
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ADMINISTRATIVE COSTS
CLAIMED BY THE SOUTH CAROLINA
DISABILITY DETERMINATION
SERVICES**

October 2004 A-04-04-14053

AUDIT REPORT



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- 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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SOCIAL SECURITY

MEMORANDUM

Date: October 7, 2004

Refer To:

To: Paul D. Barnes
Regional Commissioner
Atlanta

From: Assistant Inspector General
for Audit

Subject: Administrative Costs Claimed by the South Carolina Disability Determination Services (A-04-04-14053)

OBJECTIVE

Our objectives were to evaluate the South Carolina Disability Determination Services' (SC-DDS) internal controls over the accounting and reporting of administrative costs and determine whether costs claimed for Fiscal Years (FY) 2000 through 2002 were allowable and properly allocated, funds were properly drawn, and the general security controls environment was effective.

BACKGROUND

The Disability Insurance (DI) program was established in 1954 under Title II of the Social Security Act (Act).¹ The program provides a benefit to wage earners and their families in the event the wage earner becomes disabled.² The Supplemental Security Income (SSI) program (Title XVI of the Act) was created as a result of the Social Security Amendments of 1972, which became effective on January 1, 1974. SSI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled.³

The Social Security Administration (SSA) is primarily responsible for implementing policies governing the development of disability claims under the DI and SSI programs. Disability determinations under both the DI and SSI programs are performed by a Disability Determination Service (DDS) in each State or other responsible jurisdiction.

¹ Social Security Amendments of 1954 (Public Law Number 83-761).

² Id.

³ Social Security Amendments of 1972 (Public Law Number 92-603).

Such determinations must be performed in accordance with Federal law and underlying regulations.⁴ In carrying out its obligation, each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is obtained to support its determinations.⁵ Each DDS is also authorized by SSA to purchase consultative medical examinations, such as x-rays and laboratory tests, to supplement evidence obtained from the claimants' physicians or other treating sources.⁶

SSA authorizes an annual budget to reimburse the DDS for 100 percent of allowable expenditures. Once approved, the DDS withdraws Federal funds through the Department of the Treasury's (Treasury) Automated Standard Application for Payments (ASAP) system. Cash drawn from the Treasury to pay for program expenditures is to be drawn according to intergovernmental agreements entered into by Treasury and the States under the authority of the Cash Management Improvement Act of 1990 (CMIA).⁷ The Office of Management and Budget establishes principles and standards for determining the allowability of costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments.⁸ At the end of each fiscal quarter, each State agency submits to SSA a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) to account for program disbursements, obligations and unliquidated obligations.

SC-DDS is a component of the South Carolina Vocational Rehabilitation Department (SC-VRD). The SC-VRD accounts for the DDS' disbursements, completes and submits Form SSA-4513 to SSA, and prepares requests to transfer cash from Treasury to the State Treasurer. The State's indirect costs for the DDS are determined based on rates negotiated and approved by the Department of Education. As of April 30, 2004, SC-DDS reported program disbursements and unliquidated obligations on Form SSA-4513, as shown in Table 1.

⁴ 42 U.S.C. § 421 (2003); 20 C.F.R. part 404, subpart Q, and part 416, subpart J (2002).

⁵ *Id.*

⁶ Program Operations Manual System, DI 39545.001 B.4.

⁷ Cash Management Improvement Act of 1990, Public Law Number 101-453 (amending 31 U.S.C. §§ 6501, 6503).

