



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## *Audit Report*

### Costs Claimed by the New York Division of Disability Determinations

*A-55-20-00004 | September 2021*



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

September 27, 2021

Lisa Renee Keegan  
Director of Administration  
New York Division of Disability Determinations  
One Commerce Plaza, 10<sup>th</sup> Floor  
Albany, NY 12260

Dear Ms. Keegan:

The Social Security Administration (SSA) contracted with Grant Thornton LLP (Grant Thornton), an independent certified public accounting firm, to conduct an administrative cost audit of the New York Division of Disability Determinations for the periods October 1, 2016 through September 30, 2017 and October 1, 2017 through September 30, 2018. In addition, Grant Thornton conducted an indirect cost audit for the periods October 1, 2014 through September 30, 2015 and October 1, 2015 through September 30, 2016. Grant Thornton's performance audit objectives were to:

- evaluate internal controls over the accounting and reporting of administrative costs;
- determine whether the administrative costs claimed on the March 31, 2020 *State Agency Report of Obligations for Social Security Administration Disability Programs* (Form SSA-4513) were allowable and properly allocated;
- reconcile funds drawn down with claimed costs; and
- assess the general security controls environment.

The enclosed final report presents the results of Grant Thornton's audit. Grant Thornton is responsible for the report and the opinions and conclusions expressed therein. The Office of the Inspector General (OIG) was responsible for technical and administrative oversight of Grant Thornton's performance under the contract terms. We monitored Grant Thornton's work by:

- evaluating the independence, objectivity, and qualifications of the auditors and specialists;
- monitoring the audit's progress at key points;
- examining Grant Thornton's documentation related to planning the audit, assessing internal control, and substantive testing;
- reviewing and coordinating the issuance of Grant Thornton's audit report; and
- performing other procedures we deemed necessary.

Our monitoring disclosed no instances where Grant Thornton did not comply, in all material respects, with the standards for performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Page 2 – Lisa Renee Keegan

The New York Division of Disability Determinations should provide SSA a corrective action plan within 60 days that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Vicki Vetter, Director of the Financial Audit Division.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michelle L. Anderson". The script is cursive and fluid.

Michelle L. Anderson  
Assistant Inspector General for Audit

Enclosure

cc:

Grace M. Kim, Deputy Commissioner, Operations

Michael P. Hein, Commissioner, New York Office of Temporary and Disability Assistance

# Costs Claimed by the New York Division of Disability Determinations

## A-55-20-00004



September 2021

Office of Audit Report Summary

### Objective

To (1) evaluate internal controls over the accounting and reporting of administrative costs by the New York Division of Disability Determinations (NY-DDS) for Fiscal Years (FY) 2017 and 2018, as well as indirect costs for FYs 2015 and 2016; (2) determine whether the administrative costs claimed on the most recently submitted Form SSA-4513 were allowable and properly allocated; (3) reconcile funds drawn down with claimed costs; and (4) assess the general security controls environment.

### Background

NY-DDS performs disability determinations under the Social Security Administration's (SSA) Disability Insurance and Supplemental Security Income programs in accordance with Federal regulations. NY-DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. SSA reimburses NY-DDS for 100 percent of allowable expenditures, including direct and indirect costs. The NY-DDS' parent agency is the Office of Temporary and Disability Assistance (OTDA).

SSA contracted with Grant Thornton LLP (Grant Thornton) to conduct this audit. The Office of the Inspector General was responsible for technical and administrative oversight of Grant Thornton's performance under the contract terms.

### Findings

Grant Thornton found that the NY-DDS' controls over accounting and reporting of administrative costs for FYs 2017 and 2018 (and indirect costs for FYs 2015 and 2016) as well as general security controls could be strengthened to ensure compliance with applicable criteria.

As of March 31, 2020, Grant Thornton noted that projected administrative costs of \$15,003,063; \$13,122,711; \$68,679,838 and \$71,441,860 as claimed on the Form SSA-4513 for FYs 2015, 2016, 2017 and 2018, respectively did not meet SSA's criteria for allowability.

### Recommendations

Grant Thornton outlined 19 recommendations for the NY-DDS to enhance its internal control environment for control gaps and other findings during its audit. Grant Thornton outlined recommendations in a separate memorandum for general security controls.

The full text of the NY-DDS' response is included in Appendix C. SSA was provided the report for comment and, although not required, did not provide comments on the recommendations.

