
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

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

July 2004

A-01-04-14032

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.



SOCIAL SECURITY

MEMORANDUM

Date: July 13, 2004

Refer To:

To: Manuel J. Vaz
Regional Commissioner
Boston

From: Assistant Inspector General
for Audit

Subject: Administrative Costs Claimed by the Massachusetts Disability Determination Services (A-01-04-14032)

The objectives of our audit of the Fiscal Years (FY) 2001 and 2002 administrative costs claimed by the Massachusetts Disability Determination Services (MA-DDS) were to:

- evaluate the MA-DDS' internal controls over the accounting and reporting of administrative costs,
- determine whether costs claimed by the MA-DDS were allowable and funds were properly drawn, and
- assess limited areas of the general security controls environment.

BACKGROUND

Disability determinations under the Social Security Administration's (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.¹ 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 using Forms SSA-4513. (For additional background information, see Appendix B of this report.)

¹ 20 C.F.R. §§ 404.1601 et. seq. (2004) and 404.1001 et. seq. (2004).

RESULTS OF REVIEW

The MA-DDS had adequate internal controls over accounting and reporting of administrative costs and draw downs. Our tests of the amounts MA-DDS reported on Forms SSA-4513 provided reasonable assurance the DDS had accurately reported the administrative costs—totaling \$61,984,550—it incurred for disability determination activities during our audit period (see Table 1 below). Our tests of MA-DDS' claimed costs showed the sampled expenditures were allowable and allocable and Federal funds were properly drawn. However, we found that the MA-DDS leased more office space than SSA's policy allowed in FYs 2001 and 2002—but both DDS and SSA staff informed us the policy was outdated and needed revisions. Finally, our limited review of the MA-DDS' security controls environment showed that controls were in place, and SSA and the DDS were taking steps to address outstanding security issues.

TABLE 1: FY 2001 AND 2002 ADMINISTRATIVE COSTS CLAIMED			
Cost Categories	Total Obligations	Total Disbursements	Unliquidated Obligations
Personnel	\$37,584,370	\$37,584,370	\$0
Medical	\$12,548,546	\$12,548,546	\$0
Indirect	\$851,061	\$851,061	\$0
All Other	\$11,000,573	\$10,922,173	\$78,400
Total	\$61,984,550	\$61,906,150	\$78,400

(For a more detailed analysis of the FY 2001 and 2002 administrative costs claimed, see Appendix C.)

DDS OFFICE SPACE

SSA's policy (effective August 1996) limits DDS offices to a "...maximum total allowable space... [of] 150 square feet..." per full time equivalent (FTE).² However, our review of the MA-DDS' lease documentation showed the DDS leased over 180 square feet of office space for 388 FTEs.³ Specifically, the MA-DDS leased more than 13,000 square

² SSA, Program Operations Manual System, DI 39527.050, *DDS Office Space Allocation Guide*. An FTE represents an employee working full time (or 2,080 hours a year).

³ Our analysis of the MA-DDS' payroll data for FY 2002 showed that throughout the year no less than 258 employees, and no more than 280 employees, drew a State salary. Our analysis of the MA-DDS' contracted FY 2002 Medical Consultant data showed that 74 consultants were reimbursed for their medical work no less than 3 times, and no more than 52 times, during the year. We did not determine the number of temporary (or clerical) staff which were used throughout FY 2002. However, with a total of 354 employees and consultants needing office space, we concluded leasing office space for 388 FTEs was reasonable.

feet in office space (at a combined cost of over \$500,000 for FYs 2001 and 2002) than was specified in SSA’s policy manual.⁴

Boston and Worcester Offices

The MA-DDS commercially leased office space in the two most populated cities in the State of Massachusetts to perform its disability determination mission. The larger office was located in Boston and the smaller office was located in Worcester. According to its leases, the Boston office allocated 52,141 square feet to 281 FTEs, while the Worcester office allocated 19,375 square feet to 107 FTEs.⁵ On average, each FTE in the Boston office was allocated 186 square feet, and each FTE in the Worcester office was allocated 181 square feet of office space. Tables 2 and 3 below show the amount of office space leased (above the amount specified in SSA’s policy manual) in FYs 2001 and 2002, respectively. (See Appendix D for the leases and the lease amendment.)

