



SOCIAL SECURITY

Office of the Inspector General

MEMORANDUM

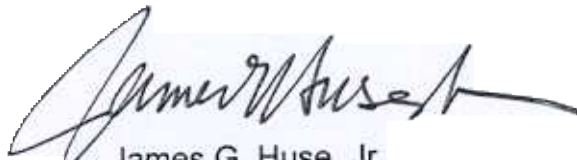
Date: **AUG 21 2001**
To: **Larry G. Massanari**
Acting Commissioner
of Social Security
From: **Inspector General**

Refer To: 31233-23-203

Subject: Vocational Expert and Medical Expert Fees for Services (A-06-99-51005)

The attached final report presents the results of our audit. Our objective was to evaluate the effectiveness of internal controls over payments for services rendered by vocational and medical experts.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**VOCATIONAL EXPERT AND
MEDICAL EXPERT FEES
FOR SERVICES**

August 2001

A-06-99-51005

AUDIT REPORT



Mission

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.

Authority

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

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

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

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

Vision

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.

Executive Summary

OBJECTIVE

Our objective was to evaluate the effectiveness of internal controls over payments for services rendered by vocational and medical experts.

BACKGROUND

A claimant who is not satisfied with a reconsideration determination rendered at the State Disability Determination Services can request a hearing before an Administrative Law Judge (ALJ). The Office of Hearings and Appeals (OHA) is responsible for holding hearings and issuing decisions as part of the Social Security Administration's (SSA) process for determining whether a person may receive benefits. The ALJ may obtain the services of a Vocational Expert (VE) or Medical Expert (ME) to either testify at the hearing or provide answers in written interrogatories. The preferred method for obtaining the opinion of an expert is through live testimony at a hearing.

OHA uses a Blanket Purchase Authorization (BPA) process to obtain VE and ME services. The experts who sign the BPAs agree to provide impartial expert opinion to OHA. After the BPA is signed, the regional offices create master rosters. These rosters are sent to the HOs within each region and copies are forwarded to the Office of the Chief Administrative Law Judge (OCALJ) in Falls Church, Virginia. The rosters are used as a reference when an ALJ requires the opinion of an expert. In Fiscal Year (FY) 1999, OHA established BPAs with 1,337 VEs and 1,644 MEs.

At the direction of the ALJ, the HO calls experts to testify. The HO also monitors the services and fees paid to the experts. The experts are compensated for services based on a fixed fee schedule for services provided. When the ALJ requests the use of an expert, the HO prepares form HA-590-UA, Call Order/Contractor's Invoice (invoice). The invoice is considered the official call order and record of services provided to the ALJ. To request payment, the expert submits a batch of invoices with a "Consolidated Monthly Invoice for Expert Witness Services" (voucher) to the Office of Finance, Division of Administrative Payments (DAP).

DAP administers the expert payment process and maintains the original vouchers and invoices for experts covered by a BPA. The voucher and invoices are filed by FY in folders in mobile file units located in the DAP.

In FY 1999, payments to VEs totaled \$21.6 million and payments to MEs totaled \$15.5 million for a combined total of \$37.1 million. This combined total represents 5.4 percent of the FY 1999 OHA budget of \$687 million.

RESULTS OF REVIEW

Our audit disclosed that internal controls over payments for services rendered by vocational and medical experts were not effective in detecting and preventing improper payments. The internal control of management should provide reasonable assurance of effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations. A fundamental concept of internal controls is that it is a continuous built-in component of operations; it is effected by people; and it provides reasonable assurance, not absolute assurance.

From our random sample of 100 vouchers, we reviewed 88 vouchers and the attached 944 invoices. DAP could not locate 12 vouchers for our review. Of the 88 vouchers reviewed, we found 5 vouchers containing 11 invoices where DAP made overpayments totaling \$355. We also found 38 vouchers where DAP paid 170 invoices (totaling \$17,445) which were not properly authorized or dated.

- *Inaccurate payments:* We found six invoices where the amount paid exceeded the amount specified in the fee schedule for the services reflected on the invoice; one invoice where the fee billed and paid was more than the amount due for the service provided; three invoices for three VEs where the VEs were paid at the higher rate for more than one “first appearance” on the same day; and one invoice that was paid although it was a duplicate invoice.
- *Invoices not properly authorized or dated:* We found that 27 invoices did not have one or more of the required authorizing signatures, 134 invoices for which dates were missing next to one or more of the authorizing signatures, and 9 invoices where there was no indication that the authorizing official approved the changes made on the invoice. For these invoices, we were able to confirm that services were rendered and the experts were entitled to payment.
- *Missing vouchers:* DAP could not find 12 of the 100 vouchers (12 percent) in our sample. DAP staff searched extensively over a 2-week period to locate the missing vouchers. Since the 12 missing vouchers and attached invoices could not be located, we were unable to verify that the vouchers were properly authorized and dollar amounts were accurate.

