
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ADMINISTRATIVE COSTS CLAIMED BY
THE MISSISSIPPI DISABILITY
DETERMINATION SERVICES**

September 2012

A-08-12-11294

AUDIT REPORT



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SOCIAL SECURITY

MEMORANDUM

Date: September 14, 2012

Refer To:

To: Michael W. Grochowski
Regional Commissioner
Atlanta

From: Inspector General

Subject: Administrative Costs Claimed by the Mississippi Disability Determination Services
(A-08-12-11294)

OBJECTIVE

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

BACKGROUND

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

To make proper disability determinations, SSA authorizes each DDS to purchase medical examinations, X rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources.²

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

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

SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization for costs reported on a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513).³

The Mississippi Department of Rehabilitation Services is MS-DDS' parent agency and provides MS-DDS with financial, accounting, and personnel services. MS-DDS, located in Madison, Mississippi, claimed annual costs of over \$31 million in FFYs 2010 and 2011. For additional background and our audit scope and methodology, see Appendix B.

RESULTS OF REVIEW

MS-DDS' controls over the accounting and reporting of administrative costs for FFYs 2010 and 2011 were effective to ensure costs claimed were allowable and funds were properly drawn. In addition, cumulative draw downs did not exceed cumulative disbursements during our audit period. (See Appendix C for costs reported on Forms SSA-4513.) Finally, our limited review of MS-DDS' security controls environment showed controls were generally adequate. However, we identified some areas where MS-DDS' controls did not protect claimant data and office facilities.

GENERAL SECURITY CONTROLS

SSA policy requires that DDSs adequately safeguard claimant/program information and facilities that DDS personnel use. Although our limited review of MS-DDS' general security controls environment showed the controls were generally effective, we identified the following areas where we believe MS-DDS did not adequately protect claimant data and office facilities.

SSA policy states DDSs should secure claimant records and folders to avoid unauthorized disclosures when contractors clean offices outside of normal business hours. MS-DDS' contracted service cleaned offices during non-business hours. Although MS-DDS had a guard on duty during non-business hours, the guard did not routinely accompany cleaning service personnel throughout the building. In addition, although MS-DDS had a clean desk policy and staff completed most work electronically, not all workstations were equipped with lockable file cabinets. As such, we believe SSA should instruct MS-DDS to require that its contracted service clean offices during business hours or ensure staff properly secures claimant information from unauthorized personnel if cleaned during non-business hours.

In addition, we determined there were water pipes above MS-DDS' computer room. However, the computer room did not have an environmental control system to detect water leaks, as required by SSA, POMS. To prevent damage to the computer system

³ SSA, POMS, DI 39501.020 B. (February 28, 2002), DI 39506.001.B. (March 12, 2002), and DI 39506.202.A. (March 12, 2002).

and possible loss of data, we believe MS-DDS should install a water (leakage) alarm system along the pipes or take other measures to mitigate the risk of water leaking from the pipes.

Finally, MS-DDS' Security Plan did not contain all of the required elements. Part C (*Systems Security Awareness and Training Plan*) did not contain ad hoc training necessitated by changes in systems or a tentative annual security awareness training schedule. In addition, Part D (*Systems Review/Recertification Plan*) did not include a policy on DDS platform security. Furthermore, Part G (*Disaster Recovery Plan*) did not contain a roster of primary and alternate personnel who will perform key DDS functions or a list of the local resources needed to resume full operations if a disaster occurred. After we discussed the elements that were missing from the Security Plan with MS-DDS managers, they revised the Security Plan to include all the required elements.

CONCLUSION AND RECOMMENDATIONS

MS-DDS' internal controls over the accounting and reporting of administrative costs for FFYs 2010 and 2011 were effective to ensure costs claimed were allowable and funds were properly drawn. However, MS-DDS' general security controls and practices did not always adequately protect office facilities and claimant data.

