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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**ADMINISTRATIVE COSTS  
CLAIMED BY THE  
GEORGIA DISABILITY  
ADJUDICATION SERVICES**

**February 2004**

**A-15-01-11021**

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**AUDIT REPORT**

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**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.**

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- 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.**

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- Access to all information necessary for the reviews.**
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**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.**



## SOCIAL SECURITY

### MEMORANDUM

Date: February 6, 2004

Refer To:

To: Paul D. Barnes  
Regional Commissioner  
Atlanta

From: Assistant Inspector General  
for Audit

Subject: Administrative Costs Claimed for the Georgia Disability Adjudication  
Services (A-15-01-11021)

The attached final report presents the results of our audit. Our objectives were to: evaluate the Georgia Disability Adjudication Services' internal controls over the accounting and reporting of administrative costs; determine if costs claimed were allowable and properly allocated; and reconcile funds drawn down with claimed costs.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Frederick Nordhoff, Director, Financial Audit Division, at (410) 966-6676.

A handwritten signature in black ink that reads "Steven L. Schaeffer".

Steven L. Schaeffer

Attachment

cc:

Michael Thurmond, Commissioner, Georgia Department of Labor  
Jim Martin, Commissioner, Georgia Department of Human Resources  
Bobby Pack, Director, Disability Adjudication Services  
Lenore R. Carlson, Associate Commissioner for Office of Disability Determinations  
Jeff Hild, Deputy Associate Commissioner for Financial Policy and Operations  
Candace Skurnik, Director, Management Analysis and Audit Program Support Staff

# Executive Summary

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## OBJECTIVES

The objectives of our audit of administrative costs claimed by the Georgia Disability Adjudication Services (GA-DAS) were to:

- evaluate internal controls over the accounting and reporting of 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, 2000, were allowable and properly allocated; and
- determine if the aggregate of the SSA funds drawn down agreed with total expenditures for Fiscal Years (FY) 1998 through 2000.

## BACKGROUND

Disability determinations under the SSA Disability Insurance and Supplemental Security Income programs are performed by disability determination services (DDS) in each State or other responsible jurisdiction, according to Federal regulations. Each DDS is responsible for determining claimants' disabilities and assuring that adequate evidence is available to support its determinations. To make proper disability determinations each State agency is authorized to purchase consultative medical examinations and medical evidence of record from the claimants' physicians or other treating sources. SSA pays the State agency for 100 percent of allowable expenditures.

## RESULTS OF REVIEW

Our audit of administrative costs claimed disclosed that accounting records did not support the full amount claimed by the GA-DAS. We also determined that the funds drawn from prior years were used to pay for current years expenditures. We attribute these deficiencies, for the most part, to inadequacies in accounting controls and reporting procedures. In addition, consultative examination fees were paid in excess of the established GA-DAS fee schedules. Starting in the 1990's, the SSA Atlanta Regional Office (RO) informally endorsed a method allowing excessive consultative examination fees to be paid and since then, has never discouraged this practice.

## CONCLUSIONS AND RECOMMENDATIONS

The Georgia Department of Labor (DOL), the GA-DAS' parent agency, needs to improve controls to provide adequate accounting, reporting, expending and record-keeping. Further improvements are needed to better manage Federal funds to ensure claimed expenditures are needed for administration of the disability program.

We are recommending that the Atlanta Regional Commissioner direct Georgia to:

1. Work with the RO to determine what amount of the \$2,319,677 difference can be supported by detailed records - traceable to supporting invoices, payments (checks), etc. – and direct the Georgia Department of Human Resources to reimburse SSA for any claimed costs, plus interest that cannot be supported.
2. Reimburse SSA for the \$340,873, plus interest, for funds drawn down in relation to the unsupported accounting transactions.
3. Deobligate \$209,861 for the invalid obligations in FY 1999 (\$68,955) and FY 2000 (\$140,906).
4. Improve the internal controls over the accounting and reporting of cost claimed for the operations of the GA-DAS. Specifically, Georgia should ensure that cost claimed agree to accounting records and supporting documents of allowable costs incurred and that accounting transactions are recorded in the appropriate Federal FY, as well as unliquidated obligations are reviewed to ensure they are still valid.
5. Implement internal controls at the DOL to prevent and detect improper draws of SSA funds.
6. Improve internal controls to ensure that the GA-DAS does not exceed its consultative examination fee schedule.
7. Revise the Forms SSA 4513 for the audit adjustments as shown in Appendix C.

## SSA AND STATE COMMENTS

In response to Recommendation 1, the SSA RO commented it is not staffed or trained to either obtain or determine what constitutes valid or acceptable supporting documentation of DDS transactions and obligations. SSA stated it cannot agree with Recommendations 2, 3, 4, and 7 at this time because it is currently working with the State to determine what actions to take. SSA agreed with Recommendations 5 and 6.

The State agreed with Recommendations 3 through 7 but disagreed with Recommendations 1 and 2. The full text of SSA's and the State's comments is included in Appendices D and E, respectively.

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# Acronyms

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Act	Social Security Act
AIF	Automation Investment Funds
ASAP	Automated Standard Application for Payments System
CE	Consultative Examination
CFR	Code of Federal Regulations
DDS	Disability Determination Services
DI	Disability Insurance
Form SSA-872	State Agency Obligational Authorization for Disability Programs
Form SSA-4513	State Agency Report of Obligations for SSA Disability Programs
FY	Fiscal Year
GA-DAS	Georgia Disability Adjudication Services
DHR	Georgia Department of Human Resources
DOAS	Georgia Department of Administrative Services
DOL	Georgia Department of Labor
ITS	Information Technology Systems
IWS/LAN	Intelligent Workstation/Local Area Network
LAE	Limitation on Administration Expenses
MER	Medical Evidence of Records
OMB	Office of Management and Budget
POMS	Program Operations Manual System
RO	Regional Office
State Agency	State Agency or Other Responsible Jurisdiction
SSA	Social Security Administration
SSI	Supplemental Security Income
Treasury	Department of the Treasury

# Introduction

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## OBJECTIVES

The objectives of our audit of administrative costs claimed by the Georgia Disability Adjudication Services (GA-DAS) were to:

- evaluate internal controls over the accounting and reporting of 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, 2000, were allowable and properly allocated; and
- determine if the aggregate of the SSA funds drawn down agreed with total expenditures for Fiscal Years (FY) 1998 through 2000.