TABLE 2: FY 2001 EXCESS OFFICE SPACE ANALYSIS				
MA-DDS Facility	FTEs	Maximum Allowable Sq. Ft. for Office Space per SSA Policy Manual	Actual Amount of Leased Office Space	Square Footage Leased above SSA’s Policy Manual Guidelines
Boston	281	42,150	52,141	9,991
Worcester (Oct. 2000–Feb. 14, 2001)	107	16,050	18,975	2,925
Worcester (Feb. 15, 2001–Sept. 2001)	107	16,050	19,375	3,325
Totals	388	58,200	71,516	13,166⁶

⁴ According to the lease agreements, the DDS paid \$23.75 per square foot in Boston and \$8.65 per square foot in Worcester. Over \$500,000 was charged to SSA for the space leased above the 150 square foot guidelines—calculated as follows: [(\$23.75 * 9,991) + (\$8.65 * 3,325)] * 2 years. In our April 2004 report—*Administrative Costs Claimed by the Michigan Disability Determination Services (A-05-03-13036)*—we also determined that more than 150 square feet was leased per FTE.

⁵ Prior to February 15, 2001, the MA-DDS leased 18,975 square feet in Worcester for 107 FTEs (an average of 177 square feet per FTE).

⁶ The total was calculated as 9,991 + (2,925 x 4.5 months/12 months) + (3,325 x 7.5 months/12 months).

TABLE 3: FY 2002 EXCESS OFFICE SPACE ANALYSIS				
MA-DDS Facility	FTEs	Maximum Allowable Sq. Ft. for Office Space per SSA Policy Manual	Actual Amount of Leased Office Space	Square Footage Leased above SSA's Policy Manual Guidelines
Boston	281	42,150	52,141	9,991
Worcester	107	16,050	19,375	3,325
Totals	388	58,200	71,516	13,316

SSA Policy on Office Space

According to staff at the MA-DDS, SSA Regional Office (RO) in Boston, and SSA's Office of Disability Determinations in Baltimore, the current policy of 150 square feet per FTE is outdated and needs revisions.

- The MA-DDS staff believe the additional space is needed for equipment storage (e.g., computer systems), providing handicapped accessibility, and adequate training facilities.⁷
- SSA's RO staff indicated additional office space was needed for computer systems, as well as for training. Also, the RO staff did not believe the MA-DDS was leasing excess office space. Specifically, the FY 2002 Regional DDS Spending Plan showed that the MA-DDS requested, and the Region approved, funding for the leasing of 71,516 square feet of office space. Further, the Region believes the leasing rates for the two office locations were probably lower than what was typically charged for similar commercial office space. Finally, the RO mentioned the cost of moving DDS staff to smaller office space would be costly and would not allow for future expansion.
- SSA's Office of Disability Determinations—which has overall oversight over DDS operations—indicated that the space computation worksheet in SSA's policy manual was outdated and the DDSs are not held to its requirements. The Office of Disability Determinations staff was uncertain as to what is adequate DDS space and they are currently working on a space plan to be followed by DDSs in the future. However, this plan is in its initial stages.

⁷ In reference to its training facilities, MA-DDS staff informed us, "Some space might have been saved had the DDS offices [Boston and Worcester] elected to utilize one training facility in each site instead of the two facilities [computer based training and non-computer based training]." However, the staff also informed us that this approach would adversely impact the MA-DDS' ability to meet their training needs.

CONCLUSIONS AND RECOMMENDATION

MA-DDS generally complied with laws, regulations, policies and procedures governing expenditures and obligations incurred for SSA's disability program for FYs 2001 and 2002. Also, the DDS had internal controls and security controls in place. However, the MA-DDS leased more office space than SSA's policy allowed in FYs 2001 and 2002—but both DDS and SSA staff indicated the policy was outdated and needed revisions. Without a firm policy in place, the potential exists for DDSs to charge SSA for unreasonable office space costs. Therefore, we recommend that the RO work with the Office of Disability Determinations staff to ensure the DDS office space policy is updated timely.