These errors occurred because: (1) HOs did not perform a quality review of the invoices before releasing them to the experts; (2) the internal controls in the payment process were inadequate; and (3) DAP did not follow its own quality control procedures.

Projecting the results of our sample items to the population of 33,100 vouchers valued at \$37.1 million we estimate that 12,578 vouchers contain invoices totaling \$5.8 million where payments were not properly signed or dated. We also estimate that 3,972 vouchers totaling \$3.4 million cannot be located.

CONCLUSIONS AND RECOMMENDATIONS

The process for paying VEs and MEs for services rendered contains weaknesses that hinder SSA's ability to minimize the opportunities for fraud, waste, and abuse. We found that the HOs do not perform a quality review of invoices before releasing them to the expert. The HO process of turning the invoices over to the expert for direct billing to DAP creates an internal control weakness in that SSA does not control the authorizing document. Further, SSA does not have a compensating control with which HOs can confirm to DAP that services were provided. A VE or ME could conceivably alter the invoice before sending it to DAP. Furthermore, OHA does not have the capability to reconcile payments made by DAP with services rendered by the experts. We also found that DAP did not follow its policies and procedures for examining the accuracy and proper authorization of vouchers, and it did not have specific guidelines for tracking and filing vouchers.

To strengthen the controls of the VE and ME payment process, we recommend that SSA:

- Establish a quality review process in HOs to ensure that invoices have the correct fee amounts for services actually performed and contain all appropriate authorizing signatures and dates.
- Establish a system of management controls whereby:
 - The control of the original invoice is not turned over to the experts for direct billing to DAP;
 - HOs can confirm to DAP that services were provided;
 - OHA can reconcile payments made by DAP with services rendered by the experts; and
 - SSA can determine its liability to experts for services rendered without having to rely solely on vouchers submitted by experts.
- Update DAP examination procedures and require that DAP staff perform a quality review of vouchers for completeness and accuracy before effecting payment.
- Establish guidelines to ensure the accountability of payment files at DAP.

AGENCY COMMENTS

In response to our draft report, SSA disagreed with our first and second recommendations. However, SSA plans to explore methods to strengthen the current payment process to ensure its accuracy and to assess the implications for implementing a system of management controls. SSA agreed with our third and fourth recommendations. (See Appendix C for SSA's comments.)

OIG RESPONSE

While SSA disagreed with our first recommendation, SSA also described several management controls that are already in place in its HOs. However, we continue to believe that HOs should ensure the control procedures are completed. While SSA explores efforts to strengthen the current payment process, it should also consider how best to monitor compliance with its existing procedures.

With respect to our second recommendation, we agree that the impact on current staffing and workloads are a concern that should be considered when implementing a system of management controls. However, these concerns should not be used as a basis for ignoring the vulnerabilities that exist in the current process. SSA needs to control the billing process for expert services and ensure that it can account for its liability for the services rendered—a basic management responsibility. The current process does not provide this capability, nor does it allow HOs to readily confirm to DAP that services were rendered.

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Acronyms

ALJ	Administrative Law Judge
BPA	Blanket Purchase Authorization
C.F.R.	Code of Federal Regulations
DAP	Office of Finance, Division of Administrative Payments
Expert	Vocational Experts and/or Medical Experts
FACTS	Financial Accounting System
FY	Fiscal Year
HO	Hearing Office
Invoice	HA-590-UA, Call Order/Contractor's Invoice
ME	Medical Expert
OAG	Office of Acquisition and Grants
OCALJ	Office of the Chief Administrative Law Judge
OHA	Office of Hearings and Appeals
SSA	Social Security Administration
VE	Vocational Expert
Voucher	Consolidated Monthly Invoice for Expert Witness Services

OBJECTIVE

Our objective was to evaluate the effectiveness of internal controls over payments for services rendered by vocational and medical experts.

BACKGROUND

A claimant who is not satisfied with a reconsideration determination rendered at the State Disability Determination Services can request a hearing before an Administrative Law Judge (ALJ). The Office of Hearings and Appeals (OHA) is responsible for holding hearings and issuing decisions as part of the Social Security Administration's (SSA) process for determining whether a person may receive benefits.¹ Before scheduling a hearing, the ALJ, or the Hearing Office (HO) staff under the ALJ's direction, review all evidence to determine whether the evidence is sufficient or that additional evidence is required.

The ALJ may obtain the services of a Vocational Expert (VE) or Medical Expert (ME) to either testify at a hearing or provide answers in written interrogatories. In obtaining the services of a VE, the ALJ selects individuals who are qualified in vocational rehabilitation with extensive experience and knowledge of the local workforce to provide credible testimony. In seeking ME testimony, the ALJ selects physicians and mental health professionals who provide impartial expert opinion in specific medical specialties.