## BACKGROUND

The Disability Insurance (DI) program was established in 1956 under Title II of the Social Security Act (Act). The 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 was created as a result of the Social Security Amendments of 1972 with an effective date of January 1, 1974. SSI (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 a disability determination service (DDS) in each State or other responsible jurisdiction, according to Federal regulations. In carrying out its obligation, each DDS 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 State Agency 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 pays the State Agency for 100 percent of allowable expenditures. Each year, SSA approves DDSs' budgets. Once approved, the State Agency may withdraw Federal funds through the 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 State Agency submits to SSA a Form SSA-4513 to report its incurred cost categorized by program disbursements and unliquidated obligations.



Funds drawn from the Treasury to pay for program expenditures are to be drawn according to Federal regulations<sup>1</sup> and in accordance with intergovernmental agreements entered into by Treasury and States under the authority of the Cash Management Improvement Act of 1990 (CMIA).<sup>2</sup> An advance or reimbursement for costs under the program must be made according to the Office of Management and Budget's Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

GA-DAS was a component within Department of Human Resources (DHR) until July 1, 2001. GA-DAS then became a component of Department of Labor (DOL). SSA authorized budgets totaling \$136,968,021 for the FYs 1998 through 2000. Indirect costs are allocated according to a cost agreement approved by the United States Department of Health and Human Services.

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<sup>1</sup> 31 Code of Federal Regulations (CFR) § 205.

<sup>2</sup> Public Law No. 101-453.

# Results of Review

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Our audit of administrative costs claimed disclosed that accounting records did not support the full costs claimed by the GA-DAS. We also noted that the funds drawn from prior years were used to pay for current years' expenditures. We attribute these deficiencies, for the most part, to inadequacies in accounting controls and reporting procedures. In addition, consultative examination fees were paid in excess of the established GA-DAS fee schedules.

## UNSUPPORTED COSTS

Federal regulations<sup>3</sup> require that "The State will establish and maintain the records and furnish the schedules, financial, cost, and other reports relating to the administration of the disability programs as we [SSA] may require." Also, the Program Operations Manual System (POMS)<sup>4</sup> requires valid obligations to be supported by documents/records that describe the nature of the obligations and support the amounts recorded.

We found that the State of Georgia could not support \$2,870,411 in costs claimed on the Forms SSA-4513 for the GA-DDS. We determined that there were three different levels where costs claimed were not supported. First, the supporting accounting transactions did not equal the amounts reported on the Form SSA-4513. Second, individual accounting transactions lacked supporting detail needed to verify the costs claimed. Lastly, claimed unliquidated obligations were no longer valid.

**Accounting Records  
Were Less Than  
Claimed Costs**

A comparative analysis of the disbursement costs showed discrepancies between the accounting records and cost claimed on the Form SSA-4513 in payroll, medical, and all other nonpersonnel costs. The initial accounting records we received from the DHR were incomplete. Of the \$136,758,160 claimed on the Form SSA-4513, the official accounting records only supported \$128,480,643. This was \$8,277,517 less than the amount reported on the Form SSA 4513 for the personnel, medical services and all other non-personnel costs. The indirect costs agreed to the amounts reported on the Forms SSA-4513.

We then sought alternative sources of supporting data. Using payroll records from the DHR Payroll Division and payment records for consultative examinations (CE) and medical evidence of records (MER) from the Georgia Department of Administrative Services (DOAS), we were able to find supporting data for \$134,438,482 in costs for the GA-DAS. A comparison is shown for the cost Georgia claimed on its Forms SSA 4513 to the supporting records in the following table.

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<sup>3</sup> 20 CFR §§ 404.1625(a) and 416.1025(a) "Records and Reports."

<sup>4</sup> POMS DI 39506.200.

## Comparison of 4513 Reported Disbursements to Supporting Records

	Payroll	MER/CE	All Other Nonpersonnel	Total
<b>FY 1998</b>				
<b>Reported on 4513</b>	\$23,437,239	\$12,544,443	\$4,929,269	\$40,910,951
<b>Supporting Records</b>	<u>23,463,261</u>	<u>14,060,554</u>	<u>3,640,690</u>	<u>\$41,164,505</u>
<b>Difference</b>	(26,022)	(1,516,111)	1,288,579	(\$253,554)
<b>FY 1999</b>				
<b>Reported on 4513</b>	25,012,120	13,686,145	5,536,389	\$44,234,654
<b>Supporting Records</b>	<u>24,871,310</u>	<u>14,039,843</u>	<u>4,413,633</u>	<u>\$43,324,786</u>
<b>Difference</b>	140,810	(353,698)	1,122,756	\$909,868
<b>FY 2000</b>				
<b>Reported on 4513</b>	24,783,893	15,019,537	5,236,870	\$45,040,300
<b>Supporting Records</b>	<u>25,479,416</u>	<u>13,534,016</u>	<u>4,363,505</u>	<u>\$43,376,937</u>
<b>Difference</b>	(695,523)	1,485,521	873,365	\$1,663,363
<b>ALL YEARS</b>				
<b>Reported on 4513</b>	73,233,252	41,250,125	15,702,528	\$130,185,905
<b>Supporting Records</b>	<u>73,813,987</u>	<u>41,634,413</u>	<u>12,417,828</u>	<u>\$127,866,228</u>
<b>Difference</b>	(\$580,735)	(\$384,288)	\$3,284,700	\$2,319,677

On November 12, 2003, DHR sent an additional file for our consideration. The file contained FY 2000 data that allegedly supported the cost claimed on the Form SSA-4513, as of June 30, 2002. DHR stated that if this file met our approval they would produce similar files for the other FYs. This file differed from the two previous files sent to us. The November 12<sup>th</sup> file's total was more closely aligned with the total of the costs claimed on the Form SSA-4513. The file also contained a portion that attempted to reconcile the file to the costs claimed on the Form SSA-4513.

However, we did not find this additional file useful in verifying the claimed costs. The file contained numerous transactions that would require a separate explanation and testing to be acceptable as evidence supporting the claimed costs. Like the two previous files, the file still contained only summary entries for the purchased medical evidence that did not agree to the source detailed files we obtained from the DOAS as discussed previously. We determined that to accept the most recent file we would have to reopen our field work and perform extensive testing. We do not believe this is feasible at this time.

DHR should work with SSA's Regional Commissioner to determine what amount of the \$2,319,677 difference can be supported by detailed records - that are traceable to supporting invoices, payments (checks), etc. - and direct DHR to reimburse SSA for any claimed costs, plus interest, that can not be supported.

**Individual Transactions Lacked Supporting Documentation**

In addition to the difference between the supporting records and the amounts claimed on the Forms SSA-4513 in the previous chart, we found that DHR could not provide us with sufficient documentation for individual transactions. We were unable to substantiate all other nonpersonnel disbursements amounting to \$340,873 that were claimed for FYs 1998 and 1999.