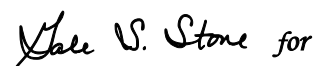
AGENCY COMMENTS

The RO agreed that the MA-DDS leased more office space than SSA's policy allowed, but that the amount of space in use was not unreasonable or excessive. Further the RO acknowledged that the current policy guidelines (written in 1996) do not represent the spacing needs of today's DDS.

Additionally, the RO requested that we review the \$364,278 in funds allocated for the operation of the Cooperative Disability Investigations (CDI) unit in FY 2002—since these funds were not specifically addressed in our audit of the DDS' administrative costs. (See Appendix E for the RO's comments. MA-DDS did not provide comments to the report.)

OIG RESPONSE

Although our report did not specifically address the CDI unit, our review of the *State Agency Obligational Authorization For SSA Disability Programs* (Form SSA-872) showed that the DDS appropriately reported the \$364,278 in CDI costs separately for FY 2002. Additionally, our review of the DDS' FY 2002 costs included \$182,744 of the \$364,278 CDI unit costs. Specifically, our review included the costs for the DDS employees who worked in the CDI unit, as well as the indirect costs. Since our review found that the DDS had adequate controls over the accounting and reporting of administrative costs, we did not include the remaining \$181,534 in CDI costs—which represent less than 1 percent of the \$31 million in total DDS costs for FY 2002—in our review. The \$181,534 in costs that were not included in our review were for personnel costs associated with State Attorney General staff working in the CDI unit, as well as non-personnel costs, such as two car leases.


Steven L. Schaeffer

Appendices

APPENDIX A – Acronyms

APPENDIX B – Background, Scope and Methodology

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

APPENDIX D – Massachusetts Disability Determination Services' Leases for its Boston and Worcester Facilities

APPENDIX E – Agency Comments

APPENDIX F – OIG Contacts and Staff Acknowledgments

Acronyms

Act	Social Security Act
CDI	Cooperative Disability Investigations
C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
DI	Disability Insurance
FTE	Full-Time Equivalents
FY	Fiscal Year
MA-DDS	Massachusetts Disability Determination Services
RO	Regional Office
SSA	Social Security Administration
SSA-4513	State Agency Report of Obligations for SSA Disability Programs
SSI	Supplemental Security Income
Treasury	Department of Treasury

Background, Scope and Methodology

BACKGROUND

The Disability Insurance (DI) program was established in 1954 under Title II of the Social Security Act (Act). The DI program provides benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income (SSI) program under Title XVI of the Act. The SSI program provides benefits to financially needy individuals who are aged, blind, or disabled.

The Social Security Administration (SSA) is responsible for implementing policies for the development of disability claims under the DI and SSI programs. Disability determinations under both the DI and SSI programs are performed by disability determination services (DDS) in each State or other responsible jurisdiction, in accordance with Federal regulations.¹ 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 DDS is authorized to purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources.

SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. The DDS withdraws Federal funds through the Department of the Treasury's (Treasury) Automated Standard Application for Payments system to pay for program expenditures. Funds drawn down must comply with Federal regulations² and intergovernmental agreements entered into by Treasury and States under the Cash Management Improvement Act of 1990.³ An advance or reimbursement for costs under the program must comply with the Office of Management and Budget's Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. At the end of each quarter of the Fiscal Year (FY), each DDS submits a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) to account for program disbursements and unliquidated obligations.

¹ 20 C.F.R. §§ 404.1601 et. seq. and 404.1001 (2004).

² 31 C.F.R. § 205 (2004).

³ Public Law No. 101-453, 31 C.F.R. § 6501 (2004).

