):

The OSC and CO-DHS disagree with the Social Security Administration (SSA) Recommendation #2.

The State of Colorado CORE system has adequate mitigating controls in place and utilizes industry standards and leading practices for ERP systems to reduce State risk for misuse of PII and identity theft. CORE controls provide reasonable preventive efforts that still allow the State to meet business requirements.

PII is defined as "any information about an individual maintained by an agency, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, social security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information." See GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008, <http://www.gao.gov/new.items/d08536.pdf>.

The OSC does not agree that the information in question meets the PII definition as the truncated taxpayer identification or bank account number cannot specifically identify an individual. Based on our experience, a bank or business entity would not accept the last four digits as valid documentation for an individual's identity.

The State of Colorado (SOC) business needs drive the requirements for access to truncated PII information in CORE. SOC is a decentralized State with CO-DHS, one of many different State departments, which use the central depository of vendors to perform necessary business functions. Therefore, prior to obtaining access to CORE, each user must sign a Statement of Agreement certifying that the user will use the data for official State business only, access only the information needed for their job, and keep all data confidential. Each department has a security administrator who is responsible for enforcing this agreement.

The report includes incorrect data as it should state 20,550 State employees (not 27,000) and vendors and contractors should not be included.

Appendix D – ACKNOWLEDGMENTS

Ron Gunia, Director, Dallas Audit Division

Neha Smith, Audit Manager

Warren Wasson, Senior Auditor

Kimberly Beauchamp, Writer-Editor

MISSION

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