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## **ABBREVIATIONS**

Act	<i>Social Security Act</i>
CE	Consultative Examination
C.F.R.	Code of Federal Regulations
CPT	Current Procedural Terminology
DDS	Disability Determination Services
DI	Disability Insurance Program
FY	Fiscal Year
Form SSA-4513	<i>State Agency Report of Obligations for SSA Disability Programs</i>
MC	Medical Consultant
MER	Medical Evidence of Record
NY-DDS	New York Division of Disability Determinations
OTDA	Office of Temporary and Disability Assistance
<i>POMS</i>	Program Operations Manual System
OIG	Office of the Inspector General
RO	Regional Office

**MEMORANDUM**

**Date:** September 24, 2021

**To:** Gail S. Ennis  
Inspector General

**From:** Grant Thornton LLP

**Subject:** **GRANT THORNTON AUDIT REPORT – COSTS CLAIMED BY THE NEW YORK DIVISION OF DISABILITY DETERMINATIONS**

We have conducted a performance audit (also referred to as an “audit” herein) on the New York Division of Disability Determinations’ (NY-DDS) administrative costs incurred in connection with conducting disability determinations in support of the Social Security Administration (SSA) (the “program”) by (1) determining whether the administrative costs claimed for the years ended September 30, 2017 and 2018 (as well as indirect costs for the years ended September 30, 2015 and 2016) on the *State Agency Report of Obligations for SSA Disability Programs (Form SSA-4513)*, adjusted through March 31, 2020, were allowed and properly allocated; (2) reconciling funds drawn down with claimed costs on those forms; and (3) evaluating the internal controls over the accounting and reporting of administrative costs for the same period. We also (4) assessed the general security controls environment by conducting inquiries and inspections for the period from October 1, 2019 through September 30, 2020 as well as live observations through March 31, 2021 (as further described in Appendix A). (Items 1-4 represent the “audit objectives”).

The applicable criteria are set forth in the Code of Federal Regulations (C.F.R.) Title 2 – *Grants and Agreements*, Subchapter A, Chapter II, Part 225 *Cost Principles for State, Local, and Indian Tribal Governments* (2 C.F.R., part 225) and the Government Accountability Office’s *Federal Information System Controls Audit Manual*, in addition to applicable criteria that are identified in the body of the accompanying report. It is the responsibility of the NY-DDS’ management to conduct the program in accordance with the criteria and the program objectives. Our responsibility is to report our findings and conclusions related to the audit objectives.

We conducted this performance audit in accordance with the standards for performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. A performance audit involves performing procedures to obtain evidence about the NY-DDS’ program in order to audit administrative costs and the related internal controls, as well as general security controls, as outlined in the audit objectives in the opening paragraph above. The nature, timing, and extent of the procedures selected depend on our judgment. A performance audit also includes consideration of internal controls related to the program and audit objectives as a basis for designing procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the NY-DDS’ internal control. Accordingly, we express no such conclusion related to the NY-DDS’

internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our findings and conclusions based on our audit objectives.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objectives of this performance audit were (1) to determine whether the administrative costs claimed for the years ended September 30, 2017 and 2018 (as well as indirect costs for the years ended September 30, 2015 and 2016) on the Form SSA-4513, adjusted through March 31, 2020, were allowed and properly allocated; (2) reconciling funds drawn down with claimed costs on those forms; and (3) evaluating the internal controls over the accounting and reporting of administrative costs for the same period. We also (4) assessed the general security controls environment by conducting inquiries and inspections for the period from October 1, 2019 through September 30, 2020 as well as walkthroughs through March 31, 2021.

To accomplish these objectives, we gained an understanding of the processes and information systems NY-DDS used to account for the administrative costs it incurred in connection with conducting disability determinations in support of SSA. We interviewed appropriate NY-DDS staff as well as SSA regional office representatives; inspected available written NY-DDS procedures, applicable Federal regulations, the *Social Security Act* (Act), SSA policies and procedures pertaining to the NY-DDS and prior work performed by SSA or its Office of the Inspector General over DDS administrative costs. In addition, we performed live walkthroughs of business processes and information systems, obtained transactional listings, ascertained the completeness of the listings, and compared a sample of transactions to supporting documentation to corroborate administrative costs claimed and funds drawn down. Our tests of the general security system environment comprised tests over physical and system security controls consisting of live walkthroughs, inspections, and inquiries. In some instances, information we requested was not made available to us; therefore, our approach was limited in certain aspects as further described below.

To meet the above objectives, we defined our scope based on areas of audit significance. For financial data, we determined significance based on NY-DDS' total claimed costs presented on the Form SSA-4513 for each applicable fiscal year (FY). In FYs 2017 and 2018 as of March 31, 2020, the NY-DDS claimed administrative costs totaling approximately \$331 million (\$160,955,324 and \$170,312,405, respectively). As of March 31, 2020, the FYs 2015 and 2016 indirect cost totaled \$28 million (\$15,003,063 and \$13,122,711, respectively). Refer to Appendix B for the Form SSA-4513 for each FY. We used a variety of statistical and non-statistical sampling techniques to test the Form SSA-4513 line items. Where statistical sampling was used, we projected any errors noted to the entire population.

For information security testing, our scope was limited to the NY-DDS' general security environment and its disability case processing system.



## BACKGROUND

The Disability Insurance (DI)<sup>1</sup> program, established under Title II of the Act, provides benefits to wage earners and their families in the event the wage earner becomes disabled. The Supplemental Security Income (SSI)<sup>2</sup> program, established under Title XVI of the Act, provides benefits to financially needy individuals who are aged, blind, and/or disabled.

