



## SOCIAL SECURITY

### MEMORANDUM

Date: September 13, 2004

Refer To:

To: Beatrice M. Disman  
Regional Commissioner  
for New York

From: Assistant Inspector General  
for Audit

Subject: New York State Disability Determination Program Indirect Costs (A-02-04-24017)

The attached final report presents the results of our audit. Our objective was to determine whether indirect costs claimed by the New York State Office of Temporary and Disability Assistance for Federal Fiscal Years 2000 through 2002 were allowable and properly allocated.

If you wish to discuss the final report, please call me at (410) 965-9700.

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

Steven L. Schaeffer

Attachment

cc:

Lenore Carlson

Jeffrey Hild

Candace Skurnik

Robert Doar, Commissioner, New York State Office of Temporary  
and Disability Assistance

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**NEW YORK STATE  
DISABILITY DETERMINATION  
PROGRAM  
INDIRECT COSTS**

September 2004

A-02-04-24017

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**AUDIT REPORT**

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## **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

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## OBJECTIVE

Our objective was to determine whether indirect costs claimed by the New York State Office of Temporary and Disability Assistance (OTDA) for Federal Fiscal Years (FY) 2000 through 2002 were allowable and properly allocated.

## 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 in accordance with Federal regulations. Each DDS is responsible for determining claimants' disabilities and ensuring that adequate evidence is available to support its determinations. SSA reimburses the DDS for 100 percent of allowable expenditures.

In New York State, there are five DDS offices overseen by the Disability Determination Division. Its parent agency is the OTDA, which was formerly part of the Department of Social Services. The Department of Social Services was reorganized in January 1998 into three components: OTDA; the Office of Children and Family Services (OCFS); and the Department of Health.

The OCFS is responsible for preparing the quarterly Central Office Cost Allocation Claims (COCACs). The COCACs provide detail calculations of indirect costs based on a Cost Allocation Plan approved by the Department of Health and Human Services, Division of Cost Allocation. The COCACs are used to prepare costs claimed by the OTDA on the State Agency Report of Obligations for SSA Disability Programs (Form SSA-4513). Indirect costs on the Form SSA-4513 are primarily comprised of costs incurred by OTDA for administering the Disability Determination Program.

## RESULTS OF REVIEW

We found that OTDA claimed \$3,977,860 of unallowable and improperly allocated indirect costs. These costs included improperly classified expenses and credits, overcharges for incorrect adjustments and costs based on incorrect computations of allocation rates. We also found \$1,050,604 of duplicate personnel costs that resulted in overcharges to claimed direct administrative costs.

## CONCLUSION AND RECOMMENDATIONS

We recommend that SSA instruct OTDA to refund \$3,977,860 in unallowable indirect costs and deobligate the portion of \$212,381 in obligations reported but not supported by valid documentation. Furthermore, we recommend that SSA instruct OTDA to

establish new and follow existing procedures to ensure transactions are accounted for properly, classify expenses to appropriate overhead categories and prepare the quarterly Central Office Cost Allocation Claims using the correct cost pools and allocation statistics appropriate for the accumulator codes and period claimed. We also recommend that SSA instruct OTDA to refund \$1,050,604 of duplicate personnel costs claimed as direct costs and correct the system for charging personnel costs.

## **SSA COMMENTS**

SSA agreed with all of our recommendations, but stated in response to our sixth recommendation that it would be difficult to determine whether documentation provided by OTDA for unsupported obligations on Form SSA - 4513 was new or had previously been submitted. Consequently, SSA suggested that the entire \$212,381 of unsupported obligations be deobligated.

## **OTDA COMMENTS**

OTDA generally agreed with our findings, but disagreed with the amounts of overcharges we calculated. While agreeing that SSA is due a refund, it questioned whether the \$3,977,860 overcharge and the \$212,381 of unsupported obligations were accurate given subsequent amended COCAC claims and/or adjustments made to the 4513 report, which may change the amounts we calculated. OTDA also questioned the \$1,050,604 of duplicate personnel costs we identified. It stated that the overcharge and corresponding refund should be reduced to \$290,404 to take into account miscoded payroll charges that were inadvertently omitted from its original claims.

## **OIG RESPONSE**

We believe that the overcharge of \$3,977,860 should be refunded to SSA. The calculations used to arrive at that figure paralleled the COCAC process. Since the COCAC process involves detailed calculations of indirect costs based on the approved Cost Allocation Plan, we believe the overcharge figure to be accurate. We concur with OTDA in that it should deobligate \$44,689 of unsupported obligations for FY 2002, instead of the recommended \$212,381, as long as it provides SSA with documentation to support the difference.

We do not believe that the \$1,050,604 of duplicate personnel costs claimed as direct costs should be reduced to \$290,404. The miscoded payroll charges in question were related to indirect costs and were taken into consideration when we calculated indirect cost overcharges. The \$1,050,604 overcharge we identified was claimed as direct costs. Accordingly, this figure should not be reduced and the \$1,050,604 of duplicate personnel costs should be refunded to SSA.

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## OBJECTIVE

Our objective was to determine whether indirect costs claimed by the New York State Office of Temporary and Disability Assistance (OTDA) for Federal Fiscal Years (FY) 2000 through 2002 were allowable and properly allocated.

## 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 DI and SSI are performed by disability determination services (DDS) in each State in accordance with Federal regulations.<sup>1</sup> 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. At the end of each quarter of the fiscal year, each DDS submits a Form SSA-4513, *State Agency Report of Obligations for SSA Disability Programs*, to account for program disbursements and unliquidated obligations.

In New York State, there are five DDS offices overseen by the Disability Determination Division. Its parent agency is the OTDA, which was formerly part of the Department of Social Services. The Department of Social Services was reorganized in January 1998 into three components: OTDA; the Office of Children and Family Services (OCFS); and the Department of Health.

The OCFS is responsible for preparing the quarterly Central Office Cost Allocation Claims (COCACs). The COCACs provide detail calculations of indirect costs based on a Cost Allocation Plan (CAP) approved by the Department of Health and Human Services, Division of Cost Allocation. The COCACs are used to prepare costs claimed by the OTDA on the State Agency Report of Obligations for SSA Disability Programs

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<sup>1</sup> 20 C.F.R. pt. 404, subpt. Q (2004) and pt. 416, subpt. J.