Accordingly, we recommend that SSA instruct MS-DDS to:

1. Require that its contracted service clean offices during business hours or ensure staff properly secures claimant information from unauthorized personnel if cleaned during non-business hours.
2. Install a water (leakage) alarm system along the pipes or take other measures to mitigate the risk of water leakage from the pipes and damaging the computer system.

AGENCY COMMENTS

SSA and MS-DDS agreed with our recommendations. See Appendices D and E, respectively, for the full text of the comments.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Background, Scope, and Methodology

APPENDIX C – Schedule of Total Costs Reported on the Forms SSA-4513 – *State Agency Report of Obligations for SSA Disability Programs*

APPENDIX D – Agency Comments

APPENDIX E – Mississippi Disability Determination Services Comments

APPENDIX F – OIG Contacts and Staff Acknowledgments

Acronyms

Act	<i>Social Security Act</i>
C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
DI	Disability Insurance
FFY	Federal Fiscal Year
MS-DDS	Mississippi Disability Determination Services
OIG	Office of the Inspector General
OMB	Office of Management and Budget
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Form

SSA-4513	<i>State Agency Report of Obligations for SSA Disability Programs</i>
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Background, Scope, and Methodology

The Disability Insurance (DI) program, established under Title II of the *Social Security Act* (Act), provides benefits to wage earners and their families in the event the wage earner becomes disabled.¹ The Supplemental Security Income (SSI) program, established under Title XVI of the Act, provides benefits to financially needy individuals who are aged, blind, or disabled.²

The Social Security Administration (SSA) is responsible for implementing policies for the development of disability claims under the DI and SSI programs. Disability determination services (DDS) in each State, Puerto Rico, Guam, the U.S. Virgin Islands, and the District of Columbia perform disability determinations under both the DI and SSI programs. Such determinations are required to be performed in accordance with Federal law and underlying regulations.³ In carrying out its obligation, each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. To assist in making proper disability determinations, SSA authorizes each DDS to purchase medical examinations, X rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources.⁴

SSA reimburses the DDS for 100 percent of allowable reported expenditures up to its approved funding authorization.⁵ The DDS withdraws Federal funds through the Department of the Treasury's Automated Standard Application for Payments System to pay for program expenditures. Funds drawn down must comply with Federal regulations⁶ and intergovernmental agreements entered into by the Department of the Treasury and States under the *Cash Management Improvement Act of 1990*.⁷ An advance or reimbursement for costs under the program must comply with Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and*

¹ *Social Security Act* §§ 216(i) and 223, 42 U.S.C. §§ 416(i) and 423.

² *Social Security Act* § 1601, et seq., 42 U.S.C. §1381, et seq. See also 20 C.F.R. § 416.110.

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

⁴ SSA, POMS, DI 39545.120.A. (April 20, 2007).

⁵ SSA, POMS, DI 39501.020 B. (February 28, 2002) and DI 39506.001.B. (March 12, 2002).

⁶ 31 C.F.R. Part 205.

⁷ *Cash Management Improvement Act of 1990*, Pub. L. No. 101-453, § 5(b), 104 Stat. 1058, 1059 (Codified at 31 U.S.C. § 6503) (1990).

*Indian Tribal Governments.*⁸ At the end of each quarter of the Federal Fiscal Year (FFY), each DDS submits a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) to account for program disbursements and unliquidated obligations.

SCOPE

To accomplish our objectives, we reviewed the administrative costs Mississippi Disability Determination Services (MS-DDS) reported on its Forms SSA-4513 for FFYs 2010 and 2011. For the periods reviewed, we obtained evidence to evaluate recorded financial transactions and determine whether they were allowable under OMB Circular A-87 and appropriate, as defined by SSA's Program Operations Manual System.