We selected a sample<sup>5</sup> of 638 nonpersonnel transactions amounting to \$7,718,596.51 to compare to the supporting documentation – checks and vendor invoices. GA-DAS was unable to provide documentation for 88 of the 638 selected transactions totaling \$282,196. Accounting personnel could not provide us with a reason why the supporting documentation was missing. We also found that documentation for another 3 of the 638 transactions totaling \$58,677 was unacceptable. The three transactions were unacceptable because the checks did not agree to vendor invoices nor did the disbursements agree to the records supporting the Form SSA-4513.

As shown in the chart below, the transactions without support or unacceptable support were contained in FYs 1998 and 1999 only. GA-DAS provided us with acceptable supporting documentation for all of the disbursement transaction for FY 2000.

<b>All Other Nonpersonnel Costs Missing and Unacceptable Records</b>				
			<b>Number of</b>	<b>Dollar</b>
			<b>Records</b>	<b>Amounts for</b>
	<b>Disbursement</b>		<b>without</b>	<b>Records without</b>
<b>Fiscal</b>	<b>Records</b>	<b>Disbursement</b>	<b>Sufficient</b>	<b>Sufficient</b>
<b>Year</b>	<b>Selected</b>	<b>Amount</b>	<b>Support</b>	<b>Support</b>
<b>1998</b>	181	\$2,064,656	33	\$262,679
<b>1999</b>	303	3,211,364	58	78,194
<b>2000</b>	154	2,442,576	0	0
<b>Total</b>	<b>638</b>	<b>\$7,718,596</b>	<b>91</b>	<b>\$340,873</b>

As a result of the lack of acceptable supporting documentation, we are questioning \$340,873 as unsupported costs. SSA’s Regional Commissioner in Atlanta should instruct the State of Georgia to repay SSA the \$340,873 difference between the amounts claimed on the Forms SSA-4513 and the supporting records.

<sup>5</sup> The sample contained both statistically valid selections and judgmentally selected transactions. Results are presented based on actual items missing and not projections.

**Unliquidated  
Obligations Were  
Invalid**

POMS require DDSs to review unliquidated obligations at least once each month<sup>6</sup> and to cancel those amounts no longer valid. In addition, DDSs are required to provide narrative reports on the status of unliquidated obligations when submitting the Form SSA-4513.<sup>7</sup>

For the reporting quarter ending June 30, 2001, GA-DAS reported unliquidated obligations of \$68,955 and \$140,906 for FY 1999 and FY 2000, respectively, for a total of \$209,861. Our discussions with GA-DAS fiscal staff disclosed that there were no remaining unliquidated obligations. GA-DAS had not reviewed its unliquidated obligations to assess whether they continued to be valid.

The SSA Regional Commissioner in Atlanta should withdraw the funding for the \$209,861 erroneously reported as unliquidated obligations. GA-DAS should deobligate the erroneously reported unliquidated obligations and revise its Forms SSA-4513 accordingly.

## **DRAW DOWNS IMPROPERLY MADE**

SSA authorizes the DDSs' budgets for a given Federal FY through the State Agency Obligational Authorization for Disability Programs (Form SSA-872). The Form SSA-872 restricts the use of the funds to a specific Federal FY. Once approved, the State withdraws specific years' Federal funding through Treasury's ASAP for this purpose. At the end of each quarter of the Federal FY, each State Agency submits to SSA a Form SSA-4513 to report its costs incurred categorized by program disbursements and unliquidated obligations.

Funds are to be drawn in accordance with the intergovernmental agreements<sup>8</sup> between Treasury and the State of Georgia. These agreements call for Georgia to be reimbursed using an estimated clearance method<sup>9</sup> after issuing checks for the expenses.

Administrative and fiscal control over the GA-DAS was officially transferred from DHR to DOL on July 1, 2001. DOL assumed accounting responsibility for FY 2001 activity starting with the last quarter of FY 2001. On August 3, 2001, DHR requested funds to be transferred from DHR to DOL. At the time of the transfer, funding authority for FYs 1999 and 2000 was still available.

<sup>6</sup> POMS DI 39506.203A.

<sup>7</sup> POMS DI 39506.203.

<sup>8</sup> 31 CFR § 205.

<sup>9</sup> Under an estimated clearance method the State will request funds such that they are deposited in accordance with an appropriate daily clearance pattern.

**Prior Year Funds Applied to Current Years**

On January 4, 2002, the DOL drew down a total of \$777,555 in SSA funds from FYs 1998, 1999, and 2000 Treasury accounts. The FY 1998 authority had not been transferred to DOL but remains with DHR. We asked the DOL accounting staff for the expenditure documentation supporting the above draws. The accounting staff was not able to furnish expenditure information demonstrating the need for these draws. The accounting staff stated that the funds were used to pay current obligations/expenditures in FY 2001 and 2002. A summary of the draw down activity by FY is shown below.

<b>Inappropriate Draws Made During the Audit Period</b>	
<b>FY</b>	<b>AMOUNT</b>
1998	\$36,316
AIF 1998	5,608
2000	709,631
ITS 2000	26,000
<b>Total</b>	<b>\$777,555</b>

We informed DOL staff that the use of past years funds for current operations is in contradiction with applicable Federal law.<sup>10</sup> The DOL accounting staff person responsible for making the draws stated that she had only recently started using ASAP and had made errors. DOL needs to implement internal controls to prevent and detect improper draws of SSA funds.

**CONSULTATIVE EXAMINATION FEES WERE PAID IN EXCESS OF GA-DAS FEE RATES**

POMS<sup>11</sup> provides for the DDS' to develop consultative examination fee rate schedules. Specifically, the POMS included the following statements:

“The state will determine the rates of payment for medical or other services that are necessary to make a disability determination.”

“The DDS will consider its fee schedule as a maximum payment schedule.”

**Consultative Examination Paid in Excess of the Authorized Rate**

During our tests of consultative examination fees we identified \$789,596 in payments to providers which exceeded consultative fee rates provided to us by GA-DAS. We were informed that some of these higher fees were paid to hospitals that had negotiated fee rate agreements with the State's vocational rehabilitation agency. The following table provides a few examples to illustrate the variance in fees that were paid for the same service.

<sup>10</sup> 31 United States Code §§ 1501(a) and 1502(a).

<sup>11</sup> POMS DI-39545.210.