(Form SSA-4513). Indirect costs on the Form SSA-4513 are primarily comprised of costs incurred by OTDA for administering the Disability Determination Program (DDP). However, training costs that are the responsibility of OCFS and allocated to the DDP are also included in the Form SSA-4513. For FYs 2000 through 2002, OTDA reported indirect cost obligations of \$33,882,775 on the Form SSA-4513.

Overall, the OTDA is organized into program and support areas. The program areas are responsible for administering specific programs within OTDA, such as Disability Determinations. The support areas include administrative services that support the program areas with functions, such as data processing, accounting, budgeting, personnel, etc. The costs of the support areas are grouped into cost pools, or accumulator codes, in order to be allocated back to the program accounts they support. A specific cost allocation method has been developed, which establishes how the costs will be allocated for each accumulator code. The accumulator codes used by OTDA for the identification of indirect costs to the DDP include:

- Administrative Support Overhead (Accumulator Code 020)
- Program Support Overhead (040)
- A-87 Costs<sup>2</sup>
- Upstate Computer Operations (U60)
- Information Technology Management Overhead (060)
- Telecommunications (063)
- Ten Eyck Rent (REN)
- Training (006)
- Disability Determinations Overhead (018)
- Human Service Enterprise Network (FLD)

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<sup>2</sup> This represents an account, as there is no accumulator code.



# Results of Review

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We found the OTDA claimed \$3,977,860 of unallowable and improperly allocated indirect costs from October 1999 through September 2002. These costs included improperly classified expenses and credits, overcharges for incorrect adjustments and costs based on incorrect computations of allocation rates. We also found \$1,050,604 of duplicate personnel costs that resulted in overcharges to claimed direct administrative costs. In this report, the unallowable and improperly allocated costs are discussed for each accumulator code in which they were identified.

## ADMINISTRATIVE SUPPORT OVERHEAD

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*We Identified \$4,314,243 of Unallowable Costs Claimed for Administrative Support Overhead*

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For October 1999 through September 2002, we found that OTDA claimed \$4,314,243 of unallowable costs for the Administrative Support Overhead. The unallowable costs were related to incorrect accounting for the operation of the Quick Copy Center (QCC) and transactions that should not have been classified as Administrative Support Overhead.

In addition, unallowable and improperly allocated costs in other accumulator codes had an effect on the claimed Administrative Support Overhead costs. These include A-87 costs, Upstate Computer Operations, Information Technology Management Overhead and Ten Eyck Rent. They are discussed in detail in the following findings. The net effect of all of these findings resulted in OTDA claiming \$4,314,243 more for Administrative Support Overhead for reimbursement from SSA than was allowable.

The accumulator code for Administrative Support Overhead is comprised of entities whose staffs are engaged in activities that support the staff and administrative operations for the entire OTDA, such as payroll, accounting, personnel, etc. The allocation methodology is based on total OTDA staff count, less the staff count for Administrative Support Overhead. The allocation rates to the DDP ranged from 51 to 57 percent during our audit period.

## Quick Copy Center Accounting

We found that expenses and revenues identified with the operation of the QCC were not assigned to the correct accumulator code resulting in incorrect charges to the DDP. The QCC is an internal service fund established to provide professional printing and copying services for the entire OTDA. As an internal service fund, it is designed to be self supporting. That is, all operating expenses are to be offset by revenues collected from the users of the service. Both expenses and revenues are supposed to be classified as accumulator code 000.

QCC expenditures were not correctly charged to accumulator code 000. We identified QCC expenses that were charged to the Administrative Support Overhead cost pool, while QCC revenues were generally assigned to the Program Support Overhead cost pool. Since we did not review 100 percent of QCC transactions, due to the large volume and variety of transactions comprising the cost pool, we did not determine the total number of QCC expenses that were incorrectly charged to Administrative Support Overhead. Though, based on our review of the accounting for QCC revenues, it appears that most of the revenues were credited to Program Support Overhead based on manual adjustments in the transaction register.

The inconsistent treatment of expenses and related revenue is contrary to the Office of Management and Budget (OMB) Circular A-87<sup>3</sup>, which requires a cost to be net of all applicable credits to be allowable. The inconsistent treatment of expenses and related revenues is particularly inequitable to the DDP due to the vastly different allocation rates to the DDP between Administrative Support Overhead (over 50 percent of it is charged to the DDP) and Program Support Overhead (approximately 5 percent).

To neutralize the incorrect and inconsistent treatment of expense and revenue activities of the QCC during our audit period, the revenue credited to Program Support Overhead should be moved to Administrative Support Overhead. This would result in offsetting QCC operating expenses with revenues.

### **Transaction Classification**

Our review of the Administrative Support Overhead cost pools disclosed transactions that should not have been classified as Administrative Support Overhead, since they should have either been directly charged to non-Disability Determination programs or to the Program Support Overhead cost pool. As such, the Administrative Support Overhead cost pool was overstated, which resulted in overcharges to the DDP.

Expenses for computer equipment, office furniture and moving costs that were included in the Administrative Support Overhead cost pool should have been directly charged to specific programs, since the expenses were for items that directly benefited those programs. We also found that the accounting for the bulk purchases of train tickets was improper. The OTDA purchased train tickets in bulk and included the expense in the Administrative Support Overhead cost pool. As the tickets were used, the travelers appropriate accumulator code should have been charged and the Administrative Support Overhead cost pool should have received a corresponding credit. This did not occur, so the Administrative Support Overhead cost pool was charged for all tickets purchased and received no credits as the tickets were used.

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<sup>3</sup> OMB Circular A-87, Attachment A, section C.1. i.

## PROGRAM SUPPORT OVERHEAD

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### *OTDA Did Not Claim \$334,505 for Program Support Overhead that was Allowable*

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For October 1999 through September 2002, we found that OTDA did not claim \$334,505 of allowable costs for Program Support Overhead. This amount is a net total of some under claimed costs and some overcharges. Most of the under claimed costs were related to an incorrect allocation of costs for two quarters of our audit period and the incorrect posting of QCC revenues to Program Support Overhead cost pool (see the previous finding on Administrative Support Overhead for details). The overcharges were due to the application of incorrect allocation rates and transactions that were improperly classified as Program Support Overhead costs. Additionally, other unallowable and improperly allocated costs in other accumulator codes had an effect on Program Support Overhead and are included in the \$334,505 of under claimed costs. These are discussed in other findings in this report.