⁸ Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

Table 1: SC-DDS Report of Disbursements and Unliquidated Obligations for FYs 2000 Through 2002

REPORTING ITEM	FY 2000	FY 2001	FY 2002
Disbursements			
Personnel	\$12,786,171	\$13,907,648	\$14,621,318
Medical	6,600,599	7,411,382	7,956,874
Indirect Costs	1,843,269	1,985,096	2,204,637
Other	3,876,732	4,433,312	4,227,469
Total Disbursements	25,106,771	27,737,438	29,010,298
Less: Non-Federal Disbursements	3,042,782	3,417,413	3,548,923
Total SSA Related Disbursements	\$22,063,989	\$24,320,025	\$25,461,375
Unliquidated Obligations	0	0	\$66,799

SCOPE AND METHODOLOGY

We reviewed the administrative costs submitted by the State for the SC-DDS and reported to SSA on Form SSA-4513 for the period October 1, 1999 through September 30, 2002 (FYs 2000 through 2002). For the audit period, we tested the reliability of the State's computerized data by comparing disbursements—by category and in total—with amounts reported on Form SSA-4513. We then obtained sufficient evidence to evaluate administrative costs in terms of their allowability under Office of Management and Budget Circular A-87 and appropriateness, as defined by SSA's Program Operations Manual System (POMS).

We also

- reviewed applicable Federal regulations, pertinent parts of POMS, DI 39501, *DDS Fiscal and Administrative Management*, and other instructions pertaining to administrative costs incurred by the DDS and the requests for Federal funds covered by the CMIA agreement;
- evaluated and tested internal controls regarding accounting, financial reporting, and cash management activities;
- interviewed SC-DDS and SC-VRD personnel and SSA's staff at the Atlanta Regional Office;
- examined administrative expenditures (personnel, medical services, and all other non-personnel costs) claimed by the DDS for the period October 1, 1999 through September 30, 2002 (see Appendix B for our sampling methodology);
- recomputed indirect costs for FYs 2000 through 2002 using approved indirect cost rates;

- compared the amount of SSA funds requested and received for program operations to the allowable expenditures reported on Form SSA-4513;
- reviewed work performed by South Carolina State auditors as part of the State of South Carolina Single Audit for FY 2000; and
- conducted a physical inventory of equipment items and selected computer hardware items SSA provided to the SC-DDS.

We conducted field work from October 2003 through May 2004 at the SC-VRD and the SC-DDS Divisional Office in Columbia, South Carolina, the Regional DDS offices in Columbia, South Carolina, Greenville, South Carolina, and Charleston, South Carolina, and SSA's Regional Office in Atlanta, Georgia. We conducted this audit in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

For FYs 2000 through 2002, disbursements the State charged SSA for the SC-DDS were generally allowable and allocable, and the systems of internal control were generally effective. However, in FYs 2001 and 2002, the State's cash draws exceeded allowable expenditures by \$160,556. For the same FYs, cash draws exceeded SSA's authorized funding by \$89,826. Additionally, for FY 2002, SC-DDS did not use \$66,799 in unliquidated obligations; therefore, the funding authorization should be reduced by this amount.

Regarding the costs submitted by the State for consultative examinations, in FY 2002, the DDS paid at least \$8,600 in excess consultative examination fees because of a delay in updating its claims processing software. We also concluded that physical security at the regional DDS offices could be improved. Specifically, non-DDS personnel had unsupervised access to SC-DDS office space. Finally, the DDS did not inventory 443 SSA-provided computers.

CASH MANAGEMENT

Cash Draws Exceeded Allowable Expenditures

As of April 30, 2004, the State's cash draws for the SC-DDS exceeded its total disbursements by \$425 for FY 2001 and \$160,131 for FY 2002. We determined the excess draws were related to non-SSA work the DDS performed for other State departments but charged to SSA.⁹ The DDS does not identify non-SSA work

⁹ The SC-DDS performs work for the South Carolina State Health and Human Services Finance Commission, the South Carolina Retirement System and the South Carolina Comptroller General's Office. For FYs 2000 to 2002, this work averaged about 12 percent of all the claims processed by the DDS.

expenditures by distinct account or fund codes. Rather, to identify non-SSA expenditures, the DDS multiplies the average cost per case by the number of non-SSA cases processed. The resulting non-Federal share is deducted from the total DDS expenditures to arrive at the SSA expenditures.