The preferred method for obtaining the opinion of an expert is through live testimony at the hearing. Although written interrogatories are acceptable, the hearing provides the claimant and the representative an opportunity to ask the VE or ME (expert) any questions relevant to the issues. At the hearing, the claimant and witnesses testify under oath or affirmation, and the testimony is recorded verbatim.

HO Procedures

***In Fiscal Year 1999,
1,337 VEs and 1,644 MEs
Signed Blanket
Purchase Agreements
with OHA***

OHA uses a Blanket Purchase Authorization (BPA) process to obtain VE and ME services.² In June 1993, the SSA, Office of Acquisition and Grants (OAG) delegated the authority to the OHA regional offices to establish a BPA process in the field to manage the VE and ME program. The delegation included discretionary approval to obtain expert services for 1-year or 2-year periods. The experts

¹ 20 C.F.R. §§ 404.929 through 404.961 and 416.1429 through 416.1461.

² Memorandum from the Office of Acquisition and Grants to OHA, Acquisition Guideline, 94-01, dated August 15, 1994 discusses the delegation of authority and revisions to the BPA process beginning in Fiscal Year 1995.

who sign the BPAs agree to provide impartial expert opinion to OHA. After the BPA is signed, the regional offices create master rosters. These rosters are sent to the HOs within each region and copies are forwarded to the Office of the Chief Administrative Law Judge (OCALJ) in Falls Church, Virginia. The rosters are used as a reference when an ALJ requires the opinion of an expert. In Fiscal Year (FY) 1999, OHA established BPAs with 1,337 VEs and 1,644 MEs.

At the direction of the ALJ, the HO calls experts to testify. The HO also monitors the services and fees paid to the experts. The experts are compensated for services based on a fixed fee schedule for services provided. The fee schedules are illustrated at Appendix A. When the ALJ requests the use of an expert, the HO prepares a form HA-590-UA, Call Order/Contractor's Invoice (invoice). The invoice is considered the official call order and record of services provided to the ALJ. The invoice documents the expert's identifying information, claimant's identifying information, date of service, services rendered, and authorizing signatures. The invoice is signed by the ordering official, the expert, and the ALJ to certify that services were provided. The HO gives the original invoice to the expert to request payment directly from the Office of Finance, Division of Administrative Payments (DAP). To request payment, the expert submits a batch of invoices with a "Consolidated Monthly Invoice for Expert Witness Services" (voucher) to DAP.

DAP Procedures

In FY 1999, Payments to VEs and MEs Totaled \$37.1 million or 5.4 Percent of OHA's Total FY 1999 Budget of \$687 million

DAP administers the expert payment process and maintains the original vouchers and invoices for experts covered by a BPA as required by the "Examination Procedures for Commercial Invoices."³ DAP procedures call for performing three distinct and separate steps to verify and authorize the voucher for payment. First, a DAP staff member performs a review of the voucher and invoices. The review ensures that a BPA is on file and is dated and signed, with invoices having original signatures of the ordering official, expert, and ALJ, and the services rendered and the fees are appropriate and accurate. A second DAP staff member then enters payment information into the Financial Accounting System (FACTS).⁴ Finally, a team leader performs a final review before approving the voucher for payment. Once the voucher is approved, the expert receives payment by Electronic Funds Transfer.⁵

The voucher and invoices are filed by FY in folders in mobile file units located in DAP. The vouchers are filed by the first two letters of the expert's last name or by the first two

³ SSA's Accounting Policies and Procedures, TN 82.13, dated July 30, 1982, Examination Procedures--Commercial Invoices, 8-01-80 Consultants

⁴ FACTS is SSA's official account and budget data system.

⁵ See 31 C.F.R. § 208.3.

letters of a company's name. Due to space limitations, the vouchers are kept for only the two most recent FYs. Afterwards, the vouchers are sent to the Federal Records Center.

SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Researched and reviewed relevant laws and regulations applicable to OHA, and DAP policies and procedures for paying invoices and maintaining files of original source documents.
- Analyzed the requisition, authorization, and accounting functions of the VE and ME fee for service process.
- Selected a random sample of 100 vouchers for review from a population of 33,100 vouchers paid in FY 1999 (see Appendix B) from SSA's FACTS. A total of \$37.1 million was paid to VEs and MEs in FY 1999. We did not verify the completeness of the number of vouchers or total dollars paid in FY 1999. However, nothing came to our attention to indicate that the number of vouchers and the total dollars paid were not at least 33,100 and \$37.1 million, respectively.
- Reviewed 88 vouchers and the 944 invoices attached to those vouchers for accuracy, authorization, and support. DAP could not locate 12 vouchers.
- Used SSA and OHA systems to verify VE and ME service information provided on invoices and made inquiries of DAP and HO staff as needed to verify the accuracy of the information recorded on the invoices.