SCOPE

To accomplish our objectives, we reviewed the administrative costs Massachusetts Disability Determination Services (MA-DDS) reported on its Forms SSA-4513 for FYs 2001 and 2002. For the periods reviewed, we obtained evidence to evaluate recorded financial transactions and determine whether they were allowable under Circular A-87 and appropriate, as defined by SSA's Program Operations Manual System.

We also:

- Reviewed applicable Federal regulations and pertinent parts of Program Operations Manual System DI 39500, *DDS Fiscal and Administrative Management*, and other instructions pertaining to administrative costs incurred by MA-DDS and draw down of SSA funds covered by the Cash Management Improvement Act.
- Interviewed staff at MA-DDS and the SSA Regional Office.
- Reviewed State policies and procedures related to personnel, medical services, and all other non-personnel costs.
- Evaluated and tested internal controls regarding accounting and financial reporting and cash management activities.
- Verified the reconciliation of official State accounting records to the administrative costs reported by MA-DDS on Forms SSA-4513 for FYs 2001 and 2002.
- Examined the administrative expenditures (personnel, medical service, and all other non-personnel costs) incurred and claimed by MA-DDS for FYs 2001 and 2002 on Forms SSA-4513.
- Examined the indirect costs claimed by MA-DDS for FYs 2001 and 2002 and the corresponding Cost Allocation Plans.
- Compared the amount of SSA funds drawn to support program operations to the allowable expenditures reported on Forms SSA-4513.
- Reviewed the State of Massachusetts Single Audit reports issued in 2000 through 2002.
- Conducted limited general control testing—which encompassed reviewing the physical access security and security plan within the DDS. We also reviewed the (1) April 2003 DDS Self-Review (Security Review Checklist) - Boston and Worcester facilities, (2) SSA – Boston Region's 5-Year Security Review of the MA-DDS, and (3) "Disability Determination Services Security Document" (Administrators' Letter No. 644). We also toured each floor of the Boston facility to further measure the MA-DDS' security controls.

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

We performed our audit in Boston, Massachusetts at the Office of the Inspector General/Office of Audit and the MA-DDS between September 2003 and March 2004. We conducted our audit in accordance with generally accepted government auditing standards.

METHODOLOGY

Our sampling methodology encompassed the four general areas of costs as reported on Forms SSA-4513: (1) personnel, (2) medical, (3) indirect, and (4) all other non-personnel costs. We obtained computerized data from MA-DDS for FYs 2001 and 2002 for use in statistical sampling.

Personnel Costs

We sampled 50 employee salary items from one randomly selected pay period in FY 2002. We tested regular and overtime payroll and hours for each individual selected. We verified that approved time records were maintained and supported the hours worked. We tested payroll records to ensure the MA-DDS correctly paid employees and adequately documented these payments.

We also sampled 50 randomly selected medical consultant costs from FY 2002. We determined if sampled costs were reimbursed properly and ensured the selected medical consultants were licensed.

Medical Costs

We sampled a total of 100 medical evidence of records and consultative examination records (50 items from each FY) using a proportional random sample. We determined whether sampled costs were properly reimbursed.

Indirect Costs

We reviewed the indirect cost base and computations used to determine those costs for reimbursement purposes. Our objective was to ensure SSA reimbursed MA-DDS in compliance with the State Cost Allocation Plan. We analyzed the approved rate used for each quarter, ensuring the indirect cost rate changed when the Indirect Cost Rate Agreement was modified. We reviewed the documentation and traced the base amounts back to Forms SSA-4513 for the indirect cost computation components. We determined whether the approved rate utilized was a provisional, predetermined, or final rate.

All Other Non-Personnel Costs

We stratified all other non-personnel costs into ten categories: (1) Occupancy, (2) Contracted Costs, (3) EDP Maintenance, (4) New EDP Equipment/Upgrades, (5) Equipment Purchases and Rental, (6) Communications, (7) Applicant Travel, (8) DDS Travel, (9) Supplies, and (10) Miscellaneous. We selected a stratified random sample of 50 items from each FY based on the percentage of costs in each category (excluding Occupancy) to total costs. We also performed a 100 percent review of Occupancy expenditures.