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) and Federal disability units in each State and U.S. territory as well as the District of Columbia in accordance with Federal regulations. In carrying out its obligation, each DDS is responsible for determining claimants' disabilities and ensuring 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 NY-DDS for 100 percent of allowable expenditures incurred in connection with conducting disability determinations. Allowable expenditures include both direct and indirect costs. Direct costs can be identified with a particular cost objective. Indirect costs arise from activities that benefit multiple programs but are not readily assignable to these programs without effort disproportionate to the results achieved. The NY-DDS claims reimbursement for both direct and indirect costs claimed from SSA in relation to its disability programs.

The NY-DDS uses various customized systems to process disability claims and other non-SSA workloads and has responsibility for security measures for its sites and systems. SSA requires that the NY-DDS comply with its Program Operations Manual System (POMS).<sup>3</sup>

The NY-DDS' parent agency is the New York Office of Temporary and Disability Assistance (OTDA), which provides the NY-DDS with financial, accounting, and personnel services and performs tasks such as approval of all DDS-related payments, payroll processing, and indirect cost allocations.

## RESULTS

Our audit procedures were performed on items determined to be in-scope as described above and where relevant information was made available to us.

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<sup>1</sup> The DI program provides benefits to wage earners and their families who meet certain criteria if the wage earner becomes disabled or dies. See 20 C.F.R. sections 404.315, 404.330, and 404.350 (ecfr.gov).

<sup>2</sup> The SSI program provides a minimum level of income for people who are age 65 or older or who are blind or disabled and who do not have sufficient income and resources to maintain a standard of living at the established Federal minimum income level. See 20 C.F.R. section 416.110 (ecfr.gov).

<sup>3</sup> The POMS is a primary source of information used by Social Security employees to process claims for Social Security benefits (<https://secure.ssa.gov/apps10/>).

## **Objective 1: Evaluate internal control over the accounting and reporting of administrative costs**

Our testing disclosed instances where NY-DDS' internal controls over the accounting and reporting of administrative costs for FYs 2017 and 2018 (and indirect costs for FYs 2015 and 2016) could have been strengthened.

### ***Cost Allocation and Reporting Process***

For FYs 2017 and 2018, NY-DDS and OTDA management were unable to provide information sufficient to describe its cost allocation and reporting process. Additionally, for FY 2018, NY-DDS could not provide documentation to support its fringe-benefit calculation for transactions after June 2018.

Per POMS,<sup>4</sup> the State is responsible for providing qualified, well-trained personnel. Further, per 2 C.F.R., part 225, all central service cost allocation plans and related documentation used as a basis for claiming costs under Federal awards must be retained for audit in accordance with records retention requirement contained in the Common Rule.

Without a clear understanding of the complexities of the State-Wide Cost Allocation<sup>5</sup> and Central Office Cost Allocation Plans<sup>6</sup>, management may not properly classify costs. Also, the inconsistency in the classification of costs may lead to under- or overstated cost pools. Furthermore, the lack of documentation affects management's ability to support the fringe-benefit costs charged to the State. Refer to Objective 2 for related finding on the allowability of indirect costs.

### ***Non-Social Security Administration Work***

NY-DDS is not estimating and reporting costs associated with non-SSA work in accordance with the Memorandum of Agreement (MOA)<sup>7</sup> between OTDA and SSA. We noted several inconsistencies in NY-DDS' accounting and reporting of non-SSA work as compared to the terms of the MOA. For example, NY-DDS based its estimated costs-per-case on obligations from the wrong FY. Additionally, obligations used as the basis for this calculation were adjusted without sufficient justification or approval of the adjusted amount of obligations. Finally, NY-DDS failed to report to SSA the amount of non-SSA work, in accordance with the MOA.

In our conversions, NY-DDS and OTDA management demonstrated a lack of understanding of the key components of the MOA. Additionally, before the Form SSA-4513 was submitted, it was

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<sup>4</sup> SSA, POMS, DI 39557.001 Standards of Performance.

<sup>5</sup> State-Wide Cost Allocation Plan permits the State to determine costs that are associated with the general administration of the State and to allocate a portion of these costs to federal programs.

<sup>6</sup> Central Office Cost Allocation Plan represents the documentation identifying, accumulating, and allocating billing rates based on the allowable costs of services provided by a state, local government, or Indian tribe on a centralized basis to its departments and agencies.

<sup>7</sup> The MOA, dated February 2014, outlines the expectations on how to calculate non-SSA work and report it in the Form SSA-4513, as NY-DDS employees do not work solely on tasks for the federal disability award from SSA. The MOA specifies the calculation for estimated costs per case and the applicable obligation period to be used in the calculation. The MOA also dictates the method in which non-SSA work should be reported to SSA.

not reviewed by NY-DDS management to verify that the non-SSA work was reported in accordance with the MOA. NY-DDS' inability to execute the MOA in accordance with its terms may limit its ability to accurately report costs related to non-SSA work and could contribute to improper or insufficient documentation of costs to determine the allowability and proper allocation. Although these conditions did not result in any unallowable charges being represented within the Form SSA-4513, similar errors in different scenarios could lead to erroneous charges.