The Program Support Overhead accumulator code is comprised of entities whose staffs are engaged in activities that support other OTDA organizations responsible for the goals and directions of the programs that OTDA administers, such as the Commissioner's Office. The allocation methodology is based on staff counts for staff involved in the policy and program directional activities of the OTDA. The allocation rates to the Disability Determination program generally averaged between 5 and 6 percent during our audit period.

### **Allocation Rates**

The allocation rates used to distribute the Program Support Overhead cost pools were incorrectly calculated for some of the quarters of our audit period, resulting in both under and over allocations to the DDP.

We found that OTDA miscalculated the allocation rates used to assign Program Support Overhead costs to specific programs by not including certain DDP staff (accumulator code DD1) from October 1999 through March 2000. This omission of staff from the allocation formula resulted in an undercharging of allowable Program Support Overhead costs to SSA.

We also discovered that certain staff counts for two accumulator codes were erroneously excluded from the base for seven of the quarters of our audit period. Specifically, the staff counts for Minor Federal Programs Transitional Support Services and Policy (accumulator code C09) and Federal Non-Participating Transitional Support Services and Policy (C99) were not included in the allocation base from July 2000 through March 2002. Prior and subsequent to this period, the allocation base properly included the staff for these two accumulator codes.

For the April through June 2002 period, although the allocation rate was correctly calculated, a different rate was used, which resulted in an over claim to the DDP.

For the affected periods, the rates used to allocate costs to the DDP and the rates that should have been used are detailed below:

Period	Allocation Rate Used	Revised Allocation Rate	Period	Allocation Rate Used	Revised Allocation Rate
Oct 99 to Dec 99	0.00%	5.78%	Apr 01 to June 01	5.53%	5.04%
Jan 00 to Mar 00	0.00%	5.88%	Jul 01 to Sept 01	5.56%	5.08%
July 00 to Sept 00	5.29%	4.80%	Oct 01 to Dec 01	6.02%	5.53%
Oct 00 to Dec 00	5.09%	4.64%	Jan 02 to Mar 02	5.96%	5.49%
Jan 01 to Mar 01	5.12%	4.66%	Apr 02 to June 02	5.96%	5.49%

## Training

Training costs specifically related to programs of a non-disability determination nature have been included in the cost pool contrary to the methodology stated in the CAP. The CAP addresses the two types of training that can be provided—program and general—and the methods for charging training costs. Program training is to be directly charged to the benefiting entity. General training, such as basic writing skills or supervisory training, is to be charged to all OTDA programs through the Program Support Overhead accumulator code.

Our review of training costs disclosed that some training programs that benefited specific programs were included in the Program Support Overhead cost pools for the July through September 2001 and January through March 2002 periods. Specifically, we identified training contracts for welfare reform implementation, Temporary Assistance to Needy Families, and domestic violence training that were not general in nature and should have been directly charged to the benefiting program.

## Transaction Classification

We identified transactions that were classified as Program Support Overhead costs that should have been directly charged to Non-Disability Determination programs. As such, the Program Support Overhead cost pools were overstated, which resulted in a greater amount of costs being allocated to the DDP. For example, we identified expenses for office furniture, consultants who helped to develop a welfare reform tracking system and office space renovations for specific programs that should have been directly charged to those programs.

## A-87 COSTS

### OTDA Claimed Excessive A-87 Costs

For October 1999 through September 2002, we found that OTDA claimed excessive A-87 costs, statewide costs for services that benefit all departments within the State. The classification of expenses to inappropriate overhead accounts and the use of

incorrect expenses lead to the claim of the excessive costs. The impact on the costs claimed by OTDA is included in the amounts reported in the sections of this report for Administrative and Program Support Overhead.

A-87 costs, also referred to as central service costs, are statewide costs for services that benefit all departments within the State. These services are provided by departments such as the Office of General Services, Office of the State Comptroller, Department of Law, and Office for Technology (OFT). A state-wide cost allocation plan distributes the costs to the benefiting departments. The A-87 costs distributed to the OTDA are analyzed by cost accounting and categorized to either Administrative Support Overhead or Program Support Overhead based on the nature of the cost of each departmental component.

### **Overhead Categories**

Some A-87 costs were not properly classified to the appropriate overhead categories. The costs associated with the OFT and the Division of Budget were classified as Administrative Support Overhead items, while they were more appropriately Program Support Overhead items. This classification resulted in an inequitable distribution of costs in relation to the benefits received.

The OTDA is allocated a portion of OFT's A-87 costs based on actual billings from the OFT. When processing vouchers from the OFT for expenses not related to A-87 costs, OTDA allocates these costs to users based on either computer usage reports or an inventory of technology related equipment. The DDP was charged, and therefore SSA was charged, 51 to 57 percent of the Administrative Support Overhead costs during our audit period, while its computer usage and technology equipment costs were less than five percent. Therefore, the DDP was charged over 50 percent of the A-87 OFT costs, while only receiving less than five percent of the benefits derived from those costs. The DDP is charged approximately five percent of the Program Support Overhead costs, which is more in line with the relative benefits received from OFT activities.

Similarly, the A-87 costs for the Division of Budget were also classified as an Administrative Support Overhead item. Yet, OTDA classifies its own budgeting activities as Program Support Overhead costs. Therefore, OTDA treated two similar costs, A-87 budgeting costs and its own budgeting costs, inconsistently.

Two other A-87 departmental components that had previously been considered by OTDA as Administrative Support Overhead were classified as Program Support Overhead for the last six quarters of our audit period. The State Ethics Commission and Government Office of Regulatory Reform were reclassified as Program Support Overhead starting in April 2001. The classification of these costs as Program Support Overhead for the entire audit period is more appropriate.

The allocation rates used by OTDA and the revised rates, which considers the reclassification of A-87 components from Administrative Support Overhead (accumulator code 020) to Program Support Overhead (040), are detailed below.