COMPARISONS OF GA-DAS FEE SCHEDULE TO AMOUNTS PAID TO PROVIDER						
Expenditure Charged to Fiscal Year	Voucher Number	Provider Name	GA-DAS Fee Sch. Amount	Amount Paid to Provider	Amount Overpaid	% Over
1999	111557-01	Phenix Regional Hospital	\$45.00	\$59.30	\$14.30	32%
2000	165042	Crisp Regional Hospital	\$54.00	\$127.53	\$73.53	136%
1998	276962-01	Satilla Regional Medical Ctr.	\$32.00	\$57.48	\$25.48	80%
1998	001357 01	Tift General Hospital	\$44.00	\$76.23	\$32.23	73%

The payments in excess of the GA-DAS fee schedule varied considerably between providers for the same current procedure terminology (CPT) codes. For example in FY 2000, for CPT code 94060 the GA-DAS fee schedule set a maximum payment amount of \$58.56 yet actual payments were made ranging from \$58.91 to \$467.25. Appendix B pages 1 and 2 provide lists of the CPT codes where we found excess payments and more detail about the ranges of payments.

The DOL Provider Standards Specialist stated that a decision was made to use hospital providers in those instances where claimants lived in rural areas because seeking other providers would have caused unwarranted travel hardship on the applicant. We found that in practice there was no limitation on using the hospital rates. For example, we found 15 hospitals in the City of Atlanta were receiving the higher negotiated rates. The frequency that hospital rates were used indicated that using hospital providers became common practice instead an exception basis.

In the 1990's, the RO informally endorsed a method allowing consultative examination fees to be paid in excess of the established fee schedules. Since the SSA RO never discouraged this practice, it has continued. We identified 22 CPT codes for FYs 1999 and 15 CPT codes for FY 2000 with payments in excess of GA-DAS' fee schedules. Due to administrative problems we were unable to quantify the excess payments for FY 1998. The amounts paid in excess of the fee schedules were \$394,804 and \$394,792 for FY 1999 and FY 2000, respectively. If GA-DAS had adhered to its existing fee schedule, payments would have been reduced by a total of \$789,596. GA-DAS needs to adhere to its fee schedules.

# Conclusions and Recommendations

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The parent agencies within Georgia responsible for financial services for GA-DAS need to improve and/or institute controls which provide adequate accounting, reporting, expending and record-keeping. Further improvements are needed to better manage Federal funds to ensure their expenditure when needed for administration of the Disability program. We recommend the Atlanta Regional Commissioner direct Georgia to:

1. Work with SSA to determine what amount of the \$2,319,677 difference can be supported by detailed records - traceable to supporting invoices, payments (checks), etc. - and direct DHR to reimburse SSA for any claimed costs, plus interest that can not be supported.
2. Reimburse SSA for the \$340,873, plus interest, for funds drawn down in relation to the unsupported accounting transactions.
3. Deobligate \$209,861 for the invalid obligations in FY 1999 (\$68,955) and FY 2000 (\$140,906).
4. Improve the internal controls over the accounting and reporting of costs claimed for the operations of GA-DAS. Specifically, Georgia should ensure that costs claimed agree to accounting records and supporting documents of allowable costs incurred and that accounting transactions are recorded in the appropriate Federal FY, as well as unliquidated obligations are reviewed to ensure they are still valid.
5. Implement internal controls at DOL to prevent and detect improper draws of SSA funds.
6. Improve internal controls to ensure that GA-DAS does not exceed its consultative examination fee schedule.
7. Revise the Forms SSA-4513 for the audit adjustments as shown in Appendix C.

## SSA, STATE COMMENTS AND OIG RESPONSE

In response to Recommendation 1, SSA<sup>12</sup> commented it is not staffed or trained to either obtain or determine what constitutes valid or acceptable supporting documentation of DDS transactions and obligations. SSA stated it cannot agree with

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<sup>12</sup> The use of the term SSA in this section of the report refers to the Atlanta Regional Office.



Recommendations 2, 3, 4, and 7 at this time because it is currently working with the State to determine what actions to take. SSA agreed with Recommendations 5 and 6.

The State agreed with Recommendations 3 through 7 but disagreed with Recommendations 1 and 2. The full text of SSA's and the State's comments is included in Appendices D and E, respectively.

### **UNSUPPORTED COSTS – Recommendations 1, 2, 3, and 4**

Our audit disclosed that claimed costs, totaling \$2,870,411, could not be supported. We identified three areas where there was a lack of support. The three areas were (1) the accounting records' total was less than the costs claimed; (2) individual accounting transactions could not be supported with documentary evidence; and (3) unliquidated obligations were not supported by open orders. We recommended improvement in internal controls to help ensure that costs can be reconciled to the appropriate accounts and FYs.

### **SSA Comments**

SSA agreed if claimed costs cannot be adequately supported, then DHR should reimburse SSA. SSA stated that it could not concur with all of our recommendations at this time. In its December 29, 2003 comments, SSA stated it is not staffed or trained to either obtain or determine what constitutes valid or acceptable supporting documentation of DDS fiscal transactions and obligations. Nevertheless, SSA stated it was working with DOL and the DDS to determine whether claimed costs/obligations were supported.

### **State Comments**

The State's January 5, 2004 comments, which include a response from DHR, indicate it disputes the recommendations and the basis for the findings related to Recommendations 1 and 2. DHR stated that it would have been able to find support if the audit staff had continued to remain on-site and work with them to reconcile the data to its accounting records. DHR also commented that all of the items selected for review were provided for inspection; but, the documentation was lost while in transit back to the records center.

### **OIG Response**

We believe DHR has been given reasonable time to provide a reconciliation and evidence of its claimed costs. We recognize that DHR produced three data files. However, those data files were not sufficient documentation<sup>13</sup> to support claimed costs. As to DHR's other comment -- that they provided us with supporting documentation for

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<sup>13</sup> Federal Regulations, 20 CFR §§ 404.1625 and 416.1025 require DDSs to "...establish and maintain the records and furnish the schedules, financial, cost and other reports relating to the administration of the disability programs as we [SSA] require."

our sample of costs claimed -- our records show DHR has not produced supporting documentation for the questioned sample items to prove it incurred the identified costs. We are concerned that SSA believes its staff lacks the expertise to oversee the fiscal operations related to the DDS. We believe SSA's responsibility for oversight of the GA-DAS fiscal operations is a critical management function. The RO is the action official for resolving any issues in these recommendations.

### **DRAW DOWNS IMPROPERLY MADE – Recommendation 5**

We identified instances where the DOL inappropriately drew down SSA funds from a past FY to pay for the expenses of the current FY. The funding SSA provides for the DDS operations are restricted to the obligations occurring in that FY.