Our methodology included interviewing the OHA staff in OCALJ and in the Baltimore HO to understand the hearing process and the services provided by VEs and MEs to OHA. Our interviews also included SSA staff in DAP responsible for processing and paying the expert vouchers and invoices, and OAG staff to understand the implementation of the BPA small purchase process.

Our review applied to DAP and OHA's compliance with policies and procedures for processing and accounting for payments, and maintaining original source documents. We did not evaluate the BPA award process to determine whether contracts were properly awarded, nor did we evaluate OHA's compliance with rotational use of experts.

We conducted our audit from April 1999 through April 2000 in Baltimore, Maryland and Falls Church, Virginia. The entities reviewed were OHA under the Deputy Commissioner for Disability and Income Security Programs; and the Office of Financial Policy and Operations under the Deputy Commissioner for Finance, Assessment and Management. We conducted our audit in accordance with generally accepted government auditing standards.

Results of Review

Our audit disclosed that internal controls over payments for services rendered by vocational and medical experts were not effective in detecting and preventing improper payments. The internal control of management should provide reasonable assurance of effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations. A fundamental concept of internal control is that it is a continuous built-in component of operations; it is effected by people; and it provides reasonable assurance, not absolute assurance.⁶ Our review identified the following weaknesses with the internal control process:

- HOs turned over control of original invoices to VEs and MEs, who in turn submitted vouchers directly to DAP. The HOs were not required to keep copies of the signed invoices and were not aware of which invoices the experts had submitted for payment. With this process, OHA does not have the capability to reconcile payments made with services rendered, and DAP cannot record a liability for expert services until it receives a voucher for payment.
- DAP did not follow its policies and procedures in examining the accuracy and proper authorization of vouchers submitted for payment by vocational and medical experts.
- DAP did not properly maintain and file its vouchers.

From our random sample of 100 vouchers, we reviewed 88 vouchers and the attached 944 invoices. DAP could not locate 12 vouchers for our review. Of the 88 vouchers reviewed, we found 5 vouchers containing 11 invoices where DAP made overpayments totaling \$355. We also found 38 vouchers where DAP paid 170 invoices (totaling \$17,445) which were not properly authorized or dated. Projecting the results of our sample items to the population of 33,100 vouchers valued at \$37.1 million we estimate that 12,578 vouchers contain invoices totaling \$5.8 million where payments were not properly signed or dated. We also estimate that 3,972 vouchers totaling \$3.4 million cannot be located. See Appendix B for our statistical projections.

HO AND DAP RESPONSIBILITIES

The HO Chief ALJ and the HO Manager oversee the administration of the processing and authorization of the services required and fees paid to the expert. At a minimum, the process requires that invoices be properly documented and authorized by the appropriate officials. The invoice is an important link between the services provided, the authorization process in the HO, and the final payment process. The DAP guidelines specify that the information on the invoices should be verified for accuracy and proper authorization.

⁶ Standards for Internal Control in the Federal Government, GAO/AIMD-00-21.3.1, November 1999.

Federal guidelines require that agency offices review each invoice as soon as practicable after receipt to determine whether the invoice is certified properly for payment. The transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority. The invoice is considered the official record whereby the expert is paid for the services rendered and fees authorized by the ALJ. As an official record, the invoice must include the signature and date of the ordering official, the signature and date of the contractor, and the signature and date of the ALJ.

Federal guidelines also require that the agency's use of resources be efficiently and effectively allocated for duly authorized purposes and the documentation for transactions, management controls, and other significant events must be clear and readily available for examination.⁷

INTERNAL CONTROLS

Our review disclosed that internal controls over payments for services rendered by vocational and medical experts were not effective in detecting and preventing improper payments. Specifically, we found: (1) HOs did not perform a quality review of the invoices before releasing them to the experts; (2) the internal control process for paying VEs and MEs was inadequate; and (3) DAP did not follow its policies and procedures for examining the accuracy and proper authorization of vouchers submitted for payment by experts.

HOs could release invoices to the expert without performing a quality review. For example, in requesting that a HO send us copies of the original and the duplicate invoice that DAP paid, we learned that the HO (1) did not have signed copies of the invoices, and (2) HO clerks do not necessarily determine or know that the expert has appeared at more than one hearing on the same day. Consequently, a HO may inadvertently process more than one invoice with an expert's "first appearance" fee.

The internal control process for paying VEs and MEs for services rendered is inadequate because the HO turns over control of the authorizing document to the experts and it does not have a compensating control with which to confirm to DAP that services were provided. Because the original invoice is provided to the expert after the ALJ signs it and HOs are not aware of which invoices the expert submits for payment, an expert could conceivably alter the invoice before sending it to DAP. Further, since experts submit vouchers that consolidate invoices and HOs are not aware which invoices were sent to DAP, OHA does not have the capability to reconcile payments made with services rendered. Also, DAP cannot record a liability for expert services until it receives a voucher for payment.