Period/ Accumulator Codes	Allocation Rate Used	Revised Allocation Rate	Period/ Accumulator Codes	Allocation Rate Used	Revised Allocation Rate	Period/ Accumulator Codes	Allocation Rate Used	Revised Allocation Rate
<b>10/99-12/99</b>			<b>10/00-12/00</b>			<b>10/01-12/01</b>		
<b>020</b>	42.46%	42.44%	<b>020</b>	48.94%	-10.91% <sup>4</sup>	<b>020</b>	30.68%	5.51%
<b>040</b>	57.54%	57.56%	<b>040</b>	51.06%	110.91%	<b>040</b>	69.32%	94.49%
<b>1/00-3/00</b>			<b>1/01-3/01</b>			<b>1/02-3/02</b>		
<b>020</b>	40.48%	42.44%	<b>020</b>	48.94%	-10.91% <sup>4</sup>	<b>020</b>	30.68%	5.51%
<b>040</b>	59.52%	57.56%	<b>040</b>	51.06%	110.91%	<b>040</b>	69.32%	94.49%
<b>4/00-6/00</b>			<b>4/01-6/01</b>			<b>4/02-6/02</b>		
<b>020</b>	48.94%	-10.91% <sup>4</sup>	<b>020</b>	30.68%	5.51%	<b>020</b>	30.68%	17.09%
<b>040</b>	51.06%	110.91%	<b>040</b>	69.32%	94.49%	<b>040</b>	69.32%	82.91%
<b>7/00-9/00</b>			<b>7/01-9/01</b>			<b>7/02-9/02</b>		
<b>020</b>	48.94%	-10.91% <sup>4</sup>	<b>020</b>	30.68%	5.51%	<b>020</b>	60.89%	17.09%
<b>040</b>	51.06%	110.91%	<b>040</b>	69.32%	94.49%	<b>040</b>	39.11%	82.91%

## Cost Pool

We found that A-87 costs claimed for the October through December 1999 period were incorrect. The amount claimed did not agree to the schedule supporting the costs distributed to OTDA by the statewide cost allocation plan.

## UPSTATE COMPUTER OPERATIONS

*We Identified \$565,976 of Unallowable and Improperly Allocated Costs for Upstate Computer Operations*

For October 1999 through September 2002, we found that OTDA claimed \$565,976 of unallowable and improperly allocated costs for Upstate Computer Operations. The costs were due to incorrect allocation rates and transaction adjustments that were incorrectly processed. These issues also affect Administrative and Program Support Overhead and have been quantified in the amounts claimed in those accumulator codes.

## Allocation Rates

The allocation rates used to distribute Upstate Computer Operations cost pool were incorrectly calculated. The allocation method, based on computer usage reports, did not include all users in the allocation base, resulting in higher allocation rates to the DDP.

<sup>4</sup> Negative percentage is due to a credit balance.

The computer usage reports are compiled by software, which reads, interprets and identifies the program user and related costs of computer transactions and support. The usage reports used to determine the Upstate Computer Operations allocation rates omitted usage data for the New York City Welfare Management System (accumulator code 662). The exclusion of this data resulted in higher allocation rates to other users.

Additionally, OTDA was only able to provide usage reports for 8 of the 12 quarters in our audit period. We estimated the rate for the missing four quarters by averaging the percentage difference in allocation rates for the eight quarters we had documentation for compared to those calculated with the inclusion of accumulator code 662. The average difference of 14.01 percent was applied to the rates used for the October 1999 through June 2000 period.

The allocation rates calculated for each user result in three allocations that affect the DDP – Administrative Support Overhead (accumulator code 020), Program Support Overhead (code 040), and DDP (code 035). The costs within the overhead accounts (codes 020 and 040) are ultimately reallocated to DDP. The allocation rates used by OTDA, and the revised rates which include the usage data for the New York City Welfare Management System (code 662), are displayed as follows:

Period/ Accumulator Codes	Allocation Rate Used	Revised Allocation Rate	Period/ Accumulator Codes	Allocation Rate Used	Revised Allocation Rate	Period/ Accumulator Codes	Allocation Rate Used	Revised Allocation Rate
<b>10/99-12/99</b>			<b>10/00-12/00</b>			<b>10/01-12/01</b>		
<b>020</b>	0.76%	0.65%	<b>020</b>	0.57%	0.49%	<b>020</b>	1.10%	0.94%
<b>040</b>	0.66%	0.57%	<b>040</b>	0.17%	0.14%	<b>040</b>	0.34%	0.29%
<b>035</b>	1.47%	1.26%	<b>035</b>	3.42%	2.95%	<b>035</b>	2.25%	1.91%
<b>1/00-3/00</b>			<b>1/01-3/01</b>			<b>1/02-3/02</b>		
<b>020</b>	0.55%	0.47%	<b>020</b>	0.58%	0.49%	<b>020</b>	1.20%	1.05%
<b>040</b>	0.82%	0.71%	<b>040</b>	0.38%	0.32%	<b>040</b>	0.47%	0.41%
<b>035</b>	2.62%	2.25%	<b>035</b>	2.66%	2.26%	<b>035</b>	6.43%	5.65%
<b>4/00-6/00</b>			<b>4/01-6/01</b>			<b>4/02-6/02</b>		
<b>020</b>	0.47%	0.40%	<b>020</b>	0.90%	0.77%	<b>020</b>	1.53%	1.32%
<b>040</b>	0.20%	0.17%	<b>040</b>	0.26%	0.23%	<b>040</b>	0.52%	0.45%
<b>035</b>	2.79%	2.40%	<b>035</b>	2.13%	1.82%	<b>035</b>	4.45%	3.84%
<b>7/00-9/00</b>			<b>7/01-9/01</b>			<b>7/02-9/02</b>		
<b>020</b>	0.47%	0.40%	<b>020</b>	1.42%	1.21%	<b>020</b>	1.20%	1.05%
<b>040</b>	0.20%	0.17%	<b>040</b>	0.22%	0.18%	<b>040</b>	0.25%	0.22%
<b>035</b>	2.79%	2.40%	<b>035</b>	2.67%	2.27%	<b>035</b>	2.94%	2.56%

### Transaction Adjustments

Adjustments made to some cost pool transactions were processed incorrectly, resulting in overcharges to the DDP. OTDA attempted to credit the Upstate Computer Operations cost pool for an expense that related directly to a welfare tracking system, which should have been charged to that specific program, but instead was charged to the Upstate Computer Operations cost pool a second time.

Another adjustment intended to remove a portion of a mainframe computer expense charged for disaster recovery that should have been depreciated. Instead of crediting the undepreciated portion of the expense, the adjustment resulted in a second charge to the cost pool.