#### **SSA Comments**

SSA agreed the DOL needs to implement internal controls to prevent and detect improper draws of SSA funds. However, SSA stated that the issue of the questioned draw downs should be with DHR and not DOL as indicated in the audit report.

#### **State Comments**

The State did not comment on this finding.

#### **OIG Response**

The OIG position remains unchanged. We reviewed our work papers to confirm that it was in fact the DOL that made and could not support the questioned draws.

### **CONSULTATIVE EXAMINATIONS PAID IN EXCESS – Recommendation 6**

Our audit identified instances of payments to medical providers for CEs in excess of the State's fee schedule. In these instances individually negotiated rates were used for hospitals instead of the fee schedule. The amounts paid for the same service varied considerably from hospital to hospital.

#### **SSA Comments**

SSA commented that it has been working with the State to review and update its fee schedules since 2002. SSA further stated that a new fee schedule, based on an approved Medicare fee schedule, was implemented in May 2003.

#### **State Comments**

DOL stated it had implemented a new fee schedule, based on Medicare fees, in May 2003.

## **OIG Response**

SSA and DOL actions addressed our recommendation.

### **MAKE REPORTING ADJUSTMENTS TO FYS 1998, 1999 AND 2000 – Recommendation 7**

SSA and the State are working together to make a final determination about the transactions in question.

SSA and State comments can be seen in their entirety in Appendices D and E, respectively.

### **REQUIRED FINANCIAL REPORTS ARE LATE**

DHR, which prepared the Form SSA-4513 for GA-DAS prior to June 30, 2001, were often late in meeting reporting requirements.<sup>14</sup> We found that of the 31 reports received for FYs 1998 through 2000, 17 were more than 30 days past the due date. DOL has not submitted any Forms SSA 4513 for FYs 1999 and 2000, as of September 2003.

Failure to provide required reports on a timely basis impacts the ability of the RO and the Office of Disability to oversee the status of Federal funding provided to the GA-DAS.

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<sup>14</sup> POMS DI 39506.202 - the original (SSA-4513) with signature should be sent to SSA's Central Office no later than the 30<sup>th</sup> day after the close of the quarter.

# Appendices

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**Appendix A** – Scope and Methodology

**Appendix B** – CEs Greater than the GA-DAS Fee Schedule

**Appendix C** – GA-DAS Obligations Reported/Allowed

**Appendix D** – SSA Comments

**Appendix E** – State Comments

**Appendix F** – OIG Contacts and Staff Acknowledgments

### Scope and Methodology

To accomplish our objectives, we obtained evidence to evaluate recorded financial transactions in terms of their allowability under Office and Management and Budget's Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* and appropriateness as defined by the Social Security Administration's (SSA) Program Operations Manual System (POMS).

We reviewed the administrative costs totaling \$136,968,021 reported by both parent agencies for the Federal Fiscal Years (FY) ended September 30, 1998 through 2000. Our audit coverage included any subsequent financial activity affecting these FYs as of June 30, 2001.

We also:

- reviewed applicable Federal laws and regulations, pertinent parts of the POMS DI 39500 *DDS Fiscal and Administrative Management* and other instructions pertaining to administrative costs incurred by the Georgia Disability Adjudication Services (GA-DAS) and the draw down of SSA funds covered under the Cash Management Improvement Act;
- interviewed staff at the GA-DAS, Department of Human Resources (DHR), Department of Labor (DOL), Georgia State Auditors, and the RO;
- reviewed GA-DAS general policies and procedures;
- evaluated and tested internal controls regarding accounting and financial reporting, as well as cash management activities;
- examined the administrative expenditures (personnel, medical service, indirect, and all other nonpersonnel costs) incurred by GA-DAS and claimed by DHR and DOL for the period October 1, 1997 through September 30, 2000;
- compared the official State records to the administrative costs reported by GA-DAS to SSA on the State Agency Report of Obligations for SSA Disability Programs (Form SSA-4513) for the period October 1, 1997 through September 30, 2000; and
- compared the amount of SSA funds drawn for support of program operations to the allowable expenditures reported on the Form SSA-4513.

To meet the objectives of our audit, we assessed the reliability of computer processed data produced by the DHR for the GA-DAS. As a result of our audit work described in the section titled “Unsupported Costs,” we determined that there were problems with the accuracy of the data produced by the accounting system. We used alternative sources of data as described in the “Unsupported Costs” section of the report to complete the audit. We completed tests to determine the completeness, accuracy, and validity of the data and were therefore able to meet the objectives of the audit and to reach our conclusions.

We performed work in the Atlanta, Georgia area at GA-DAS, DHR, and DOL, as well as at SSA Headquarters in Baltimore, Maryland.

We tested documents supporting the costs claimed by GA-DAS for the period October 1, 1997 through September 30, 2000, as reported to SSA on the Form SSA-4513 as of the quarter ending June 30, 2001. We traced transactions to the source documentation for sampled items. The sample sizes were as shown in the chart below.

<b>Sample Sizes</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>
All Other Nonpersonnel Costs	181	303	154
Medical Evidence of Records	100	100	100
Consultative Examinations	100	100	100
<b>Total</b>	381	503	354

Our field work was conducted during the period from January 2001 through July 2002. This audit was conducted in accordance with generally accepted government auditing standards.