⁷ See Office of Management and Budget Circular A-123, "Management Accountability and Control," revised June 21, 1995.

DAP did not follow its policies and procedures for examining the accuracy and proper authorization of vouchers submitted for payment by vocational and medical experts or for tracking and filing vouchers. DAP's examination procedures, issued in 1982, specifically require that all invoices be examined. However, when we interviewed DAP staff, we were informed that they consider the examination procedures outdated and they do not use or rely on them to verify the accuracy of information recorded on the invoice. Rather, DAP only reviews the voucher to verify that the total of all attached invoices matches the total on the front of the voucher.

SERVICES RENDERED AND AMOUNTS PAID

We found six invoices where the amount paid exceeded the amount specified in the fee schedule for the services on the invoice; one invoice where the fee billed was for a service that differed from the service provided; three invoices for three VEs where the VE was paid at the higher rate for more than one "first appearance" on the same day; and one invoice that was paid, although it was a duplicate invoice.

Invoices Had Differences Between Services Provided and Fees Paid

Six invoices were paid for an amount greater than the amount specified in the fee schedule for the services on the invoice. All six invoices show that the expert had performed a study of the file and answered interrogatories. The total fee for these services is \$130 (\$80 for the study and \$50 for the interrogatory). However, the fee amount on each invoice was \$160. The \$160 amount is the fee for performing a study of the file and appearing at a hearing. We called the HOs and they confirmed that the invoices accurately reflected the services provided. Therefore, DAP overpaid each invoice by \$30. Although the HO is responsible for ensuring that the fees are accurately recorded on the invoice, DAP also could have caught the error and questioned the amounts billed by reviewing the invoices for accuracy.

Amount Billed Differed From Services Provided

One invoice was paid where the fee amount billed was for a service that differed from the service provided. This resulted in a \$30 overpayment. The invoice amount indicated that the expert performed a study (\$80) and testified at a hearing (\$80). However, OHA records, including the HO decision and the Hearing Office Tracking System case history, showed that the services rendered were for a study (\$80) and answering interrogatories (\$50). DAP paid the amount billed of \$160. In this case, DAP's review of the invoice would not have caught the error since the authorizing signatures on the invoice would indicate to them that the services were actually provided. The HO, however, should have ensured that the correct amount was billed for the services rendered.

Experts Were Paid for More Than One "First Appearance" on the Same Day

Three invoices for three VEs were improperly paid at the higher rate for more than one "first appearance" on the same day. According to guidelines used by the HO, a VE may be paid \$110 for a study and "first appearance" of the day (the fee for a study is \$40 and the fee for a "first appearance" of the day is \$70). Other appearances at hearings on the same day are paid at the reduced rate of \$35. We found three instances where a VE was paid for a case study and a "first appearance" of the day on one invoice and was also paid for a "first appearance" on another invoice in providing services for a different claimant and ALJ. In each instance, the VE was overpaid \$35.

HO Paid a Duplicate Invoice to an Expert

One invoice of \$40 was paid although it was a duplicate invoice. In this case, the HO issued two invoices with the same call order number, for the same claimant and the same services and usage date. One invoice had the ALJ's original signature. The other invoice contained initials other than those of the ALJ.

The DAP guidelines specify that the information on the invoices should be verified for accuracy and proper authorization. The invoice with the initials other than those of the ALJ was not properly authorized and DAP staff did not take exception to it. In requesting that the HO send us copies of the original and duplicate invoices, we learned that the HO did not have signed copies of the invoices. The HO indicated that it does not perform a quality review before releasing the invoices to the expert. The HO could have minimized the risk of issuing a duplicate invoice by using a quality review process.

INVOICE AUTHORIZATIONS

We found that DAP paid invoices that did not have one or more of the required authorizing signatures, or for which dates were missing next to one or more of the authorizing signatures, or where there was no indication that the authorizing official approved the changes made on the invoice. However, for these invoices, we were able to confirm that services were rendered and the experts were entitled to payment.

Invoices Did Not Have Authorizing Signatures or Dates

DAP paid 27 invoices that did not have one or more of the required authorizing signatures. Of these 27 invoices, 15 were missing the signature of the ordering official, 18 were missing the signature of the ALJ, and 11 were missing the signature of the expert. Examination procedures state that the invoice must be signed by the ordering official, contractor and receiving official. There should be no two signatures alike on the invoice and, if signatures are missing, the original is returned to the HO that issued the invoice. Further, SSA's Finance and Accounting Manual, Chapter 03.04.05B, states that all payments for goods or services rendered to SSA must be examined to ensure that the goods or services ordered were delivered and accepted as evidenced by a signed receiving or inspection document.