## INFORMATION TECHNOLOGY MANAGEMENT OVERHEAD

*We Identified \$78,812 of Improperly Allocated Costs for ITM Overhead* For October 1999 through September 2002, we found that OTDA claimed \$78,812 of excessive costs for Information Technology Management (ITM) Overhead due to the application of incorrect allocation rates. This also affects Administrative and Program Support Overhead and has been quantified in the amounts claimed in those accumulator codes.

The allocation rates used to distribute the ITM cost pools were incorrectly calculated. The allocation method, based on computer usage reports, did not include all users in the allocation base resulting in higher allocation rates to the DDP. The allocation rates for ITM Overhead are based on the combined results of computer usage costs associated with Upstate Computer Operations (accumulator code U60) and Downstate Computer Operations (code N60). As mentioned previously, the allocation base for Upstate Computer Operations did not include the usage charges applicable to accumulator code 662 resulting in higher allocation rates to other users. Similarly, the allocation rates for ITM Overhead omitted the usage charges for accumulator code 662. The illustration below displays the allocation rates used by OTDA and the revised rates which include the usage data for the New York City Welfare Management System (code 662).

Period/ Accumulator Codes	Allocation Rate Used	Revised Allocation Rate	Period/ Accumulator Codes	Allocation Rate Used	Revised Allocation Rate	Period/ Accumulator Codes	Allocation Rate Used	Revised Allocation Rate
<b>10/99-12/99</b>			<b>10/00-12/00</b>			<b>10/01-12/01</b>		
<b>020</b>	0.38%	0.33%	<b>020</b>	0.29%	0.25%	<b>020</b>	0.55%	0.47%
<b>040</b>	0.33%	0.28%	<b>040</b>	0.08%	0.07%	<b>040</b>	0.17%	0.15%
<b>035</b>	0.73%	0.63%	<b>035</b>	1.71%	1.47%	<b>035</b>	1.12%	0.96%
<b>1/00-3/00</b>			<b>1/01-3/01</b>			<b>1/02-3/02</b>		
<b>020</b>	0.27%	0.23%	<b>020</b>	0.29%	0.25%	<b>020</b>	0.60%	0.53%
<b>040</b>	0.41%	0.35%	<b>040</b>	0.19%	0.16%	<b>040</b>	0.23%	0.21%
<b>035</b>	1.31%	1.13%	<b>035</b>	1.33%	1.13%	<b>035</b>	3.21%	2.83%
<b>4/00-6/00</b>			<b>4/01-6/01</b>			<b>4/02-6/02</b>		
<b>020</b>	0.24%	0.21%	<b>020</b>	0.45%	0.38%	<b>020</b>	0.76%	0.66%
<b>040</b>	0.10%	0.09%	<b>040</b>	0.13%	0.11%	<b>040</b>	0.26%	0.22%
<b>035</b>	1.39%	1.20%	<b>035</b>	1.06%	0.91%	<b>035</b>	2.22%	1.92%
<b>7/00-9/00</b>			<b>7/01-9/01</b>			<b>7/02-9/02</b>		
<b>020</b>	0.24%	0.21%	<b>020</b>	0.71%	0.60%	<b>020</b>	0.60%	0.52%
<b>040</b>	0.10%	0.09%	<b>040</b>	0.11%	0.09%	<b>040</b>	0.12%	0.11%
<b>035</b>	1.39%	1.20%	<b>035</b>	1.34%	1.13%	<b>035</b>	1.47%	1.28%



## TEN EYCK RENT

*Ten Eyck Rent Costs Were Improperly Allocated* For October 1999 through March 2000, we found that rent costs claimed by OTDA were incorrect due to the use of incorrect square footage statistics. The impact of the improperly allocated costs is quantified in the other findings referred to in this report as rent costs are allocated to other accumulator codes.

Ten Eyck rent represents rent costs for Ten Eyck Plaza, a facility in Albany, New York housing OTDA support operations. The allocation methodology is based on an annual review of square footage occupied. Rent costs are allocated to other accumulator codes before reallocation to programs. Our review disclosed that the allocation percentages used for the October 1999 through March 2000 period were not supported by the square footage summary.

## DISABILITY DETERMINATION OVERHEAD

*OTDA Did Not Claim \$643,323 for Disability Determination Overhead that was Allowable* Our review disclosed that OTDA did not claim \$643,323 of allowable costs for Disability Determination Overhead during October 1999 through September 2002. This is a net total of under claimed personnel costs and some overcharges. Some of the overcharges were personnel costs charged in error. Other overcharges were associated with additional findings referred to in this report that affected Administrative Support Overhead, which allocates a portion to Disability Determination Overhead.

Personnel costs for seven employees were not claimed due to incorrect time card coding. Consequently, OTDA did not claim \$890,756 of allowable personnel costs.

We also found that personnel costs for two employees charged to Disability Determination Overhead were incorrectly included in the cost pools, based on their work functions at that time. The employees should have been charged to other accumulator codes. As a result, overcharges of \$130,555 were made during our audit period.

During our review of Disability Determination Overhead, we found duplicate charges for personnel costs. Although the charges were correctly claimed as Disability Determination Overhead, the overcharge affected OTDA's claim for direct administrative costs for the DDP. This is described in greater detail in the other matters section of this report.

## FORM SSA-4513

*OTDA Claimed \$212,381 More Than the Costs It Documented for FY 2002* A reconciliation of costs from the COCAC to the Form SSA-4513 disclosed that reported total obligations on the Form

SSA-4513 for FY 2002<sup>5</sup> were in excess of amounts reported in COCAC by \$212,381. SSA procedures require that valid unliquidated obligations should be supported by documents or records describing the nature of obligations and supporting the amounts recorded. State agencies are required to provide narrative reports on the status of unliquidated obligations with the quarterly Form SSA-4513.<sup>6</sup> Consequently, the \$212,381 is an overstatement of reported obligations. Our reconciliation of COCAC data to total obligations reported on the Form SSA-4513 is as follows:

<b>FY</b>	<b>COCAC</b>	<b>Form SSA-4513</b>	<b>Difference</b>
2000	\$9,150,137	\$9,150,137	\$ 0
2001	11,257,527	11,257,530	3
2002	13,262,727	13,475,108	212,381
<b>Total</b>	<b>\$33,670,391</b>	<b>\$33,882,775</b>	<b>\$212,384</b>

## **OTHER MATTERS**

Our review of personnel costs charged to Disability Determination Overhead disclosed some of the same charges were also directly charged to the DDP. Personnel costs for eight employees were incorrectly charged twice, resulting in overcharges of \$1,050,604 to claimed direct costs.