### ***Verification of Medical Qualifications***

For FY2017 and FY2018, the NY-DDS did not provide sufficient evidence that it performed the required verifications of qualifications and credentials for sampled providers that it hires to performed disability determinations. Specifically, the NY-DDS did not provide evidence that a review of the System for Award Management was performed for any of the sampled medical consultants in FY 2017 and the FY 2018. Additionally, the NY-DDS was unable to provide documentation supporting its verification that the CE providers support staff met the licensing or certification requirements of the state and are not currently excluded, suspended, or otherwise barred from participating in Medicare or Medicaid programs.

NY-DDS does not have a control in place requiring that verifiers maintain documentation of annual consultative examination (CE) provider checks, as required by POMS. Per POMS,<sup>8</sup> before using any new medical consultant (MC), psychological consultant, or consultative examination (CE) provider, DDSs must verify their licenses, credentials, and certifications with State boards. The documentation should include the name of the individual who conducted the verification and the date the verification was completed. The lack of documentation evidencing a review of required MC credentials affects management's ability to monitor its MCs and ensure compliance with POMS criteria for MCs who provide services for NY-DDS. Although these conditions did not result in any unallowable charges being represented within the Form SSA-4513, similar errors in different scenarios could lead to erroneous charges.

### ***Vendor Contracts***

For FY 2018, NY-DDS was unable to provide the entire MC vendor contract including the contract terms, contract period, evidence of approval, and effective date for two of five samples. Management only provided the hourly rate for services. Management has not designed and implemented controls to ensure sufficient documentation for MC contract costs is maintained for the time necessary to support costs charged to the federal award in accordance with 2 C.F.R., Part 225. Management's inability to provide documentation to support the MC costs affects management's ability to properly support the NY-DDS Personnel Service costs reported in the form SSA-4513. Refer to Objective 2 for related finding on the allowability of MC costs.

### ***Current Procedural Terminology Codes***

NY-DDS could not provide documentation that CPT codes used in its case processing system were in accordance with the American Medical Association CPT coding structure. Specifically

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<sup>8</sup> SSA, POMS, DI 39569.300 *Disability Determination Services Requirements for Ensuring Licensures, Credentials, and Exclusions of Consultative Examination (CE) Providers, CE Provider's Employees, Medical and Psychological Consultants.*

for FYs 2017 and 2018, NY-DDS did not provide sufficient documentation to crosswalk 42 of 61 sampled codes to the appropriate American Medical Association CPT codes on the Medicare Website or a secondary resource. Management does not maintain documentation of a reconciliation or crosswalk from nonstandard CPT codes used in its case processing system to the AMA CPT codes to ensure that CPT codes used are appropriate as required by POMS.<sup>9</sup> Although these conditions did not result in any unallowable charges being represented within the Form SSA-4513, similar errors in different scenarios could lead to erroneous charges.

### ***Approval of Medical Evidence of Record Costs***

NY-DDS was unable to provide documentation that Medical Evidence of Record (MER) costs were reviewed and approved before payment for all items sampled for FYs 2017 and 2018 was made. Per NY-DDS management, examiner reviews of MER are documented via an electronic pin; however, during the time related to our sampled period, the certification pin was not captured. NY-DDS has not implemented a procedure to ensure its system captures the examiner's pin or the date of review, in accordance with POMS<sup>10</sup>. The lack of documentation over the review of MERs impacts management's ability to properly support costs reported on the Form SSA-4513. Refer to Objective 2 for related finding on the allowability of MER costs. Refer to Objective 2 for related finding on the allowability of MER costs.

### ***Approval of Other Costs***

For FY 2018, NY-DDS could not provide evidence of SSA approval for the purchase of \$48,479 in EDP software, rental of a postage meter for \$600 per month, or a complete and signed contract for one of 19 all other non-personnel samples. Management does not maintain sufficient documentation or have a control in place to ensure the SSA approval for, and maintenance of, EDP purchases, equipment rental, and contracts in accordance with 2 C.F.R., part 225. The inability to provide documentation to support new EDP equipment/upgrades and equipment rental costs impacts management's ability to support the costs reported on the Form SSA-4513. Although these conditions did not result in any unallowable charges being represented within the Form SSA-4513, similar errors in different scenarios could lead to erroneous charges. Although these conditions did not result in any unallowable charges being represented within the Form SSA-4513, similar errors in different scenarios could lead to erroneous charges.

### ***Unliquidated Obligations***

During testing for FY 2017, we noted NY-DDS reported unliquidated obligations that exceeded 5 percent of total obligations, as documented in the Form SSA-4513 as of March 31, 2020. Specifically, for FY 2017, the unliquidated obligations for the categories we tested amounted to \$9,018,510, averaging approximately 42 percent of its total obligations. Similarly, for FY 2018, unliquidated obligations for categories we tested amounted to \$6,008,460 (or an average of 25 percent of total obligations). NY-DDS noted that it reviews unliquidated obligations when it prepares the Monthly Obligation Report and makes adjustments as necessary and within the

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<sup>9</sup> SSA, POMS, DI 39545.650 *Using the Medicare Fee Schedule and Current Procedural Terminology (CPT) Codes* and DI 39545.675 Exhibit 3 – *DDS Guide to Establishing a Fee Schedule*.