Schedule of Total Costs Reported on Forms SSA-4513—State Agency Reports of Obligations For Social Security Administration Disability Programs

Massachusetts Disability Determination Services

FISCAL YEAR (FY) 2001 AND FY 2002 COMBINED

REPORTING ITEMS	DISBURSEMENTS	UNLIQUIDATED OBLIGATIONS	TOTAL OBLIGATIONS
Personnel	\$37,584,370	\$0	\$37,584,370
Medical	\$12,548,546	\$0	\$12,548,546
Indirect	\$851,061	\$0	\$851,061
All Other	\$10,922,173	\$78,400	\$11,000,573
TOTAL	\$61,906,150	\$78,400	\$61,984,550

FY 2002

REPORTING ITEMS	DISBURSEMENTS	UNLIQUIDATED OBLIGATIONS	TOTAL OBLIGATIONS
Personnel	\$19,630,811	\$0	\$19,630,811
Medical	\$6,233,405	\$0	\$6,233,405
Indirect	\$462,384	\$0	\$462,384
All Other	\$5,175,839	\$78,400	\$5,254,239
TOTAL	\$31,502,439	\$78,400	\$31,580,839

FY 2001

REPORTING ITEMS	DISBURSEMENTS	UNLIQUIDATED OBLIGATIONS	TOTAL OBLIGATIONS
Personnel	\$17,953,559	\$0	\$17,953,559
Medical	\$6,315,141	\$0	\$6,315,141
Indirect	\$388,677	\$0	\$388,677
All Other	\$5,746,334	\$0	\$5,746,334
TOTAL	\$30,403,711	\$0	\$30,403,711

Massachusetts Disability Determination Services' Leases for its Boston and Worcester Facilities

BOSTON, MASSACHUSETTS LEASE

DCPO PROCURED LEASE (DPL)

3

TRANSACTION APPROVAL

New Lease Lease Amendment
Fixed and Sent Original Form 3 to Agency 5/16/97
 DCPO / Office of Leasing and State Office Planning (617) 427-8000 x200

DCPO Project No: 950910
 DCPO Old Project No: 860634
 Facility Code: BP
 DCPO Project Mgr: R. Thurston-Lighty

USER AGENCY NAME: <u>Mass. Rehabilitation Comm. - DDS</u>	TOWN/CITY: <u>Boston</u>
SQ FT: <u>52,141</u>	STAFF (FTE): <u>281</u>
RESERVED PARKING:	ZIP: <u>02111</u>
ADDRESS: <u>110 Chauncy Street, Boston</u>	

I. SUMMARY OF AGREEMENT

TYPE OF AGREEMENT <input checked="" type="checkbox"/> New Agreement <input type="checkbox"/> Lease Extension <input type="checkbox"/> Change in SF <input type="checkbox"/> Other	Amendment # _____ Other: _____	PROJECTED TERM Begin Date: <u>9/1/98</u> End Date: <u>8/31/03</u> Term: <u>Five (5) Years</u> Months
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TYPE OF SPACE: <input type="checkbox"/> Publicly-owned Space <input checked="" type="checkbox"/> Private Space	Vendor Code # _____
OWNER Name: _____	(If known) <u>522 012 713 0009</u>
Mailing Address: _____	

CONTACT PERSON: _____ Telephone #: _____	COST NOT INCLUDED IN RENT:
RENTAL COSTS (for this agreement only)	Electricity (Lights & Plugs) \$ _____
	HVAC \$ _____
	Parking (#: _____) \$ _____
	Janitorial \$ _____
	Escalators \$ _____
	Other: \$ _____
	RENTAL ACCOUNT NUMBERS
	[] State [x] Federal [] Trust Fund <u>4120-0511</u>
	[] State [] Federal [] Trust Fund

Square Feet Occupied/FTE <u>186</u>	Total Occupancy Cost/SF <u>\$23.75</u>
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2. APPROVALS