While we agree this method effectively estimates non-SSA work expenditures, we determined the DDS did not limit cash draws to only expenditures allowed by SSA. According to SSA policy, costs for non-SSA program work should be funded by the agency requesting the work.¹⁰ The \$160,556 in excess draws should be returned to SSA. Table 2 shows a comparison of the cumulative draws to the allowable cumulative disbursements.

Table 2: Cumulative Draws and Disbursements for FYs 2001 and 2002

Cumulative Draws and Disbursements for FYs 2001 and 2002			
FY	Cumulative Draws	Cumulative Disbursements	Excess Draws
2001	\$24,320,451	\$24,320,026	\$425
2002	\$25,621,507	\$25,461,376	\$160,131

We discussed this matter with the SC-VRD Finance Director for the DDS, who agreed the DDS drew funds in excess of allowable expenditures and stated the DDS is returning excess funds.

Cash Draws Exceeded Authorizations

The SC-DDS' cash draws exceeded SSA's total funding authorization by \$89,826—\$2,917 in FY 2001 and \$86,909 in FY 2002. The ASAP system is used to authorize the amount of funds that can be requested as cash draws from Treasury. Amounts authorized for cash draws are based on the total obligational authority for DDS operations. When the total obligational authority is reduced, the ASAP authority should be reduced accordingly. Doing so reduces the risk the State can inadvertently request funds in excess of its obligational authority. Funds requested from Treasury are restricted solely for program use, and any unused money is to be returned to Treasury.¹¹ Table 3 summarizes the cumulative draws that exceeded authorizations for FYs 2001 and 2002, respectively.

¹⁰ POMS, DI 39518.040 A.

¹¹ 42 U.S.C. § 421 (f) (2003).

Table 3: Cumulative Authorizations and Draws
for FYs 2001 and 2002

Cumulative Authorizations and Cumulative Draws For FYs 2001 and 2002			
FY	Cumulative Draws	Cumulative Authorizations	Unauthorized Draws
2001	\$24,320,451	\$24,317,534	\$2,917
2002	\$25,621,507	\$25,534,598	\$86,909

The DDS incrementally draws cash against its authorized funds to cover its operating expenditures. In certain periods, the DDS drew funds close to the level of its authorized funding. However, after the funds were drawn, SSA reduced the DDS' funding authorization below the amount of funds already drawn, resulting in unauthorized draws. The SC-DDS did not ensure excess funds were returned to coincide with the reduction in funding.

Additionally, the DDS processes non-DDS work and draws cash for its total expenditures, including non-DDS work. As a result, cash draws sometimes exceeded the allowable Federal expenditures. The DDS acknowledged a portion of its authorized funds were drawn in advance of the program's expenditures and that an interest liability accrued to the Treasury. However, the SC-DDS, in accordance with the CMIA, properly reported and paid interest due on funds drawn in advance or in excess of the program expenditures.

Unliquidated Obligations

The SC-DDS did not promptly adjust FY 2002 unliquidated obligations totaling \$66,799, which it reported to SSA on Form-4513. POMS requires that States review the status of unliquidated obligations at least once a month and cancel those that are no longer needed.¹² The SC-DDS Finance Director informed us that a systems error prevented the DDS from identifying and canceling the unliquidated obligation in FY 2002. She subsequently determined that the unliquidated obligations would not be needed, and the FY 2002 funding authorization should be reduced by this amount.

CONSULTATIVE EXAMINATION COSTS

The DDS obtains medical information necessary to determine whether an applicant meets the eligibility criteria for DI or SSI benefit payments. When existing medical evidence is insufficient, not available or cannot be obtained, the DDS is authorized to purchase a consultative examination. The DDS establishes fee schedules for the procedures it purchases. Each procedure in the fee schedule is identified by a Current

¹² POMS, DI 39506.203(A).

Procedural Terminology code (CPT).¹³ The SC-DDS developed a standardized fee schedule that generally adopted the Medicare fee schedule.