Altered Fee Amounts on Invoices Were Not Authorized by HO

In addition to the missing signatures, we found that 134 invoices did not have one or more dates annotated next to authorizing signatures on invoices. We found 55 invoices with changes made to the fee amounts. In 46 of these invoices, the authorizing official had initialed the changes; however, in 9 invoices there was no indication that the authorizing official approved the changes. Consequently, for the 9 invoices where the authorizing official had not approved the change, DAP had no assurance that the altered amount represented an accurate charge on the invoice.

MISSING VOUCHERS

DAP Could Not Find 12 of the 100 Vouchers in Our Sample

DAP staff could not find 12 of the 100 vouchers (12 percent) in our sample. Since the 12 missing vouchers and attached invoices could not be located, we were unable to verify that the vouchers were properly authorized and dollar amounts were accurate.

Guidelines⁸ requiring the use of internal controls within Federal agencies specify that,

Transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination. In addition, access to resources and records should be limited to authorized individuals and the accountability for the custody and use of resources should be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree. Documents should be secured and properly maintained by the responsible entity.

We found that DAP did not have specific guidelines for filing and maintaining the vouchers and invoices. DAP staff searched extensively over a 2-week period to locate the missing vouchers. According to DAP, paid vouchers and invoices are stacked on a table and accumulate until a clerk working overtime files them. Since DAP staff have other priorities and filing is not part of the normal duties performed by the clerks, filing the vouchers and invoices is considered a low priority. In addition, as part of the renovation of SSA's main complex in Baltimore, DAP moved from the Annex Building to the renovated East Building in July 1999. The movers did not take due care with the boxes to assure that everything arrived in the same condition at the new location. For example, file boxes used by the movers were not sturdy and were larger than the files being moved, allowing movement of the files and papers within the boxes.

⁸ The Office of Management and Budget Circular A-123, "Management Accountability and Control," revised June 21, 1995.

Conclusions and Recommendations

The process for paying VEs and MEs for services rendered contains weaknesses that hinder SSA's ability to minimize the opportunities for fraud, waste, and abuse. We found that HOs do not perform a quality review of invoices before releasing them to the expert. The HO process of turning the invoices over to the expert for direct billing to DAP creates an internal control weakness in that SSA does not control the authorizing document. Further, SSA does not have a compensating control with which HOs can confirm to DAP that services were provided. A VE or ME could conceivably alter the invoice before sending it to DAP. Furthermore, OHA does not have the capability to reconcile payments made by DAP with services rendered by the experts. We also found that DAP did not follow its policies and procedures for examining the accuracy and proper authorization of vouchers, and it did not have specific guidelines for tracking and filing vouchers.

To strengthen the controls of the VE and ME payment process, we recommend that SSA:

1. Establish a quality review process in HOs to ensure that invoices have the correct fee amounts for services actually performed and contain all appropriate authorizing signatures and dates.
2. Establish a system of management controls whereby:
 - The control of the original invoices is not turned over to the experts for direct billing to DAP;
 - HOs can confirm to DAP that services were provided;
 - OHA can reconcile payments made by DAP with services rendered by the experts; and
 - SSA can determine its liability to experts for services rendered without having to rely on vouchers submitted by experts.
3. Update DAP examination procedures and require that DAP staff perform a quality review of vouchers for completeness and accuracy before effecting payment.
4. Establish guidelines to ensure the accountability of payment files at DAP.

AGENCY COMMENTS

In response to our draft report, SSA disagreed with our first recommendation, but added that it would explore methods to strengthen the current payment process to ensure its accuracy. As an example of its efforts in this area, SSA referred to a memorandum reminding HOs of the requirements for processing payments to experts. Specifically, this memorandum addressed the requirement to sign the forms after services are

rendered, maintain a copy of the signed voucher in the ALJ folder, and verify that fees are in accordance with the approved schedule prior to certifying the voucher.

SSA also disagreed with our second recommendation, stating that it must assess the impact on current staffing and workload processing before it could implement a system of management controls. Further, SSA will explore the possibilities of expanding automation processes, such as automatically generated documents to reduce the time spent on the current process.

SSA agreed with our third and fourth recommendations. Specifically, SSA plans to: update the DAP Accounting Manual regarding examination procedures and include filing procedures in the Accounting Manual to ensure the accountability of payment files. It has also implemented a limited audit of all invoices less than \$2,500 and a full review for invoices over \$2,500. In addition to responding to each of our recommendations, SSA also stated its belief that the questioned costs cited in our report are overstated.

OIG RESPONSE

While SSA disagreed with our first recommendation, SSA listed several required HO procedures related to expert invoices in its comments. By listing these requirements, SSA is acknowledging that it has a management control system in place. However, our review found that employees do not always follow these procedures. Hence, we continue to believe that HOs should ensure the required procedures are completed. While SSA explores efforts to strengthen the current payment process, it should also consider how best to monitor compliance with its existing requirements.