## Appendix B

### FY 1999 CE's GREATER THAN THE GA-DAS FEE SCHEDULE

CPT Code	CPT Description	GA-DAS Fee Schedule Maximum Amount	Range of Excess Payments		Records Overpaid By CPT Code	Total Amount Overpaid by CPT Code
			Lowest	Highest		
1	71020 Chest X-ray, Front and Lateral Views, with CT ratio measurement	\$41.00	\$41.60	\$181.83	2,369	\$69,036.26
2	72040 Cervical Spine x-ray, AP and Lateral views	45.00	45.90	199.98	579	20,511.57
3	72050 Cervical Spine X-ray, min. 4 views	51.03	54.00	198.20	20	1,113.81
4	72100 Lumbosacral Spine X-ray, AP and Lateral views only	44.00	44.61	293.00	2,495	106,623.04
5	72110 Lumbosacral Spine X-ray, Complete	51.75	54.46	234.66	104	5,625.26
6	82040 Albumin, serum	7.00	7.93	51.03	24	342.46
7	82250 Bilirubin, blood, total or direct	8.00	10.96	265.05	50	1,354.01
8	93000 EKG, resting with interpretation, report, and tracings	35.00	37.54	126.48	255	5,296.91
9	94060 Simple Spirometry, B & A Brochodilators	58.75	58.81	351.16	1,774	104,680.55
10	A7005 X-ray of left Shoulder	32.00	50.72	98.67	4	170.34
11	A7006 X-ray of Right Shoulder	32.00	32.18	172.36	219	8,314.79
12	A7011 X-ray of Left Elbow, AP and Lateral	32.00	35.34	141.00	35	1,216.23
13	A7016 X-ray of Right Wrist, AP and Lateral	29.00	30.50	158.71	95	3,499.56
14	A7020 X-ray of Right Hand, two views only	31.00	31.13	185.78	197	6,042.56
15	A7021 X-ray of Left Hand, two views only	31.00	31.13	99.58	137	3,865.26
16	A7026 X-ray of Right Hip, complete, minimum 2 views	44.00	44.07	197.16	230	7,136.14
17	A7027 X-ray of Left Hip, complete, minimum 2 views	44.00	45.05	129.52	168	5,015.76
18	A7030 X-ray of Right Knee, AP and Lateral	32.00	32.33	189.28	724	23,235.23
19	A7031 X-ray of Left Knee, AP and Lateral	32.00	32.33	176.28	618	21,129.67
20	AP020 Interpretation & Report, x-ray of Right Hand, two views only	37.38	39.96	50.72	2	15.92
21	AP030 Interpretation & Report, x-ray of Right knee, AP and Lateral	27.41	31.96	57.88	4	55.20
22	P2100 Interpretation & Report, Lumbosacral Spine, AP and Lateral views	29.02	30.00	102.49	113	523.91
<b>Total Records and Amounts Overpaid</b>					<b>10,216</b>	<b>\$394,804.44</b>



## CE's FY 2000 DETERMINED TO BE GREATER THAN THE GA-DAS FEE SCHEDULE

CPT Code	CPT Description	GA-DAS Fee Schedule		Range of Excess Payments		Records Overpaid By CPT Code	Total Amount Overpaid by CPT Code
		Maximum	Amount	Lowest	Highest		
1	71020 Chest X-ray, Front and Lateral Views, with CT ratio measurement	\$41.00		\$41.76	\$286.00	2501	<b>\$90,180.61</b>
2	72050 Cervical Spine X-ray, min. 4 views	54.00		61.91	207.24	11	<b>780.74</b>
3	72100 Lumbosacral Spine X-ray, AP and Lateral views only	44.00		45.90	320.00	2403	<b>121,411.36</b>
4	73120 Hand exam, Bilateral, 2 views	31.00		55.30	55.30	1	<b>24.30</b>
5	80054 Comprehensive Metabolic Panel	20.00		20.13	203.19	264	<b>13,021.73</b>
6	82250 Bilirubin, blood, total or direct	8.00		8.17	86.01	58	<b>999.38</b>
7	82565 Creatinine, serum	7.00		7.08	44.28	135	<b>1,448.35</b>
8	94060 Simple Spirometry, B & A Bronchodilators	58.56		58.91	467.25	1728	<b>110,483.44</b>
9	94720 Carbon monoxide diffusing capacity, any method	65.00		65.12	269.87	179	<b>8,477.52</b>
10	A7007 X-ray of Left Shoulder, complete, minimum of 2 views	32.63		36.32	184.59	196	<b>9,077.92</b>
11	A7021 X-ray of Left Hand, two views only	31.00		32.92	167.31	141	<b>5,525.65</b>
12	A7026 X-ray of Right Hip, complete, minimum 2 views	44.00		45.65	186.48	203	<b>8,219.04</b>
13	A7031 X-ray of Left Knee, AP and Lateral	32.00		32.45	168.70	611	<b>23,571.97</b>
14	A8001 Single Venipuncture Specimen Collection	4.00		4.05	28.61	395	<b>1,444.98</b>
15	A9019 Review of medical records; completion & return of Medical Assessment form	25.00		30.00	140.00	3	<b>125.00</b>
		<b>Total Records and Amounts Overpaid</b>				<b>8,829</b>	<b>\$394,791.99</b>

## GEORGIA DISABILITY ADJUDICATION SERVICES OBLIGATIONS REPORTED/ALLOWED FOR FY 1998

Fiscal Year (FY) 1998											
	Disbursements					Unliquidated Obligations					Total Obligations
	Personnel	Medical	Indirect	All Other	Total	Personnel	Medical	Indirect	All Other	Total	
As Reported by State Agency											
Personnel	\$23,437,239				\$23,437,239					\$ 0	\$23,437,239
Medical Evidence of Record (MERS)		\$ 1,854,116			\$ 1,854,116					\$ 0	\$ 1,854,116
Consultative Examination (CES)		\$10,690,327			\$10,690,327					\$ 0	\$10,690,327
Indirect			\$2,179,103		\$ 2,179,103					\$ 0	\$ 2,179,103
All Other				\$4,929,269	\$ 4,929,269					\$ 0	\$ 4,929,269
<b>Total Claimed by State Agency</b>	<b>\$23,437,239</b>	<b>\$12,544,443</b>	<b>\$2,179,103</b>	<b>\$4,929,269</b>	<b>\$43,090,054</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$43,090,054</b>
1. To adjust 4513 report to reflect amounts as reported on official state accounting records											
	\$ 26,022	\$ 1,516,111	\$ 0	\$(1,288,579)	\$ 253,554					\$ 0	\$ 253,554
Subtotal: Official State Accounting Records	\$23,463,261	\$14,060,554	\$ 2,179,103	\$ 3,640,690	\$43,343,608					\$ 0	\$43,343,608
2. To adjust for unsupported non-personnel expenditures deemed unallowable.											
				\$ (262,679)	\$ (262,679)					\$ 0	\$ (262,679)
<b>Adjusted Claims</b>	<b>\$23,453,261</b>	<b>\$14,060,554</b>	<b>\$ 2,179,103</b>	<b>\$ 3,378,011</b>	<b>\$43,080,929</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 43,080,929</b>