This was caused by the use of two different sources for charging indirect salary costs versus direct salary costs. Time cards are used to charge indirect costs and the payroll system is used for direct costs. As a result, personnel costs for the eight employees were erroneously charged to both direct and indirect costs. The duplicate direct charges by fiscal year are as follows:

<b>FY</b>	<b>Personnel Costs</b>
2000	\$303,556
2001	359,497
2002	387,551
<b>Total</b>	<b>\$1,050,604</b>

<sup>5</sup> Dated January 16, 2004.

<sup>6</sup> SSA, POMS, DI 39506.203.

# Conclusions and Recommendations

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Our review of indirect administrative costs disclosed that OTDA claimed \$3,977,860 of unallowable and improperly allocated indirect costs for the October 1999 through September 2002 period. These costs included improperly classified expenses and credits, overcharges for incorrect adjustments and costs based on incorrect computations of allocation rates. We also found \$1,050,604 of duplicate personnel costs that resulted in overcharges to claimed direct administrative costs.

## RECOMMENDATIONS

We recommend that SSA instruct OTDA to:

1. Refund \$3,977,860 of unallowable costs claimed for October 1999 through September 2002;
2. Follow existing procedures by accounting for expenditures and revenues of the Quick Copy Center in accumulator code 000;
3. Establish procedures to ensure that transactions are coded to the proper accumulator code;
4. Ensure that only training costs of a general nature are charged to Program Support Overhead;
5. Classify the components of A-87 costs to appropriate overhead categories to allow for an equitable distribution of costs;
6. Provide documentation for the unsupported obligations claimed on the Form SSA-4513, and deobligate the portion of the \$212,381 of FY 2002 total obligations that are not supported by valid documentation;
7. Refund \$1,050,604 of duplicate personnel costs claimed as direct costs for Federal FYs 2000 through 2002; and
8. Correct the system for charging personnel costs so that future claimed costs assures that the accumulator coding on the payroll system is in agreement with time card coding for every employee and accurately represents the work being performed.

We further recommend that SSA instruct OCFS to:

9. Ensure the quarterly COCACs include the correct cost pools and allocation statistics appropriate for the accumulator codes and periods claimed.

## **SSA COMMENTS**

SSA agreed with all of our recommendations, but stated in response to our sixth recommendation that it would be difficult to determine whether documentation provided by OTDA for unsupported obligations on Form SSA - 4513 was new or had previously been submitted. Consequently, SSA suggested that the entire \$212,381 of unsupported obligations be deobligated. See Appendix C for the full text of SSA's comments.

## **OTDA COMMENTS**

OTDA generally agreed with our findings, but disagreed with the amounts of overcharges we calculated. Specifically, the OTDA stated that the \$3,977,860 overcharge discussed in our first recommendation may change after amended COCAC claims are generated. In response to our sixth recommendation, OTDA stated that \$212,381 of unsupported obligations has been reduced to \$44,689 for FY 2002. OTDA also did not agree with the overcharge of \$1,050,604 related to duplicate personnel costs claimed as direct costs (recommendation 7). It stated that the overcharge and corresponding refund should be reduced to \$290,404 to take into account miscoded payroll charges that were inadvertently omitted from its original claims. See Appendix D for the full text of OTDA's comments.

## **OIG RESPONSE**

We believe that the overcharge of \$3,977,860 should be refunded to SSA. The calculations used to arrive at that figure paralleled the COCAC process. Since the COCAC process involves detailed calculations of indirect costs based on the approved Cost Allocation Plan, we believe the overcharge figure to be accurate. We concur with OTDA in that it should deobligate \$44,689 of unsupported obligations for FY 2002, instead of the recommended \$212,381, as long as it provides SSA with documentation to support the difference.

We do not believe that the \$1,050,604 of duplicate personnel costs claimed as direct costs should be reduced to \$290,404. The miscoded payroll charges in question were related to indirect costs and were taken into consideration when we calculated indirect cost overcharges. The \$1,050,604 overcharge we identified was claimed as direct costs. Accordingly, this figure should not be reduced and the \$1,050,604 of duplicate personnel costs should be refunded to SSA.

# *Appendices*

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## Acronyms

Act	Social Security Act
CAP	Cost Allocation Plan
C.F.R.	Code of Federal Regulations
COCAC	Central Office Cost Allocation Claim
DDP	Disability Determination Program
DDS	Disability Determination Services
DI	Disability Insurance
Form SSA-4513	State Agency Report of Obligations for SSA Disability Programs
FY	Fiscal Year
ITM	Information Technology Management
NYS	New York State
OCFS	Office of Children and Family Services
OFT	Office for Technology
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OTDA	Office of Temporary and Disability Assistance
POMS	Program Operations Manual System
QCC	Quick Copy Center
SSA	Social Security Administration
SSI	Supplemental Security Income

### Scope and Methodology

We reviewed the indirect administrative costs claimed by the Office of Temporary and Disability Assistance (OTDA) on its Form SSA-4513 for Federal Fiscal Years (FY) 2000 through 2002.

To complete our objective, we:

- Reviewed the Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Social Security Administration's (SSA) Program Operations Manual System, and the Department of Health and Human Services approved Cost Allocation Plan.
- Interviewed personnel at the New York State (NYS) OTDA, NYS Office of Children and Family Services, SSA New York Regional Office, and Department of Health and Human Services Division of Cost Allocation.
- Obtained an understanding of the accounting data and procedures used to prepare the quarterly Central Office Cost Allocation Claims (COCACs).
- Reconciled the accounting records to the costs claimed by OTDA, on its Form SSA-4513, for FY's 2000 through 2002.
- Performed substantive testing of transactions and allocation rates supported by the quarterly COCACs for FY's 2000 through 2002.
- Reviewed the New York State Single Audit Reports for the period April 1, 1998 through March 31, 2002.
- We limited our review of internal controls to a reliance on a review of the cost allocation system performed by independent auditors who reported that controls were functioning properly. Based on this and our own work, we determined the data produced by the cost accounting system to be sufficiently reliable for our intended use.