With respect to our second recommendation, we agree that the impact on current staffing and workloads are concerns that should be considered when implementing a system of management controls. However, these concerns should not be used as a basis for ignoring the vulnerabilities that exist in the current process. The use of automation is a possible way to improve the current process; however, the expediency with which documents are prepared does not address the vulnerabilities for fraud or abuse that exist in the current process. SSA needs to control the billing process for expert services and ensure that it can account for its liability for the services rendered—a basic management responsibility. The current process does not provide this capability, nor does it allow HOs to readily confirm to DAP that services were rendered.

With respect to SSA's comments regarding questioned costs, we estimated that 12,578 vouchers contained invoices totaling \$5.8 million that were not properly authorized or dated. DAP did not have assurance that these invoices were accurate and authorized at the time they paid them.

Appendices

Vocational Expert and Medical Expert Fee Schedules

VOCATIONAL EXPERTS

Study	\$40
Remand Study	\$60
Interrogatory	\$35
Additional Evidence	\$30
First Appearance of the Day	\$70
Other Appearance Same Day	\$35
Discussion	\$50

MEDICAL EXPERTS

Study	\$80
Remand Study	\$80
Interrogatory	\$50
Additional Evidence	\$40
First Appearance of the Day	\$80
Other Appearance Same Day	\$80
Discussion	\$50
Preparation of Lecture	\$50
Continuing Education Seminar	\$80
Medical Assessment after a Fee was Paid	\$40
Conferences	\$80

Sampling Methodology and Results

We extracted 33,100 records from the Social Security Administration’s Financial Accounting System representing the Office of Hearings and Appeals financial data for payments made to vocational and medical experts (expert) for Fiscal Year (FY) 1999. Each record represents an amount paid for a voucher submitted by an expert. From this population of 33,100 records, we selected a simple random sample of 100 vouchers and the attached invoices for review. We selected FY 1999 because the documentation and financial data were the most recently completed data available when we began our review.

We appraised the sample of 100 vouchers for three characteristics. The first characteristic was vouchers that had invoices improperly paid. The second characteristic measured vouchers that deviated from policies and procedures. The third characteristic was missing vouchers. For the second and third characteristics, we made attribute (number of vouchers exhibiting the characteristic) and variable appraisals (dollar value of the vouchers with the characteristic) as shown on pages B-2 and B-3.

Table B-1: Vouchers with Inaccurate Payments

Type of Error	Number of Vouchers	Dollar Value of Error
Amount paid on voucher did not agree with the fee schedule for the services and amount paid exceeded the fee for services	1	\$210
Experts were paid for more than one “first appearance” on the same day	3	105
Duplicate invoice paid	1	40
Total Inaccurate Payments	5	\$355

Of the 5 vouchers listed above with inaccurate payments, 2 contained invoices which were also not authorized or dated. These 2 vouchers are included in the table below showing the 38 vouchers which contained invoices which were not authorized or dated. Combined, 41 vouchers contained errors—3 with inaccurate payments, 2 with inaccurate payments and missing authorizations or dates; and 36 which were not authorized or dated. We did not project the 5 inaccurate payments to the sample population.

Table B-2: Vouchers with Improperly Authorized Invoices

Type of Error	Number of Vouchers	Dollar Value of Error
Vouchers with invoices not signed	7	\$2,555
Vouchers with invoices not dated	24	\$12,000
Vouchers with invoices not signed or dated	1	\$2,320
Vouchers with fees changed but not authorized on invoices	4	\$390
Vouchers with fees changed but not authorized on invoices and invoices not signed	2	\$180
Totals	38	\$17,445

Attribute Appraisal: Vouchers with Improperly Authorized Invoices

Total Population	33,100
Sample Size	100
Number of Incorrect Vouchers	38
Estimated Number of Vouchers in Population with Errors	12,578

Confidence Level: We are 90 percent confident that the actual number of vouchers with improperly authorized invoices in the total population is between 9,891 and 15,446.

Variable Appraisal: Vouchers with Improperly Authorized Invoices

Total Dollar Error found in Sample of 100 vouchers	\$17,445
Total Sample Size	100
Total Population	33,100
Total Dollar Amount of Errors Projected in the Universe	\$5,774,295

Confidence Level: We are 90 percent confident that the actual dollar value of vouchers with improperly authorized invoices in the population is between \$3,775,747 and \$7,772,843.

Attribute Appraisal: Missing Vouchers

Total Population	33,100
Sample Size	100
Number of Missing Vouchers	12
Projection of Vouchers in Total Population Containing Errors	3,972

Confidence Level: We are 90 percent confident that the actual number of missing vouchers in the total population is between 2,342 and 6,192.

Variable Appraisal: Missing Vouchers

Total Dollars of Missing Vouchers in Sample	\$10,175
Total Sample Size	100
Total Population	33,100
Estimated Value of Missing Vouchers in Population	\$3,367,925

Confidence Level: We are 90 percent confident that the actual dollar value of missing vouchers in the total population is between \$1,199,023 and \$5,536,827.