<sup>10</sup> SSA, POMS, DI 39554.215 *Retention and Disposition of Documents* – DDS and DI 39545.150 *CE/MER Evidence*.

limit of the Federal allocation; however, there is no monitoring control to determine whether high unliquidated obligations are supported and reasonable in accordance with 2 C.F.R., part 225.

Per Federal budgetary regulations,<sup>11</sup> NY-DDS has a period of 5 years after the FY of obligation to liquidate the related obligated amount. However, the large number of unliquidated obligations more than two years after the close of the FY demonstrates a lack of timely accounting for transactions as well as potential inappropriate obligations of funds in excess of amounts determined to be reasonable. The lack of timely accounting for obligations impacts NY-DDS' ability to comply with the criteria in 2 C.F.R., part 225 for indirect cost allowability. This also inhibits SSA's ability, as the awarding Federal agency, to account for award obligations and payments in a timely manner.

Additionally per POMS,<sup>12</sup> valid unliquidated obligations should be supported by documents/records that describe the nature of the obligations and support the amounts recorded.

## **Objective 2: Determine whether the administrative costs claimed on the most recently submitted Form SSA-4513 were allowable and properly allocated**

Based on our procedures to determine whether administrative costs were allowable and properly allocated, we determined that administrative costs as shown in Table 1 did not meet the criteria for allowability per 2 C.F.R., part 225.

### ***Payroll Variances***

NY-DDS did not provide supporting documentation sufficient to recalculate 47 of 50 sampled items for FY 2017 and 45 of 50 sampled items for FY 2018. This resulted in projected errors of \$54,824,456 and \$55,083,883 for FYs 2017 and 2018, respectively, and are included in Table 1 ("Personnel service cost" line item). C.F.R., part 225, states that costs are allowable if they are properly supported. Management's inability to explain all factors considered when it calculated employee payroll and the lack of support for the factors included in the payroll calculation limits the NY-DDS' ability to support the employee payroll costs claimed in Form SSA-4513. These projected errors are included in Table 1 ("Personnel service cost" line item).

### ***Medical Consultant Invoices Versus Contract Variances***

NY-DDS' management did not verify the rate the vendor was paid against the approved contract, resulting in vendor invoices rates that exceeded the contract rates in most of the samples for FY2017 and FY2018. The NY-DDS only reviewed the hours within the MC timesheets. Invoices are submitted to OTDA for review and approval before payment is made.

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<sup>11</sup> 31 U.S.C., section 1552, states, "On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose." (ecfr.gov)

<sup>12</sup> SSA, POMS, DI 39596.203 *Updating and Reconciling Unliquidated Obligations*.

The NY-DDS relies on OTDA to review and approve vendor invoices; thus, they do not have a control in place to appropriately review these costs in accordance with 2 C.F.R. part 225.

The lack of review performed over the vendor invoice has resulted in a total monetary error of \$834 and a projected error of \$3,748 for FY2017. Similarly, it resulted in a total monetary error of \$1,061 and a projected error of \$2,982 for FY2018. These projected errors are included in Table 1 ("Personnel service cost" line item).

### ***Indirect Cost Allocation***

For FYs 2015 through 2018, NY-DDS was unable to provide documentation to support several indirect disbursements selected for testing. To test the allowability and proper allocation of indirect disbursement costs, we sampled from the indirect population and requested original invoices and payroll detail (for allocated payroll costs) to support the allocation base and allocation percentage (factor) calculations for each sample. For example, in FY 2015, NY-DDS was unable to provide support for discretionary payments it made to reimburse the State of New York for 10 of 13 samples. Additionally, NY-DDS mis-categorized direct costs to the indirect cost pool for 3 of 13 samples. There were similar findings for FYs 2016 through 2018.

NY-DDS does not maintain adequate documentation to support the costs recorded on Form SSA-4513, in accordance with 2 C.F.R., part 225. In addition, the C.F.R. states it is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost. The lack of documentation over the discretionary payments and payroll affects management's ability to properly support the cost. Additionally, the inconsistency in reporting the same type of expense as either direct or indirect costs leads to the inaccuracy of the direct and indirect cost pools being over- or understated. As a result, we could not determine the allowability or proper allocation of 100 percent of the sampled population; thus, we determined a projected error of \$15,003,063, \$13,122,711, \$11,325,615, and \$12,774,197 for FYs 2015 through 2018, respectively, as noted in Table 1 ("Indirect cost" line item).

### ***Invoice Variances***

NY-DDS was not able to provide appropriate invoices or third-party documentation to support a portion of the All Other Non-personnel Costs. For example, NY-DDS provided Form AC3253-S, *Claim for Payment*, in place of an invoice for 2 of 19 FY 2018 samples; however, the Form did not include the quantity, unit, or unit price paid for the services provided by the vendor. There were additional findings in FY 2018 and similar findings in FY 2017 that determined the inadequate support of costs.

Management does not maintain adequate documentation to support or explain expenses in accordance with 2 C.F.R., part 225. Additionally, management used funds from the incorrect FY to pay for expenses for another FY as obligations were not made immediately available.