We presented our findings by accumulator code because that is the claiming mechanism in COCAC. Due to the way the cost accounting system operates, we were unable to place a specific dollar value on the individual findings, as well as the various findings grouped by individual accumulator codes. The accumulator codes were put through a step down allocation process, which resulted in reallocations to other accumulator codes and finally to the Disability Determinations Program account. Our determination of questioned costs represented the final allocation to the Disability Determination Program after adjustments to the costs pool and allocation percentages contained in the individual accumulator codes.

We performed our audit work at the OTDA in Albany, New York, the Office of Children and Family Services (OCFS) in Rensselaer, New York and the New York Regional Office. The entities audited were the OTDA and the Office of Disability Determinations within the Office of the Deputy Commissioner for Disability and Income Security Programs. We conducted our audit from October 2003 through May 2004. The audit was conducted in accordance with generally accepted government auditing standards.



## Summary of Monetary Results

<i>Office of Temporary and Disability Assistance Costs:</i>	10/1/1999 - 9/30/2000 (FY 2000)			10/1/2000 - 9/30/2001 (FY 2001)			10/1/2001 - 9/30/2002 (FY 2002)			Total Adjustments
	Allocated Costs:	Claimed	Per OIG	Difference	Claimed	Per OIG	Difference	Claimed	Per OIG	
Administrative Support Overhead	\$4,458,914	\$3,446,512	\$(1,012,402)	\$6,469,868	\$4,870,028	\$(1,599,840)	\$7,214,451	\$5,512,450	\$(1,702,001)	\$(4,314,243)
Program Support Overhead	492,643	878,871	386,228	1,056,408	1,042,097	(14,311)	1,183,884	1,146,472	(37,412)	334,505
Telecommunications	618,197	621,848	3,651	491,352	491,352	-	460,457	460,457	-	3,651
Upstate Computer Operations	737,536	631,114	(106,422)	449,837	168,396	(281,441)	1,343,013	1,164,900	(178,113)	(565,976)
Information Technology Management Overhead	211,154	184,674	(26,480)	175,189	148,953	(26,236)	182,613	156,517	(26,096)	(78,812)
Disability Determination Overhead	2,486,414	2,669,618	183,204	2,447,968	2,677,646	229,678	2,644,549	2,874,990	230,441	643,323
Human Service Enterprise Network	-	-	-	-	-	-	2,305	2,305	-	-
Training	611	303	(308)	-	-	-	-	-	-	(308)
Amended Claim	-	-	-	5,254	5,254	-	-	-	-	-
<i>Office of Children and Family Services Costs:</i>	10/1/1999 - 9/30/2000 (FY 2000)			10/1/2000 - 9/30/2001 (FY 2001)			10/1/2001 - 9/30/2002 (FY 2002)			Total Adjustments
All Allocated Costs	144,671	144,671	-	161,650	161,650	-	231,456	231,456	-	
<i>Annual Total:</i> <sup>1</sup>	<b>\$9,150,140</b>	<b>\$8,577,611</b>	<b>\$(572,529)</b>	<b>\$11,257,526</b>	<b>\$9,565,376</b>	<b>\$(1,692,150)</b>	<b>\$13,262,728</b>	<b>\$11,549,547</b>	<b>\$(1,713,181)</b>	<b>\$(3,977,860)</b>

<sup>1</sup> Claimed amounts are different from Forms SSA-4513 due to rounding.

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

Refer To: S2D2G5

**Date:** August 16, 2004

**To:** Steven L. Schaeffer  
Assistant Inspector General  
for Audit

**From:** Regional Commissioner  
New York

**Subject:** New York State Disability Determination Program Indirect Cost Review (A-026-04-24017) - (Your Memorandum Dated July 23, 2004)

Thank you for the opportunity to present our views relative to the validity of the facts and reasonableness of the recommendations presented in the draft report of your audit.

The 9 recommendations for SSA included in your draft audit of this review are:

1. SSA should instruct the New York State (NYS) Office of Temporary and Disability Assistance (OTDA) to refund \$3,977,860 of unallowable costs claimed for October 1999 through September 2002.
2. SSA should instruct the NYS OTDA to follow existing procedures by accounting for expenditures and revenues of the Quick Copy Center in accumulator code 000.
3. SSA should instruct the NYS OTDA to establish procedures to ensure that transactions are coded to proper accumulator code.
4. SSA should instruct the NYS OTDA to ensure that only training costs of a general nature are charged to Program Support Overhead.
5. SSA should instruct the NYS OTDA to classify the components of A-87 costs to appropriate overhead categories to allow for an equitable distribution of costs.
6. SSA should instruct the NYS OTDA to provide documentation for the unsupported obligations claimed on the Form SSA-4513, and deobligate the portion of the \$212,381 of FY 2002 total obligations that are not supported by valid documentation.
7. SSA should instruct the NYS OTDA to refund \$1,050,604 of duplicate personnel costs claimed as direct costs for Federal FYs 2000 through 2002.

8. SSA should instruct the NYS OTDA to correct the system for charging personnel costs so that future claimed costs assures that the accumulator coding on the payroll system is in agreement with time card coding for every employee and accurately represents the work being performed.
9. SSA should instruct the NYS Office of Children and Family Services (OCFS) to ensure the quarterly Central Office Cost Allocation Claims (COCACs) include the correct cost pools and allocation statistics appropriate for the accumulator codes and periods claimed.

Recommendations 1 through 5 and 7 through 9 appear to be reasonable and justifiable. Recommendation number 6 requires that New York (NY) Regional Office (RO) staff request documentation for the unsupported obligations claimed on the Form SSA-4513. To properly review any documentation that the NYS OTDA provides to the NY RO, we also would have to review the documentation that your auditors reviewed. Without seeing all of the documentation, we would not be able to discern whether or not the additional documentation is new or had previously been submitted. We agree that we should instruct the NYS OTDA to deobligate unsupported obligations in the amount of \$212,381 of FY 2002 total obligations, without requesting that they submit further documentation for our review.

If members of your staff have any further questions on this matter they should be directed to Gene Purk, (212) 264-7283 in the Center for Disability Programs.