Fees Paid in Excess of the Disability Determination Services' Fee Schedule

Generally, the DDS paid consultative examination fees in accordance with its established fee schedule. However, in FY 2002, the SC-DDS paid at least \$8,600 in consultative examination fees in excess of its own fee schedule. SSA's POMS¹⁴ states

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. Authorized payments will represent the lower of either:

- the provider's usual and customary charge or,
- the maximum allowable charge under the fee schedule.

In February 2002, the DDS revised its fee schedule to reflect the current Medicare CPT fee schedule. However, the SC-VRD did not update the VERSA¹⁵ records used at the DDS to control consultative examination purchases until several weeks later. As a result, some CPT codes were paid in excess of the newly adopted fee schedule. We examined the fees paid for four CPT codes within the DDS fee schedule that represented about 67 percent of the DDS' FY 2002 consultative examination expenditures (see Appendix B for our sampling methodology). Although the changes in the fees for these codes were relatively small, the volume of codes processed resulted in excess fees paid, totaling about \$8,600.

PHYSICAL SECURITY AND INVENTORY CONTROLS

Physical Security

During our audit, we observed that non-DDS personnel had unsupervised access to the SC-DDS office space. At one regional DDS office, we observed the janitorial staff, which was working after business hours, had propped the front doors open while it cleaned. We also observed the janitorial staff was unsupervised and had access to sensitive SSA claims information. Moreover, we were told the janitorial staff for another SC-DDS regional office had the building keys so it could access the office after business hours to clean.

¹³ The term is defined by the American Medical Association and is used to identify each procedure in the fee schedule.

¹⁴ POMS, DI 39545.210 1.a. and b.

¹⁵ Disability claims at the SC-DDS are processed using VERSA computer software, a claims processing application.

Two of the SC-DDS regional offices had neither an intrusion detection system nor a 24-hour security protection to detect unauthorized entry. Further, SC-DDS officials indicated personnel at these locations did not secure all sensitive information nightly. We observed that both of the locations had glass doors, which, if broken, would allow easy and undetected access to the building and the unsecured sensitive SSA information maintained inside.

According to POMS, “SSA requires that all claimant records and files be maintained in a locked drawer, cabinet or room when there is no authorized individual on location (this requirement is waived if the area is guarded, or protected by an electronic pass system which limits entrance to authorized individuals.)”¹⁶ Physical safeguards are important to ensure security and confidentiality of sensitive SSA records.

Lack of Control over Computer Inventory

SC-DDS’ inventory list did not reflect 443 computers SSA purchased for the DDS. According to SSA instructions, “The State is responsible for maintenance and inventory of all equipment acquired whether purchased through SSA or the State.”¹⁷ The computers were not included on the SC-DDS inventory because the State was uncertain who owned the equipment. Failure to maintain a current and accurate inventory list reduces the DDS’ ability to properly safeguard its assets.

CONCLUSIONS AND RECOMMENDATIONS

Generally, disbursements the State charged SSA for the SC-DDS’ FYs 2000 through 2002 costs were allowable and allocable. Additionally, the SC-VRD and SC-DDS’ systems of internal control were generally effective. However, we believe the SC-DDS needs to improve its cash management. Specifically, the DDS needs to ensure cash draws do not exceed allowable Federal expenditures or SSA’s funding authorization. Further, we believe physical security could be improved at SC-DDS offices.

We recommend that SSA instruct the SC-DDS to:

1. Return \$425 for FY 2001 and \$160,131 for FY 2002 in cash draws that exceeded disbursements.
2. Return excess draws to coincide with SSA’s reduction in authorized funding.
3. Review and adjust unliquidated obligations in a timely manner.
4. Return \$8,600 for consultative exam fees that exceeded the fee schedule in FY 2002.

¹⁶ POMS, DI 39566.080 A.1.

¹⁷ POMS, DI 39530.020.

5. Restrict non-DDS personnel from unsupervised access to sensitive SSA records.
6. Consider installing an intrusion detection system at the DDS regional offices that do not have 24-hour security protection.
7. Inventory all SSA-furnished equipment.