# GEORGIA DISABILITY ADJUDICATION SERVICES OBLIGATIONS REPORTED/ALLOWED FOR FY 1999

Fiscal Year (FY) 1999											
	Disbursements					Unliquidated Obligations					Total Obligations
	Personnel	Medical	Indirect	All Other	Total	Personnel	Medical	Indirect	All Other	Total	
As Reported by State Agency											
Personnel	\$25,012,120				\$25,012,120	\$ 4,412				\$ 4,412	\$25,016,532
Medical Evidence of Record (MERS)		\$ 2,095,438			\$ 2,095,438					\$ 0	\$ 2,095,438
Consultative Examination (CES)		\$11,590,707			\$11,590,707					\$ 0	\$11,590,707
Indirect			\$2,208,619		\$2,208,619					\$ 0	\$ 2,208,619
All Other				\$5,536,389	\$5,536,389				\$ 64,543	\$ 68,955	\$ 5,600,932
<b>Total Claimed by State Agency</b>	<b>\$25,012,120</b>	<b>\$13,686,145</b>	<b>\$2,208,619</b>	<b>\$5,536,389</b>	<b>\$46,443,273</b>	<b>\$ 4,412</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 64,543</b>	<b>\$ 68,955</b>	<b>\$46,512,228</b>
1. To adjust 4513 report to reflect amounts as reported on official state accounting records	\$ (140,810)	\$ 353,698	\$ 0	\$(1,122,756)	\$ (909,868)					\$ 0	\$ (909,868)
Subtotal: Official State Accounting Records	\$24,871,310	\$14,039,843	\$ 2,208,619	\$ 4,413,633	\$45,533,405	\$ 4,412			\$ 64,543	\$ 68,955	\$ 45,602,360
2. To adjust for unsupported non-personnel expenditures deemed unallowable.				\$ (78,194)	\$ (78,194)					\$ 0	\$ (78,194)
3. To deobligate those amounts reported as unliquidated obligations determined as invalid.						\$ (4,412)			\$ (64,543)	\$ (68,955)	\$ (68,955)
<b>Adjusted Claims</b>	<b>\$24,871,310</b>	<b>\$ 14,039,843</b>	<b>\$ 2,208,619</b>	<b>\$ 4,335,439</b>	<b>\$45,455,211</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 45,455,211</b>

# GEORGIA DISABILITY ADJUDICATION SERVICES OBLIGATIONS REPORTED/ALLOWED FOR FY 2000

Fiscal Year (FY) 2000												
	Disbursements					Unliquidated Obligations					Total Obligations	
	Personnel	Medical	Indirect	All Other	Total	Personnel	Medical	Indirect	All Other	Total		
As Reported by State Agency												
Personnel	\$24,783,893				\$24,783,893					\$ 0		\$24,783,893
Medical Evidence of Record (MERS)		\$ 2,424,926			\$ 2,424,926					\$ 0		\$ 2,424,926
Consultative Examination (CES)		\$12,594,611			\$12,594,611					\$ 0		\$12,594,611
Indirect			\$2,184,534		\$2,184,534					\$ 0		\$2,184,534
All Other				\$5,236,870	\$5,236,870				\$ 140,906	\$ 140,906		\$ 5,377,776
<b>Total Claimed by State Agency</b>	<b>\$24,783,893</b>	<b>\$15,019,537</b>	<b>\$2,184,534</b>	<b>\$5,236,870</b>	<b>\$47,224,834</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 140,906</b>	<b>\$ 140,906</b>		<b>\$47,365,740</b>
1. To adjust 4513 report to reflect amounts as reported on official state accounting records	\$ 695,523	\$(1,485,521)	\$ 0	\$ (873,365)	\$(1,633,363)					\$ 0		\$ (1,663,363)
Subtotal: Official State Accounting Records	\$25,479,416	\$13,534,016	\$ 2,184,534	\$ 4,363,505	\$45,561,471				\$ 140,906	\$ 140,906		\$45,702,377
2. To deobligate those amounts reported as unliquidated obligations determined as invalid.									\$ (140,906)	\$ (140,906)		\$ \$ (140,906)
<b>Adjusted Claims</b>	<b>\$25,479,416</b>	<b>\$13,534,016</b>	<b>\$ 2,184,534</b>	<b>\$ 4,363,505</b>	<b>\$45,561,471</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>		<b>\$ 45,561,471</b>

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

Date: December 29, 2003

Refer To: K Killam 2-5727

To: Assistant Inspector General for Audit

From: Regional Commissioner  
Atlanta

Subject: Administrative Costs Claimed for the Georgia Disability Determination Services (A-15-01-11021) – Response to Your Memorandum (Undated)

Thank you for the opportunity to comment on the validity of the facts and reasonableness of the recommendations presented in your report of the audit (A-15-01-11021) on the Administrative Costs Claimed by the Georgia Disability Determination Services (DDS).

We believe that the OIG audit was detailed and thorough. We are concerned about the findings that the Georgia Department of Labor (DOL) and the Department of Human Resources (DHR) did not have adequate internal controls over the accounting, reporting, expending and recordkeeping of administrative costs. We are also concerned about the conclusion that further improvements are needed to better manage Federal funds to ensure claimed expenditures are necessary for administration of the disability program. The GA DOL and DHR do not concur with several of the conclusions and recommendations of the audit. We are diligently working with them to determine whether the audit conclusions and recommendations are appropriate to ensure that all necessary changes are made.

- 1. Work with the Regional Office to determine what amount of the \$2,319,677 difference can be supported by detailed records – traceable to supporting invoices, payment (checks), etc. – and direct DHR to reimburse SSA for any claimed costs, plus interest that cannot be supported.**

We agree that if claimed costs cannot be adequately supported, then DHR should reimburse SSA. However, the Regional Office is not staffed or trained to either obtain or determine what constitutes valid or acceptable supporting documentation of DDS fiscal transactions and obligations. The expertise required to perform this type of fiscal accounting function regarding a DDS or its Parent Agency does not currently reside within the Regional Office.

- 2. Reimburse SSA for the \$340,873, plus interest, for funds drawn down in relation to the unsupported accounting transactions.**

We cannot concur with this recommendation at this time. The GA DOL and the DDS are not in agreement with this finding or recommendation. We are currently working with the DOL and the DDS to determine whether the funds drawn down were properly supported.

**3. De-obligate \$209,861 for the invalid obligations in FY 1999 (\$68,955) and FY 2000 (140,906).**

We cannot concur with this recommendation at this time. The GA DOL and the DDS are not in agreement with this finding or recommendation. We are currently working with the DOL and the DDS to determine whether the obligations made in FY 1999 and FY 2000 were invalid.

**4. Improve the internal controls over the accounting and reporting of costs claimed for the operations of the GA-DDS. Specifically, Georgia should ensure that costs claimed agree to accounting records and supporting documents of allowable costs incurred and that accounting transactions are recorded in the appropriate Federal FY, as well as unliquidated obligations are reviewed to ensure they are still valid.**

We do not completely concur with this recommendation. In the section of the audit results (page 9) titled, "Required Financial Reports are Late", the report states that "DOL has not submitted any forms SSA 4513 for FYs 1999 and 2000." We disagree that this was the responsibility of DOL, as they did not become the Parent Agency of the DDS until July 1, 2001. Accordingly, they do not have the supporting documentation for obligations incurred while the DDS was under DHR. We do agree, however, that DHR needs to submit updated SSA 4513s for those years not yet closed out during which they provided oversight to the DDS. SSA is currently working with the GA DDS, the DOL and DHR to obtain these reports.