- Reviewed applicable Federal laws, regulations, and pertinent parts of SSA's Program Operations Manual System and other instructions pertaining to administrative costs claimed by MS-DDS and draw down of the SSA funds.
- Interviewed staff at the Mississippi Department of Rehabilitation Services and MS-DDS.
- Evaluated and tested internal controls regarding accounting and financial reporting and cash management activities.
- Reconciled State accounting records with the administrative costs reported by MS-DDS on Forms SSA-4513 for FFYs 2010 and 2011.
- Examined the administrative expenditures (Personnel, Medical, and All Other Non-personnel costs) incurred and claimed by MS-DDS for FFYs 2010 and 2011 on Forms SSA-4513.
- Examined the indirect costs MS-DDS claimed for FFYs 2010 and 2011 and the corresponding Cost Allocation Plans.
- Compared the amount of SSA funds drawn to support program operations to the allowable expenditures reported on Forms SSA-4513.
- Determined whether MS-DDS excluded the cost of non-SSA work from the costs it claimed on Forms SSA-4513 for FFYs 2010 and 2011.
- Conducted limited general control testing—which encompassed reviewing the physical access security in the MS-DDS.

⁸ 2 C.F.R. Part 225 (August 31, 2005).

- Reviewed policies and procedures related to personally identifiable information to determine whether the MS-DDS had controls in place to protect these data.

The electronic data used in our audit were sufficiently reliable to achieve our audit objectives. We assessed the reliability of the electronic data by reconciling them with the costs claimed on the Forms SSA-4513. We also conducted detailed audit testing on selected data elements in the electronic data files.

We performed our audit at MS-DDS in Madison, Mississippi, and the Office of Audit in Birmingham, Alabama, in May and June 2012. 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.

METHODOLOGY

Our sampling methodology encompassed the four general areas of costs as reported on Forms SSA-4513: (1) Personnel, (2) Medical, (3) Indirect, and (4) All Other Non-personnel costs. We obtained computerized cost data from MS-DDS for FFYs 2010 and 2011. We used the computerized data to select a statistical sample for our control tests.

Personnel Costs

For our control tests, we sampled 50 employee salary items from 1 randomly selected pay period in FFY 2011. We tested regular and overtime payroll and hours for each employee selected. We verified that approved time records were maintained and supported the hours worked. Our control tests determined whether MS-DDS charged SSA correct payroll costs.

Medical Costs

For our control tests, we sampled 100 medical evidence of record and consultative examinations (50 items from each FFY) using a proportional random sample. Our control tests determined whether MS-DDS charged SSA correct medical costs.

Indirect Costs

For our control tests, we reviewed indirect costs for both FFYs 2010 and 2011. We tested selected indirect cost pools included in the cost allocation plan. Our control tests determined whether MS-DDS allocated the indirect cost pools in accordance with the cost allocation plans.

All Other Non-Personnel Costs

We stratified All Other Non-personnel costs into 11 categories: (1) Occupancy, (2) Contracted Costs, (3) Electronic Data Processing Maintenance, (4) New EDP Equipment, (5) Equipment Purchases, (6) Equipment Rental, (7) Communications, (8) Applicant Travel, (9) DDS Travel, (10) Supplies, and (11) Miscellaneous. For our control tests, we selected a stratified random sample of 50 items from each FFY based on the percentage of costs in each category. Our control tests determined whether MS-DDS correctly charged SSA for All Other Non-personnel costs.

General Security Controls

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

Schedule of Total Costs Reported on the Forms SSA-4513 – *State Agency Report of Obligations for SSA Disability Programs*