Beatrice M. Disman

Office of Temporary and Disability Assistance  
Comments



NEW YORK STATE  
OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE  
40 NORTH PEARL STREET  
ALBANY, NEW YORK 12243-0001

George E. Pataki  
Governor

Robert Doar  
Commissioner

August 25, 2004

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

Dear Mr. Schaeffer:

We have reviewed your draft report, New York State Disability Determination Program Indirect Costs (A-02-04-24017), and we accept most of the findings regarding coding errors and erroneous statistics used in overhead claiming, with exceptions as noted below. In recent years, we had been investing additional effort to work with the Office of Children and Family Services (OCFS) to review cost allocation practices and methodologies, but your review found certain deficiencies that had occurred before we made corrections, or errors we had not yet discovered. Examples of actions that we have taken include an all employees memorandum that reinforced the need for greater attention to timecard coding of the accumulator codes, and periodic reviews of the codes used by agency staff. We have addressed or will correct the problem areas cited in this report, and expect to see a substantial improvement before the next review occurs.

We also want to note our appreciation for the balanced approach of the SSA OIG audit team, where offsetting corrections in favor of the state were noted.

Regarding the specific list of recommendations contained on page 13 of the report, we have the following comments:

1. Recommendation: Refund \$3,977,860 of unallowable costs claimed for October 1999 through September 2002.

**Response: The dollar amount of \$3,977,860 may change after amended COCAC claims are generated.**

2. Recommendation: Follow existing procedures by accounting for expenditures and revenues of the Quick Copy Center in accumulator code 000.

**Response: Based on the audit discussions and internal meetings, procedures have been revised for all Quick Copy Center coding.**

*"providing temporary assistance for permanent change"*

3. Recommendation: Establish procedures to ensure that transactions are coded to the proper accumulator code.

**Response:** We have taken some preliminary steps to improve coding, and are looking at options to redeploy staff resources for a more formal review process.

4. Recommendation: Ensure that only training costs of a general nature are charged to Program Support Overhead.

**Response:** Although the questioned amount related to training was very small, we will work with OCFS to determine if additional refinements are needed.

5. Recommendation: Classify the components of A-87 costs to appropriate overhead categories to allow for an equitable distribution of costs.

**Response:** On page 7, the report states that "The OTDA is allocated a portion of OFT's A-87 costs based on actual billings from OFT" and concludes that OFT's A-87 costs should be distributed based on Program Support Overhead (where DDD's percentage is closer to some of the OFT chargeback distribution percentages) rather than Administrative Support Overhead. The statement that "OTDA is allocated a portion of OFT's A-87 costs based on actual billings" is incorrect. As stated in the Statewide Cost Allocation Plan, OFT's A-87 costs were allocated to all state agencies based upon total adjusted governmental funds disbursements by agency for FY 2002-03. OTDA's share of OFT's A-87 costs had nothing to do with actual OFT billings. The activities involved were for statewide development of IT policies and standards, review and assistance with technology purchases, information security, strategic technology assessment and technology training. These activities would seem better suited to Administrative Overhead (because they benefit all state staff) than to program Support Overhead (which benefits specific Federal programs).

Having said that, and recognizing the small amount of funds involved, we would be willing to concede that in the Department of Family Assistance those programs with the greatest technological investments would in theory probably benefit the most from OFT's activities, and on that basis we are willing to accept the auditors' assessment that the OFT's A-87 costs should be claimed through Program Support Overhead.

Similarly, with regard to the Division of the Budget (DOB) A-87 costs, after discussion with both the OTDA Budget Office and the OCFS Budget Office, we are willing to accept the auditors' judgment that DOB A-87 costs should be claimed through Program Support Overhead.

Finally, at OTDA's direction OCFS will undertake the adjustments for Ethics and Regulatory Reform.

6. Recommendation: Provide documentation for the unsupported obligations claimed on the Form SSA- 4513, and deobligate the portion of the \$212,381 of FY 2002 total obligations that are not supported by valid documentation.

**Response:** Usually we adjust the 4513 report after the final reconciliation has been completed for each grant year. We will submit an adjustment for \$44,689 for FY2002, less than the amount recommended in the report, because there have been some revisions to various claim components since the report was drafted.

7. Recommendation: Refund \$1,050,604 of duplicate personnel costs claimed as direct costs for Federal FYs 2000 through 2002.

**Response:** OTDA provided the audit team with two adjustments that affect this recommendation. The amount of the potential refund was actually increased to \$1,181,159.17 in a clarifying memorandum to Robert Blake dated May 13, 2004. However, we also submitted documentation for a large group of miscoded payroll charges that were inadvertently omitted from our original claims. These charges, totaling \$890,754.85, significantly offset the recommended refund. Therefore, the refund should be reduced to a net amount of \$290,404.32.

8. Recommendation: Correct the system for charging personnel costs so that future claimed costs assures that the accumulator coding on the payroll system is in agreement with time card coding for every employee and accurately represents the work being performed.

**Response:** As noted in our general comment above, employees and supervisors have been notified via an all employees memorandum and the time card system to make sure their accumulator code is correct. In addition, we have instituted new procedures that will avoid a recurrence of the payroll claiming problems that contributed to the findings in recommendation #7.

9. Recommendation: Ensure the quarterly COCACs include the correct cost pools and allocation statistics appropriate for the accumulator codes and periods claimed.

**Response:** OCFS will make the necessary adjustments consistent with the appropriate statistics.

In closing, I am requesting that the Social Security Administration consolidate all adjustments and apply the total repayment against the FFY 2002 federal grant, rather than issue decreasing adjustments against the FFY 2000 and 2001 grants. The state had previously drawn all grants in those two years and we currently have zero undrawn balance. If this suggestion is honored, it will likely save both government entities a significant effort in handling and coordinating action against several accounts.

Thank you for giving us the opportunity to respond to this draft report. We trust that our comments will be taken into consideration.

Sincerely,



Robert Doar  
Commissioner



## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Tim Nee, Director, New York Office of Audit, (212) 264-5295

### ***Acknowledgments***

In addition to those named above:

Robert T. Blake, Senior Auditor

Christine Chen, Auditor

Abraham Pierre, Auditor

For additional copies of this report, please visit our web site at [www.ssa.gov/oig](http://www.ssa.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-02-04-24017.

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Chairman and Ranking Minority Member, Senate Special Committee on Aging  
Social Security Advisory Board

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

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.