AGENCY COMMENTS AND OFFICE OF THE INSPECTOR GENERAL RESPONSE

SSA and the SC-VRD generally agreed with our recommendations. In response to Recommendation 4, SSA agreed with our finding that \$8,600 in excess CE fees were paid to the SC-DDS. However, the Agency did not believe the fees should be recovered because they were paid in good faith for services rendered, and the cost of recovering the fees from the various providers would not be cost-effective for the SC-DDS. We accept the Agency's explanation and concur with SSA's decision not to recover the fees from the SC-VRD. Regarding Recommendation 7, SSA agreed with our recommendation; however, SC-VRD agreed only to inventory all SSA-furnished equipment over \$1,000. We encourage the SC-VRD to comply with our recommendation to inventory all SSA-furnished equipment according to SSA policy. See Appendices C and D for the full text of SSA and SC-VRD's comments.



Steven L. Schaeffer

Appendices

APPENDIX A – Acronyms

APPENDIX B – Sampling Methodology

APPENDIX C – Agency Comments

APPENDIX D – South Carolina Vocational Rehabilitation Department Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

Acronyms

Act	Social Security Act
ASAP	Automated Standard Application for Payments
C.F.R.	Code of Federal Regulations
CMIA	Cash Management Improvement Act
CPT	Current Procedural Terminology
DI	Disability Insurance
DDS	Disability Determination Services
FY	Fiscal Year
POMS	Program Operations Manual System
SC-DDS	South Carolina Disability Determination Services
SC-VRD	South Carolina Vocational Rehabilitation Department
SSA	Social Security Administration
SSI	Supplemental Security Income
Treasury	Department of the Treasury

Sampling Methodology

Our sampling methodology encompassed three general areas of costs as reported on the Social Security Administration's (SSA) Form SSA-4513, *State Agency Report of Obligations for SSA Disability Programs*: (1) Personnel, (2) Medical, and (3) All Other Non-personnel Costs. We obtained computerized data from the South Carolina Vocational Rehabilitation Department (SC-VRD) for Fiscal Years (FY) 2000 through 2002 for use in statistical sampling. After selecting and reviewing randomly selected samples, we did not identify errors we felt warranted audit projection.

Personnel Costs

We reviewed 50 personnel transactions from 1 pay period in FY 2002. The sample included three employees the South Carolina Disability Determination Service hired as medical consultants. We tested SC-VRD payroll records to ensure it correctly paid employees and adequately documented these payments.

Medical Costs

We sampled 150 medical cost items (50 items from each FY) using a stratified random sample. We distributed the sample items between Medical Evidence of Record and consultative examinations based on the proportional distribution of the total medical costs for each year.

All Other Non-personnel Costs

We selected a stratified random sample of 150 items (50 items from each FY) from the All Other Non-personnel Costs category. Before selecting the sample items, we sorted the transactions into the following categories: (1) Occupancy, (2) Contracted Costs, (3) Electronic Data Processing Maintenance, (4) Equipment Purchases, (5) Equipment Rental, (6) Communication, (7) Applicant Travel, (8) Disability Determination Service (DDS) Travel, (9) Supplies, and (10) Miscellaneous. We then distributed the 50 sample items for each year between categories based on the proportional distribution of the costs.

Consultative Examination Costs

For FY 2002, we judgmentally selected and tested 100 percent of the fees paid for four Current Procedural Terminology (CPT) codes related to the purchase of consultative examinations. These four CPT codes—99204, 96100, 90801, and 99244—represented about 67 percent of the Disability Determination Services' (DDS) FY 2002 consultative examination expenditures. In FY 2002, the DDS' consultative examination expenditures totaled \$5,794,469, of which \$3,905,881 (67 percent) was charged to these four CPT codes.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: September 10, 2004

Refer To: K Killam 2-5727

To: Assistant Inspector General for Audit

From: Regional Commissioner
Atlanta

Subject: Administrative Costs Claimed by the South Carolina Disability Determination Services (A-04-04-14053) – (Your Memo, 8/12/04)--REPLY

Thank you for the opportunity to comment on the validity of the facts and reasonableness of the recommendations presented in your audit report (A-04-04-14053) on the administrative costs claimed by the South Carolina Disability Determination Services (SC DDS) for fiscal years (FY) 2000 through 2002.