Agency Comments



SOCIAL SECURITY


MEMORANDUM

June 26, 2001

Refer To: S1J-3

To: James G. Huse, Jr.
Inspector General

Larry G. Massanari
Acting Commissioner of Social Security



Subject: Office of the Inspector General (OIG) Draft Report, "Vocational Expert and Medical Expert Fees for Services" (A-06-99-51005)—INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the report content and recommendations are attached.

Please let us know if we may be of further assistance. Staff questions may be referred to Robert Berzanski on extension 52675.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S DRAFT REPORT,
"VOCATIONAL EXPERT AND MEDICAL EXPERT FEES FOR SERVICES"
(A-06-99-51005)

Thank you for the opportunity to review and provide comments on this draft report. Following are our comments on the recommendations.

Recommendation 1

Establish a quality review process in hearing offices (HO) to ensure that invoices have the correct fee amounts for services actually performed and contain all appropriate authorizing signatures and dates.

Comment

We disagree. As an alternative to overhauling the process or requiring additional staff work, the Social Security Administration (SSA) will explore methods to strengthen the current payment process to ensure its accuracy. For example, on November 29, 2000, a memorandum was issued to HOs from the Chief Administrative Law Judge (ALJ) reminding the offices of the requirements for processing payments to experts. Specifically, the memorandum addressed the requirement to sign the forms after services are rendered, maintain a copy of the signed voucher in the ALJ folder and verify that fees are in accordance with the approved schedule prior to certifying the voucher.

Recommendation 2

Establish a system of management controls whereby:

- The control of the original invoices is not turned over to the experts for direct billing to the Division of Administrative Payments (DAP);
- HOs can confirm to DAP that services were provided;
- Office of Hearings and Appeals (OHA) can reconcile payments made by DAP with services rendered by the experts; and
- SSA can determine its liability to experts for services rendered without having to rely on vouchers submitted by experts.

Comment

Before SSA can consider implementation of a system of management controls, we must assess the impact it would have on current staffing and current workload processing. Prior to 1995, HOs were responsible for submitting billing for the expert services. However, because that process was so time-consuming the procedures were changed and experts submitted their vouchers directly to DAP for payment. This change was necessary to alleviate the demands on HO staffing and reduce time required to process expert witness payments.

In conjunction with reassessing this current payment procedure, we will explore the possibilities of expanding automation processes to improve the current payment system. If HOs had the option of using automatically generated documents, the time spent on the current process would be reduced.

Recommendation 3

Update DAP examination procedures and require that DAP staff perform a quality review of vouchers for completeness and accuracy before effecting payment.

Comment

We agree but question the cost effectiveness of conducting a 100-percent quality review of all vouchers. DAP will update the Accounting Manual Chapter 8-110-18 by December 28, 2001 regarding examination procedures of the medical experts/vocational experts (ME/VE) payments. The procedures in existence at the time of the audit (fiscal year 1999) required 100-percent review of all necessary items affecting payment. Because of the magnitude of the workload and reductions in staff, some inadvertent omissions and errors occurred during the review process. Effective January 4, 2001, SSA implemented a limited audit of all invoices less than \$2,500 and a full review for invoices over \$2,500.

In addition, we believe the questioned costs of \$5,774,295 may be overstated. The figure relates to the amount of money projected in vouchers paid where the documentation is incomplete or incorrect. According to the description in the executive summary, while the documentation was deficient, the related payments were correct. Incorrect payments, projected to the entire universe of the workload, would be \$133,528 out of \$37,100,000.

Recommendation 4

Establish guidelines to ensure the accountability of payment files at DAP.

Comment

We agree that guidelines will ensure the accountability of payment files. SSA will include filing procedures in the Accounting Manual Chapter 8-10-03 File Maintenance Procedures by December 28, 2001. Filing instructions currently exist in the Administrative Instructions Manual System guide that explains alphabetical filing procedures. In addition, desk procedures for filing were provided to employees in February 1999 and updated in October 2000. We believe the inability to locate vouchers for the ME/VE audit in 1999 was the result of an office relocation in July 1999 from the Annex to the East Building and the subsequent transition of files from five drawer file cabinets to a mobile file unit. Since the ME/VE audit was conducted, we have provided 100 percent of files requested for other audits.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Rona Rustigian, Acting Director, Disability Program Audit Division, (617) 565-1819

Paul Davila, Deputy Director, (214) 767-6317

Acknowledgments

In addition to the person named above:

Sandra Westfall, Program Analyst

Lela Cartwright, Auditor

For additional copies of this report, please contact Office of the Inspector General's Public Affairs Specialist at (410) 966-5998. Refer to Common Identification Number A-06-99-51005.

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