AGENCY Sufficient funds are included or have been requested in the budget to cover the cost of this agreement. <i>Kenneth J. ...</i> AUTHORIZED SIGNATURE _____ DATE <u>4-21-97</u> Lending Manager TITLE _____	DCPO <i>[Signature]</i> PROJECT MANAGER _____ DATE <u>5/16/97</u> COMMENTS: <i>[Signature]</i> COMMISSIONER _____ DATE <u>5/16/97</u>
--	--

3. CONFIRMATION OF OCCUPANCY / COMMENCEMENT OF LEASE TERM

AGENCY Date of Occupancy / <u>9/1/98</u> Commencement of Lease Term Ending Date of Lease: <u>8/31/03</u>	Annual Cost by Fiscal Year FY 99 \$ <u>1,031,957.30</u> FY 00 \$ <u>1,238,348.75</u> FY 01 \$ <u>1,238,348.75</u> FY 02 \$ <u>1,238,348.75</u> FY 03 \$ <u>1,238,348.75</u> FY 04 \$ <u>206,391.46</u>	DCPO Reviewed By: _____ Date: _____
Any required building of the premises has been substantially completed in accordance with the RFP specifications and Landlord has furnished agency with a Certificate of Occupancy from the Building Department. Authorized Signature: <i>Kenneth G. ...</i> Date: <u>9/2/98</u>		

WORCESTER, MASSACHUSETTS LEASE

**ORIGINAL
3**

DCPO PROCURED LEASE (DPL)

OCT 17 1997



TRANSACTION APPROVAL

New Lease Lease Amendment

Original Form 3 to Agency 12/17/97

OFFICE OF LEASING

DCPO Project No: 950920.1

DCPO Old Project No: 760606

Facility Code: RP

DCPO Project Mgr: PTL

DCPO / Office of Leasing and State Office Planning (617) 727-8000 x200

USER AGENCY NAME: <u>Mass. Rehabilitation Commission</u>	TOWN/CITY: <u>Worcester</u>
SQFT: <u>18975</u>	STAFF (FTE): <u>107 *</u>
ADDRESS: <u>10-20 Front Street</u>	RESERVED PARKING: <u>0</u>
	ZIP: <u>01614</u>

1. SUMMARY OF AGREEMENT

TYPE OF AGREEMENT <input checked="" type="checkbox"/> New Agreement <input type="checkbox"/> Amendment # _____ <input checked="" type="checkbox"/> Lease <input type="checkbox"/> Extension <input type="checkbox"/> Change in SF <input type="checkbox"/> Other _____ <input type="checkbox"/> Other _____		PROJECTED TERM Begin Date: <u>3/1/98</u> End Date: <u>2/28/03</u> Term: <u>Five</u> Years <u>_____</u> Months	
TYPE OF SPACE: <input type="checkbox"/> Publicly-owned Space <input checked="" type="checkbox"/> Private Space		OWNER Name: _____ Mailing Address: _____	
Contact Person: _____ Telephone #: _____		Vendor Code # (if known) <u>033324665 MARC</u>	

RENTAL COSTS [for this agreement only]				COST NOT INCLUDED IN RENT:		
RENTAL PERIOD	Rate/SF	Annual Rent	Monthly Rent	[Paid to]:	Landlord	Other
Begin Date	End Date					
	\$8.65	\$164,133.75	\$13,677.81	Electricity [Lights & Plugs]	\$	\$
	\$8.65	\$164,133.75	\$13,677.81	HVAC	\$	\$
3	\$8.65	\$164,133.75	\$13,677.81	Parking (#: _____)	\$	\$
4	\$8.65	\$164,133.75	\$13,677.81	Janitorial	\$	\$
5	\$8.65	\$164,133.75	\$13,677.81	Escalators	\$	\$
AVG	\$8.65	\$164,133.75		Other:	\$	\$