We believe that the OIG audit was detailed and thorough. The auditors found that while disbursements made by the South Carolina Vocational Rehabilitation Department (SC-VRD) and the SC DDS were generally allowable, there were a few deficiencies. Specifically, we concur that the SC DDS's cash draws exceeded allowable expenditures for FY 01 and FY 02, and that unliquidated obligations were not deobligated timely for FY 02. Our response to the seven recommendations is as follows:

- 1. Return \$425 for FY 2001 and \$160,131 for FY 2002 in cash draws that exceeded disbursements.**

We concur with this recommendation and the SC-VRD has already corrected this finding. On May 25, 2004, the SC-VRD submitted a revised State Agency Report of Obligations for SSA Disability Programs (SSA-4513) for FY 2001 and FY 2002. The reports agree with their cash draws. No further action is required.

2. Return excess draws to coincide with SSA's reduction in authorized funding.

We concur with this recommendation and the SC-VRD has already corrected this finding. On May 25, 2004, the SC-VRD submitted a revised State Agency Report of Obligations for SSA Disability Programs (SSA-4513) for FY 2001 and FY 2002. The reports agree with their reduced authorized funding. No further action is required.

3. Review and adjust unliquidated obligations in a timely manner.

We concur with this recommendation. The SC-VRD and the SC DDS have been reminded of their responsibility in this critical area. Further, both the Regional Office's Financial Management Team and the Disability Program Administrator (DPA) discuss this issue with the SC DDS and the SC-VRD on a periodic basis as part of site visits. We will continue to monitor any unliquidated obligations of the SC DDS on an ongoing basis.

4. Return \$8,600 for consultative exam fees that exceeded the fee schedule in FY 2002.

We concur with the finding that excess consultative exam fees were paid, but not with the recommendation to return the \$8,600. The SC-VRD downloaded, as is the normal practice, the new 2002 fee schedules from Medicare on December 15, 2001. However, because of errors in the fee schedule, the information had to be retracted. The corrected Medicare fee schedule was not available until sometime in January 2002, so the new Medicare fee schedule was not effective until February 1, 2002. Therefore, all fees paid prior to February 2002, were paid under the fee schedule authorization in place at the time. Since the SC DDS followed the procedures provided by the SC-VRD and paid the fees in good faith, and the costs to collect any overpaid fees from so many various sources would out-weigh any savings, reimbursement for the fee overage is not deemed appropriate.

5. Restrict non-DDS personnel from unsupervised access to sensitive SSA records.

We concur with this recommendation. A memo was sent to the building landlord of the Greenville DDS to request daytime cleaning. As a result, the cleaning staff works during the day and has also stopped propping doors open. The Charleston DDS moved to a new location in August 2004. The requirement to have daytime cleaning was written into their new contract. In the Columbia DDS, the landlord has accommodated our request and now provides cleaning during regular DDS work hours. No further action is required.

6. Consider installing an intrusion detection system at the DDS regional offices that do not have 24-hour security protection.

We concur with this recommendation. The Greenville office is located in a secure building with 24-hour guard service and does not require an intrusion detection system (IDS). We have, however, requested funding from year-end special expense funds to install an IDS in the Charleston office, and we are awaiting a response from our Central Office (CO). If CO gives the DDS funding, then the Charleston office will install the system. The Columbia DDS is currently in the process of obtaining estimates about how much it would cost to install an IDS. We will continue to work with the Charleston and Columbia offices and if funding is provided, ensure that an IDS is installed in each location.

