

Indirect Costs Claimed by the California Disability Determination Services

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Office of Audit Report Summary

Objective

To determine whether indirect costs by the California Disability Determination Services (CA-DDS) claimed for Fiscal Years (FY) 2010 through 2014 were allowable.

Background

State disability determination services (DDS) perform disability determinations under the Social Security Administration's (SSA) Disability Insurance and Supplemental Security Income programs in accordance with Federal regulations. 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, each DDS is authorized to purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources. SSA reimburses each DDS for 100 percent of allowable expenditures. Allowable expenditures include both direct and indirect costs.

For FYs 2010 through 2014, SSA reimbursed (CA-DDS) \$1.03 billion in administrative expenses, including \$108.5 million in indirect costs.

Findings

Our review disclosed that the California Department of Social Services (DSS) improperly charged indirect costs to SSA's programs. As a result, SSA reimbursed DSS for \$2,850,682 in unallowable costs for FYs 2010 through 2014. Specifically, we found DSS improperly charged SSA

- \$1,005,642 in indirect costs from the Information Systems Division,
- \$885,923 in indirect costs from the Human Rights and Community Services Division,
- \$219,128 in unallowable State-wide and departmental indirect costs, and
- \$739,989 in unallowable indirect costs related to conditions we identified in our 2010 audit.

Recommendations

We made several recommendations for DSS to refund the unallowable indirect costs charged to SSA's programs.

SSA agreed with our recommendations. In addition, DSS provided technical comments on our draft report, which we incorporated into the final report, as appropriate.