The lack of documentation impacts management's ability to properly support costs reported on the Form SSA-4513. In addition, the lack of supporting documentation resulted in a monetary error of \$69,134 and \$392,037 and projected error of \$1,755,915 and \$3,147,828 for FYs 2017 and 2018, respectively, as noted in Table 1 ("all-other nonpersonnel cost" line item).



### ***Missing Vouchers and Service Dates***

NY-DDS was unable to provide the MER form/order vouchers to support that MER costs were allowable and properly allocated for several samples in FY2017 and FY2018. Additionally, NY-DDS recorded MER costs in FY2017 for 7 of 50 samples for which the service dates fell outside of the FY. Management does not maintain sufficient documentation for the MER claims and the review of the MER costs in accordance with 2 C.F.R., part 225. The lack of documentation for MER claims and incorrectly allocating expenses to the incorrect FY resulted in a monetary error of \$100 and \$60 and a projected error of \$770,104 and \$432,970 for FYs 2017 and 2018, respectively, as noted in Table 1 ("Medical cost" line item).

**Table 1: NY-DDS Projected Unsupported Costs**

	Projected Unsupportable Amounts			
Line Item	FY 2015	FY 2016	FY 2017	FY 2018
Personnel Service Costs	N/A	N/A	\$ 54,828,204	\$ 55,086,865
Medical Costs	N/A	N/A	770,104	432,970
Indirect Costs	\$ 15,003,063	\$ 13,122,711	11,325,615	12,774,197
All Other Non-personnel Costs	N/A	N/A	1,755,915	3,147,828
<b>Total</b>	<b>\$ 15,003,063</b>	<b>\$ 13,122,711</b>	<b>\$ 68,679,838</b>	<b>\$ 71,441,860</b>

### **Objective 3: Reconcile funds drawn down with claimed costs**

Based on testing procedures performed to reconcile funds drawn down with claimed costs, we determined that no findings were noted.

### **Objective 4: Assess the General Security Controls Environment**

Grant Thornton assessed the design and implementation of general security controls as they pertained to the NY-DDS and its legacy case processing system, a server that resides on the SSA network. In addition, we assessed the operating effectiveness of specific physical access and systems access controls, determined based on control objective and frequency. The objective and scope of testing has been defined in detail within *Appendix A: Scope and Methodology*. Due to the sensitive nature of these controls, we present the results and associated findings in a separate memorandum.

## **CONCLUSIONS AND RECOMMENDATIONS**

Based on the procedures performed, we noted areas where improvement was needed in internal control over accounting and reporting of administrative costs as well as general security controls. Additionally, we noted that projected administrative costs of \$15,003,063; \$13,122,711; \$68,679,838 and \$71,441,860 as claimed on the Form SSA-4513 for FYs 2015, 2016, 2017 and 2018, respectively as of March 31, 2020 did not meet criteria for allowability. We have the following recommendations for the findings noted in the above section:

## Objective 1

1. We recommend NY-DDS train management and staff on how to classify, record, and report indirect costs in accordance with the State-Wide Cost Allocation Plan and Central Office Cost Allocation Plan. Additionally, management should consistently record similar expenses to the appropriate direct or indirect cost category.
2. NY-DDS and OTDA should consult with SSA to determine a mutual understanding of all MOA terms.
3. We recommend NY-DDS maintain sufficient documentation of credential verification documents in accordance with POMS, DI 39569.300, and maintain them in a way that can be accessed for inspection when necessary.
4. We recommend NY-DDS implement procedures to ensure invoices are reviewed against the vendor contract to review contract rates and validate the expenses.
5. We recommend that management perform, document, and retain the reconciliation/crosswalk annually or when updates are made to compare and determine whether the NY-DDS' fee does not exceed the regulatory requirements in accordance with POMS, DI 39545.650, and POMS, DI 39545.675.
6. We recommend NY-DDS management enhance its procedures for documenting its reviews of the work performed by a contractor to ensure transaction details are adequately maintained in accordance with the referenced POMS.
7. We recommend that NY-DDS management implement procedures to review and maintain transaction documentation in compliance with 2 C.F.R., part 225, Appendix A, section C.
8. We recommend that NY-DDS management review unliquidated obligations at least once a month to cancel those no longer valid.
9. We recommend NY-DDS submit a quarterly report by line item for each open FY obligation.
10. We recommend NY-DDS provide the status of unliquidated obligations with the quarterly report.

## Objective 2

11. We recommend NY-DDS implement and document procedures that provide management an understanding of how to re-calculate employee salary and wages.
12. We recommend NY-DDS management maintain sufficient documentation to support the calculation of employee salary and wages.
13. We recommend NY-DDS obtain and retain documentation for all expenses charged to the State.



14. We recommend NY-DDS review the type of expenditures and verify that similar types of expenses are being classified consistently.
15. We recommend NY-DDS implement procedures to ensure all vendor invoices undergo appropriate review and approval before they are submitted to OTDA for payment.
16. We recommend NY-DDS implement procedures to ensure invoices are reviewed against the vendor contract to review contract rates and validate the expenses.
17. We recommend that NY-DDS management implement procedures to review and retain appropriate documentation that will support expenses reported on Form SSA-4513 and in compliance with 2 C.F.R., part 225, Appendix A, section C.
18. We recommend NY-DDS management work with OTDA and SSA to make obligations readily available at the beginning of the FY or implement procedures to adjust entries when using other FY obligations until the new obligation is made available.
19. We recommend that NY-DDS management implement procedures to review the contractor's work to ensure transaction details are adequately documented in compliance with 2 C.F.R., part 225, Appendix A, section C.