7. Inventory all SSA-furnished equipment.

We concur with this recommendation. The State of South Carolina requires that only items valued in excess of \$1,500 need to be inventoried. However, the SC DDS will comply with SSA's Program Operations Manual System (POMS) requirement to keep a complete inventory of all SSA furnished computers. No further action is required.

Please contact me if I can be of further assistance. Staff questions should be referred to Karen Killam at (404) 562-5727 or Barbara Hites at (404) 562-1419.

/s/
Paul D. Barnes

cc: Mr. Larry Bryant
Mr. Thomas Paine

South Carolina Vocational Rehabilitation
Department Comments

September 13, 2004

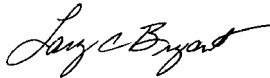
Mr. Steven L. Schaeffer
Assistant Inspector General for Audit
Office of Inspector General
Social Security Administration
Baltimore, MD. 21235-0001

Dear Mr. Schaeffer:

We have reviewed the Auditor's report of fiscal years 2000.through 2002. Attached is our response to the audit.

Thank you for your assistance and if you have any questions or we can be of any further service please contact Preston Coleman at 803-896-6506 or by e-mail pcoleman@scvrd.state.sc.us.

Sincerely,



Larry C. Bryant
Commissioner

LB/re

PC: Preston Coleman
Rick Elam
Maisy Babbitt
Tom Paige
Shirley Jarrett
Ken Norris
Barbara Hites

**South Carolina Vocational Rehabilitation Department
Disability Determination Services
Audit Response for FY 2000 - 2002**

Recommendation 1, 2, & 3: Cash draws, authorized funding, & unliquidated obligations

Response: Funds are drawn down based on authorized obligations during the year. At the close of each fiscal year, funds drawn are reconciled with actual expenditures. Any excess funds are remitted to SSA. SSA adjusts the final authorization based on the actual expenditures. For FY 2001 and 2002, the funds drawn have been reconciled with the actual expenditures and the excess funds have been returned to SSA.

Recommendation 4: Return \$8,600 for consultative exam fees that exceeded the fee schedule in FY 2002.

Response: Based on the Vocational Rehabilitation Department normal procedures, the fee schedule for the upcoming year is downloaded from Medicare on December 15. However, during this time period the Medicare Fee Schedule contained several errors and was retracted for correction. The corrected Fee Schedule wasn't available until the New Year was in progress. Therefore, the Vocational Rehabilitation Department authorized the 2002 Medicare Fee Schedule effective February 1, 2002. The department informed Disability Determination Services that "any authorizations dated January 2, 2001 through January 31, 2002 will be paid as authorized"; in essence these authorizations were made in good faith and the circumstances did not merit disallowance of these expenditures.

Recommendation 5: Restrict non-DDS personnel from unsupervised access to sensitive SSA records.

Response: We concur and will initiate procedures to correct deficiencies. The janitorial crews in each office have been instructed to clean the offices only during official business hours (8:30 AM – 5PM).

Recommendation 6: Consider installing an intrusion detection system at the DDS regional offices that do not have 24-hour security protection.

Response: The DDS is investigating the types and costs of several intrusion detection systems and will begin the bid process once the acceptable specifications are written.

Recommendation 7: Inventory all SSA-furnished equipment

Response: We will need SSA to send a listing of all equipment that has a value of \$1,000 or more. Once received, we will issue a VR equipment inventory number/barcode to each item of equipment and add the items to SCVRD equipment inventory listing. A physical inventory can then be taken as required.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Kimberly A. Byrd, Director, (205) 801-1605

Frank Nagy, Deputy Director, (404) 562-5552

Acknowledgments

In addition to those named above:

David McGhee, Auditor

Kenneth Bennett, Information Technology Specialist

Kimberly Beauchamp, Writer-Editor

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The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Chief Counsel to the Inspector General

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

Office of Executive Operations

OEO supports OIG by providing information resource management and systems security. OEO also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OEO is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.