RENTAL ACCOUNT NUMBERS

State Federal Trust Fund 41200571

State Federal Trust Fund

Square Feet Occupied/FTE: 177 Total Occupancy Cost/SF: \$8.65

2. APPROVALS

A. AGENCY Sufficient funds are included or have been requested in the budget to cover the cost of this agreement. <u><i>Lucien M. Gault</i></u> <u>10/16/97</u> AUTHORIZED SIGNATURE DATE Leasing Manager TITLE	DCPO <u><i>[Signature]</i></u> <u>10/20/97</u> PROJECT MANAGER DATE COMMENTS: <u><i>[Signature]</i></u> <u><i>Assistant</i></u> <u>12/16/97</u> COMMISSIONER DATE
AGENCY CONTACT NAME: _____ TELEPHONE NUMBER: _____	

3. CONFIRMATION OF OCCUPANCY / COMMENCEMENT OF LEASE TERM

A. AGENCY Date of Occupancy / Commencement of Lease Term: <u>9/9/98</u> Date of Lease: <u>9/8/03</u>	Annual Cost by Fiscal Year FY 99: <u>133,130.68</u> FY 00: <u>164,133.75</u> FY 01: <u>164,133.75</u>	DCPO Reviewed By: _____ Date: _____ FY 02: <u>164,133.75</u> FY 03: <u>164,133.75</u> FY 04: <u>31,003.04</u>
Any required buildout of the premises has been substantially completed in accordance with the RFP specifications and Landlord is furnished agency with a Certificate of Occupancy from the Building Department.		
Authorized Signature: <u><i>Lucien M. Gault</i></u> Date: <u>1/5/99</u>		

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: June 15, 2004

Refer To:
S2D1G5-3065 /DI-
16/ORC-2004-5665

To: Steven L. Schaeffer
Assistant Inspector General for Audit

From: Manuel J. Vaz /s/
Regional Commissioner
Boston

Subject: Administrative Costs Claimed by the Massachusetts Disability Determination Services (A-01-04-14032), (Your Memo Dated May 7, 2004) - REPLY

We have reviewed your draft report on the audit of the administrative costs claimed by the Massachusetts Disability Determination Services (MA DDS) for Fiscal Years (FYs) 2001 and 2002. We are pleased that the MA DDS had adequate internal controls over accounting and reporting of administrative costs and draw downs. Further, your review showed that the MA DDS's security controls were in place, and we and the DDS are taking steps to address outstanding security issues.

The only finding identified was that the MA DDS leased more office space than SSA's policy allowed in FYs 2001 and 2002. This finding is based on a POMS instruction dated in 1996. Since the time of this POMS issuance, the DDS has automated and installed a LAN, added personal computers, printers, peripheral computer equipment and built a computer room to support this, and has established an IVT training room. Also, the DDS built hearings offices with private interviewing space. These needs are not addressed in the 1996 POMS guidelines for space. Further, the Boston MA DDS space spans seven floors of a commercial building, resulting in the need for additional space to accommodate handicapped access, stairwells and elevators. These issues must be considered in assessing the space needs to operate a DDS in today's operating environment, as well as a consideration of the cost benefit assessment of moving to a new facility, incurring the high costs of moving and retrofitting space to install the necessary cabling, wiring and security for SSA's systems requirements. When we plan budgets and review leases, we have concurred with the MA DDS's requests, based on their operating needs and costs justifications. Based on these issues, we do not feel the DDS space is unreasonable or excessive.

We are disappointed, however, that the audit did not include an assessment of the Cooperative Disability Investigations (CDI) unit funds that were allocated to the MA DDS. In FY02, the DDS budget included \$364,278 for the CDI unit. This funding supported salaries and indirect costs for 2.2 state Attorney General (AG) investigators and 3 DDS staff, as well as the costs for car leases, insurance, fuel, tolls and maintenance of two cars used by state investigators. We feel this audit is incomplete without an assessment of this aspect of the administrative costs claimed by the DDS and request it be included as an addendum to this audit.

If you have any further questions, please do not hesitate to contact me or your staff may contact Roni Brown of the Center for Disability staff at (617)565-2390.

cc: Lenore Carlson

OIG Contacts and Staff Acknowledgments

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ACKNOWLEDGMENTS

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