## **Objective 4**

Due to the sensitive nature of general security controls, we present recommendations for the NY-DDS to strengthen its general security controls environment in a separate memorandum.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have issued reportable findings in the body of this report. The purpose of this reporting is to communicate, as applicable, noncompliance with the criteria; deficiencies in internal control; and instances of fraud, or noncompliance with the provisions of laws, regulations, contracts or grant agreements that are significant within the context of the audit objectives. It also includes those deficiencies in internal control that are not significant within the context of the audit objectives, but which warrant the attention of those charged with governance. Reporting these items is an integral part of a performance audit performed in accordance with *Government Auditing Standards* in considering the NY-DDS' internal control and compliance related to the audit objectives.

## **NY-DDS' RESPONSE**

The full text of the NY-DDS' response is included in Appendix C. The NY-DDS' response to our findings was not subjected to the auditing procedures applied in the audit, and accordingly, we express no opinion on the NY-DDS' response. We evaluated the additional context provided by the NY-DDS in its response to the audit findings. While we understand the demands that an audit can create on entity operations, our findings reflect departures that we noted from the applicable criteria as well as the lack of available evidence to substantiate costs claimed by the NY-DDS for reimbursement and other documentation necessary to fulfill the objectives of the audit. SSA was provided the report for comment and, although not required, did not provide comments on the recommendations.

### **Intended Purpose**

The purpose of this performance audit report is solely to report our findings and conclusions in relation to the audit objectives. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

Baltimore, Maryland  
September 24, 2021

# ***APPENDICES***

## Appendix A – SCOPE AND METHODOLOGY

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We obtained sufficient, appropriate evidence to evaluate the performance audit objectives for the New York Division of Disability Determinations (DDS) in accordance with applicable *Government Auditing Standards* (GAS). To accomplish the objectives, we completed the following.

- Reviewed the applicable Federal regulations, the *Social Security Act*, and SSA Program Operations Manual System (POMS).
- Reviewed prior Office of the Inspector General (OIG) work over the New York DDS as well as available and relevant Single Audits performed by the State's auditor.
- Communicated with the Social Security Administration's (SSA) Office of Disability Determination, SSA's New York Regional Office, New York DDS, and the Office of Temporary and Disability Assistance (Parent Agency) staff to obtain background information.
- Reconciled NY-DDS transactional listings to the administrative costs reported on its submitted Form SSA-4513, *State Agency Report of Obligations for SSA Disability Programs*, for Federal Fiscal Years (FY) 2015 and 2016 (indirect cost only), 2017 and 2018.

The fourth audit objective was to assess general security controls. Due to the sensitive nature of general security controls, we presented the results and recommendations in a separate memorandum.

We determined and applied the following performance materiality for each tested fiscal year as shown in Table A–1.

**Table A–1: NY-DDS Performance Materiality**

Materiality Type	FY 2015	FY 2016	FY 2017	FY 2018
Performance Materiality	\$1,558,000	\$1,642,000	\$1,448,000	\$1,949,000

### Sampling

Our sampling methodology encompassed four 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, (3) Indirect, and (4) All Other Non-personnel Costs.

#### *Personnel Service Costs*

For payroll costs, we randomly selected to pay periods and a total 50 samples for each fiscal year for FY2017 and FY2018. Other Personnel Service Costs (medical consultants) were segregated and sampled using Monetary Unit Sampling (MUS). The GT sampling tool calculated a sample size of 5 for both FY2017 and FY2018, respectively and the sampling tool sample sizes are synonymous with the actual selected sample size.

## ***Medical Costs***

For consultative examinations, we used MUS sampling. The GT sampling tool calculated a sample size of 50 and 51 for FY2017 and FY2018, respectively; therefore, we selected 50 and 51 samples for FY2017 and FY2018. For medical evidence of records transactions, the GT sampling tool calculated a sample size of 10 and 7 for FY2017 and FY2018. We randomly selected 50 samples for each FY instead of the sample size calculated by the sampling tool. The discrepancies between the sampling tool and the sample selections are due to selecting the recommended sample size 50 or more.

## ***Indirect Costs***

The Indirect costs were subject to MUS. The GT sampling tool calculated a sample size of 13 positive and 1 negative for FY2015; 19 positive transactions for FY2016; 20 positive transactions for FY2017; and 18 positive transactions for FY2018. The sampling tool also calculated a sample size of one for negative transactions for FY2015. Unless otherwise noted, the sampling tool sample size is synonymous with the IDEA selected sample size.

Note for FY2015, the sampling tool generated a sample size of 13 positive values. IDEA only selected 12 samples as a result of one high value items of \$1.022M, generating the sample interval of \$413K. We also haphazardly selected one sample of negative transactions for FY2015 as it represented over 94% of the population. Similarly, for FY2017, the sampling tool generated a sample size of 20 positive values, while IDEA selected 22 samples as a result of two low volume items of \$267K and \$289K, both less than the sampling interval of \$388K.