Mississippi Disability Determination Services			
FEDERAL FISCAL YEARS (FFY) 2010 and 2011 COMBINED			
REPORTING ITEMS	DISBURSEMENTS	UNLIQUIDATED OBLIGATIONS	TOTAL OBLIGATIONS
Personnel	\$33,187,085	\$7,795	\$33,194,880
Medical	18,846,080	214,187	19,060,267
Indirect	2,053,184	0	2,053,184
All Other	8,451,500	59,809	8,511,309
TOTALS	\$62,537,849	\$281,791	\$62,819,640
FFY 2010			
REPORTING ITEMS	DISBURSEMENTS	UNLIQUIDATED OBLIGATIONS	TOTAL OBLIGATIONS
Personnel	\$16,240,458	\$0	\$16,240,458
Medical	9,205,010	37,644	9,242,654
Indirect	984,493	0	984,493
All Other	\$4,704,472	10,490	4,714,962
TOTALS	\$31,134,433	\$48,134	\$31,182,567
FFY 2011			
REPORTING ITEMS	DISBURSEMENTS	UNLIQUIDATED OBLIGATIONS	TOTAL OBLIGATIONS
Personnel	\$16,946,627	\$7,795	\$16,954,422
Medical	9,641,070	176,543	9,817,613
Indirect	1,068,691	0	1,068,691
All Other	3,747,028	49,319	3,796,347
TOTALS	\$31,403,416	\$233,657	\$31,637,073

Agency Comments

SOCIAL SECURITY

MEMORANDUM

Date: August 30, 2012
To: Inspector General
From: Regional Commissioner
Atlanta
Subject: Signed Draft Report of Administrative Costs Claimed by Mississippi Disability Determination Services (A-08-12-11294) – REPLY

Refer To: EHB 31417
Atlanta Regional Office

Thank you for the opportunity to comment on the Mississippi Disability Determination Services (DDS) draft audit report. We agree with both recommendations in the report concerning the review of general security controls.

Regarding the first recommendation to have cleaning conducted during business hours or ensure that claimant information is secured. The DDS expects contracted cleaning services to be performed during non-business hours and will therefore ensure that all employees who handle claimant information have locked file cabinets and secured claimant information in those cabinets during non-business hours. We expect that these actions will be completed within 30 days.

The second recommendation involving protecting computer equipment from possible water leakage from pipes above the computer room has been corrected. The building housing the DDS is undergoing major renovation, and as part of the work the contractors have already re-routed the water pipes from above the computer room alleviating the threat of possible water damage to the computer systems.

Questions can be directed to Eleanor Barrineau, Mississippi Disability Program Administrator, at (404) 562-1417.

Amy Roberts for
Michael W. Grochowski

Mississippi Disability Determination Services Comments



**State of Mississippi
DEPARTMENT OF REHABILITATION SERVICES**

August 30, 2012

Honorable Patrick P. O'Carroll, Jr.
Inspector General
Social Security Administration
Baltimore, Maryland 21235-0001

RE: Administrative Costs Claimed by the Mississippi DDS Audit (A-08-12-11294) Response

Dear Mr. O'Carroll:

Thank you for the opportunity to comment on the above referenced report. Below please find the response to the recommendations included in your report.

RECOMMENDATION# 1:

Require that contracted service clean offices during business hours or ensure staff properly secures claimant information from unauthorized personnel if cleaned during non-business hours.

Response: Both options were considered. Although staff is currently encouraged to assure all claimant information is secure during non-working hours, we are expanding our efforts by assuring all file cabinets have working locks and keys. We expect to have this effort completed by September 21, 2012

RECOMMENDATION # 2:

Install a water (leakage) alarm system along the pipes or take other measures to mitigate the risk of water leakage from the pipes and damaging the computer system.

Response: The water pipes in question did not serve in essential functioning of the building and therefore have been capped off to mitigate the risk of water leakage.

We appreciate the opportunity to continue our successful partnership with Social Security in providing services to Mississippians with disabilities. Please contact me if there are additional questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads "H.S. 'Butch' McMillan".

H.S. "Butch" McMillan
Executive Director

OIG Contacts and Staff Acknowledgments

OIG Contacts

Kimberly A. Byrd, Director

Jeff Pounds, Audit Manager

Acknowledgments

In addition to those named above:

Hollie Calhoun, Senior Auditor

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