**5. Implement internal controls at the DOL to prevent and detect improper draws of SSA funds.**

We agree that internal controls should be in place to prevent and detect improper draws of SSA funds. However, the problems in this area that were sited in the audit occurred with DHR and not DOL. We are working closely with the GA DDS and the DOL to make sure that their internal control system ensures that all draws of SSA funds are adequately supported, properly allocated to the Federal DDS program, drawn from the correct fiscal year, and properly classified on the SSA 4513.

**6. Implement internal controls to ensure that the GA-DDS does not exceed its Consultative Examination fee schedule.**

We agree that better internal controls are needed with regard to consultative examination fee schedules. However, the language in the section entitled "Consultative Examination were Paid in Excess of GA-DAS Fee Rates" needs to be revised to reflect that the Regional Office has, in fact, been working with

DDS management since 2002 to review and update their fee schedules to ensure compliance with POMS. To this end, a new fee schedule based on an approved Medicare fee schedule was implemented in the GA DDS effective May 2003. The audit report needs to reflect this fact.

**7. Revise the Forms SSA 4513 for the audit adjustments as shown in Appendix C.**

Changes to the SSA 4513 cannot be made until the GA DDS, the DOL and the OIG have arrived at a final determination of transactions for the years in question. If supporting documentation cannot be presented for the transactions, then SSA will instruct the GA DDS to repay the difference between the amounts claimed on the SSA 4513 and the supporting records.

Please contact me if you have any questions or concerns before our final comments are made. Staff questions should be referred to Karen Killam at (404) 562-5727 or Barbara Hites at (404) 562-5719.

*/s/*

Paul D. Barnes

cc: Mr. Bobby Pack



## **State Comments**



## Georgia Department of Labor Rehabilitation Services

148 Andrew Young International Boulevard, N.E. · Suite 510 · Atlanta, Georgia 30303-1751  
(404) 232-3910 · (404) 232-3912 fax · (404) 232-3911 TTY · [www.vocrehabga.org](http://www.vocrehabga.org)

MICHAEL L. THURMOND  
COMMISSIONER

January 5, 2004

Mr. Steven L. Schaeffer  
Assistant Inspector General for Audit  
Social Security Administration  
4L2 Operations Building  
6400 Security Boulevard  
Baltimore, Maryland 21235-0001

Dear Mr. Schaeffer:

Thank you for the opportunity to respond to the draft report entitled “Administrative Costs claimed for the Georgia Disability Adjudication Services” (A-15-01-11021). This report contains your conclusions and recommendations from the audit of financial records for the period October 1, 1997 through September 30, 2000. As you know, law transferred the Georgia Disability Adjudication Services (DAS) as part of the Division of Rehabilitation Services from the Department of Human Resources (DHR) to the Department of Labor (DOL) on July 1, 2001, so the review period relates to DHR records. Therefore this response incorporates the response from DHR for those items for which it is responsible.

The responses are listed in the order of the recommendations listed in the report’s Draft Executive Summary. DHR provided the following response to items one and two:

*“The Department of Human Resources welcomes inspection of the financial records by the Atlanta Regional Commissioner. We believe the general ledger with related work paper adjustments does support the expenditure reports filed with the Social Security Administration. As explained to the reviewers while they were on site and after they left the site, the State of Georgia implemented a new accounting system for use beginning in State Fiscal Year 2000. The records produced by the new system are not of the same format as those produced by the legacy system. We provided records from the legacy system, as well as from the general ledger and the modules that posted to the general ledger of the new system. We believe the reviewers would have been able to find ample support for the forms 4513 had they remained on site and worked more closely with us to accomplish the reconciliation. We worked cooperatively with a member of the review team to do this but that person has since left employment of the Social Security Administration.*”

An Equal Opportunity Employer/Program

Mr. Schaeffer  
Page 2  
January 5, 2004

*With regard to the sample records that were not found, all of the items selected for review were provided for inspection. The reviewers examined them and released them for return to the State's record center. The documents were lost by the carrier that was contracted to deliver the documents to the Records Center. When the reviewers asked to see them a second time, they were not available. We believe since the reviewers had seen the actual documentation on the first review of the documents, that the expenditures associated with them should not be disallowed."*

DOL responses to items three through seven are:

- Item 3 – We will work with DHR to resolve this issue and file revised reports.
- Items 4 and 5 – We are continuing to review and improve our accounting processes and internal controls. We welcome any specific suggestions for improvement that you may have.
- Item 6 – During the course of this review a committee with representatives from Georgia DAS, the Vocational Rehabilitation Program and Rehabilitation Services State Office met to develop the Rehabilitation Services Fee Schedule based on federal Medicaid/Medicare guidelines. We implemented this improved fee schedule in May 2003 along with financial controls to prevent overpayments of consultative examination fees.
- Item 7 – This issue will be addressed by DHR after resolving the issues regarding items one and two.

**Please let me know if you would like to discuss these responses by calling John Williams at 404/232- 3577 or me.**

Sincerely,

/s/

Bobby Pack  
Acting Assistant Commissioner

BP:dpv

cc: Michael Thurmond, Commissioner, Georgia Department of Labor  
Maria Greene, Acting Commissioner, Georgia Department of Human Resources  
Barbara Hites, Disability Program Administrator, Atlanta Region SSA  
Lisa Earls, Assistant Commissioner, Georgia Department of Labor, Financial Services  
John Williams, Acting Director, Georgia Department of Labor, Finance

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Frederick C. Nordhoff, Director, Financial Audit Division, (410) 966-6676

Lance Chilcoat, Audit Manager, (410) 965-9743

### ***Acknowledgments***

In addition to those named above:

Sigmund Wisowaty Jr., Senior Auditor, Auditor-in-Charge

Cliff McMillan, Senior Auditor

Steve Sachs, Senior Auditor

Joseph Borowy, Auditor

Ellen Justice, Auditor

Donna Parris, Auditor

Sandra Westfall, Senior Program Analyst

Carol Ann Frost, Systems Analyst

Brennan Kraje, Statistician

Annette DeRito, Writer/Editor

For additional copies of this report, please visit our web site at <http://www.ssa.gov/oig> or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-15-01-11021.

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Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

# **Overview of the Office of the Inspector General**

## **Office of Audit**

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations and cash flow. Performance audits review the economy, efficiency and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

## **Office of Executive Operations**

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.

## **Office of Investigations**

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.