## ***All Other Non-Personnel Costs***

Before selecting the sample items, we segregated high dollar value transactions related to lease payments within occupancy costs and will test these items in their entirety. The remainder of the costs within All Other Non-Personnel Costs were subject to MUS. The GT sampling tool calculated a sample size of 17 sample for FY2017. For FY2018, the sampling tool also selected 24 positive transaction and 10 negative transactions. Based on this information, we randomly selected 17 and 16 positive samples for FY2017 and FY2018, respectively. We also randomly selected 3 negative samples for FY2018. The discrepancies between the sampling tool and the sample selection for FY2018 are due to one large item of \$7M within the transaction data that is accounting for the difference per MUS.

# Appendix B – FORMS SSA-4513

## FY2015 State Agency Report of Obligations for SSA Disability Programs

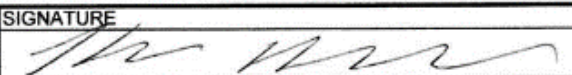
Form Approved OMB No. 0960-0421

STATE AGENCY REPORT OF OBLIGATIONS FOR SSA DISABILITY PROGRAMS (See attached Instructions and Paperwork/Privacy Act Notice)			
NAME OF AGENCY Office of Temporary and Disability Assistance		STATE NEW YORK	
FISCAL YEAR 2015	FOR PERIOD From: 10/1/2014 To: 3/31/2020		
REPORTING ITEMS - ALL TITLES	(A) DISBURSEMENTS	(B) UNLIQUIDATED OBLIGATIONS	(C) TOTAL OBLIGATIONS
1. Personnel Service Costs	92,425,949	1,504,899	93,930,848
2. Medical Costs (sum of 2a+2b)	28,062,449	0	28,062,449
a. Consultative Examinations (sum of a1+a2+a3)	24,149,034	0	24,149,034
1) Disability Insurance (DI) Claims	8,069,257	0	8,069,257
2) Supplemental Security Income (SSI) Claims	10,744,542	0	10,744,542
3) Concurrent DI/SSI Claims	5,335,235	0	5,335,235
b. Medical Evidence of Record (sum of b1+b2+b3)	3,913,415	0	3,913,415
1) Disability Insurance (DI) Claims	1,549,582	0	1,549,582
2) Supplemental Security Income (SSI) Claims	1,552,842	0	1,552,842
3) Concurrent DI/SSI Claims	810,991	0	810,991
3. Indirect Costs ** (see attached addendum)	15,003,063	2,628,073	17,631,136
4. All Other Nonpersonnel Costs	12,844,815	0	12,844,815
a. Occupancy	6,651,339	0	6,651,339
b. Contracted Costs (exclude EDP)	2,947,651	0	2,947,651
c. EDP Maintenance	0	0	0
d. New EDP Equipment/Upgrades	7,510	0	7,510
e. Equipment Total	45,784	0	45,784
1) Purchases	41,317	0	41,317
2) Rental	4,467	0	4,467
f. Communications	1,993,934	0	1,993,934
g. Applicant Travel	85,772	0	85,772
h. DDS Travel	27,683	0	27,683
i. Supplies	160,047	0	160,047
j. Miscellaneous	925,095	0	925,095
5. Total: (sum of 1 thru 4)	148,336,276	4,132,972	152,469,248
6. Cumulative Obligational Authorization			152,469,248

7. SSA-871 Attached? YES ☐ NO ☒ X

\*\*The Indirect Obligations have been reduced below the actual obligations in order to not exceed the obligation authorization amount to conform to POMS DI 39506.200 B3.

I CERTIFY THAT THE ABOVE REPORT AND ANY SUPPORTING STATEMENTS ARE TRUE  
STATEMENTS OF DISBURSEMENTS AND UNLIQUIDATED OBLIGATIONS FOR DETERMINATIONS  
OF DISABILITY UNDER THE PROVISIONS OF THE SOCIAL SECURITY ACT, AS AMENDED.

SIGNATURE 	TITLE Asst. Chief Accountant, Bureau of Financial Services Division of Budget, Finance, and Data Management	DATE 4/28/20
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Form SSA-4513 (6-2001)



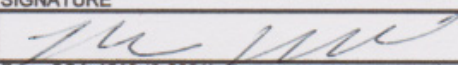
# FY2016 State Agency Report of Obligations for SSA Disability Programs<sup>1</sup>

Form Approved OMB No. 0960-0421

STATE AGENCY REPORT OF OBLIGATIONS FOR SSA DISABILITY PROGRAMS (See attached Instructions and Paperwork/Privacy Act Notice)			
NAME OF AGENCY <b>CORRECTED</b> Office of Temporary and Disability Assistance		STATE NEW YORK	
FISCAL YEAR 2016	FOR PERIOD From: 10/1/2015 To: 3/31/2020		
REPORTING ITEMS - ALL TITLES	(A) DISBURSEMENTS	(B) UNLIQUIDATED OBLIGATIONS	(C) TOTAL OBLIGATIONS
1. Personnel Service Costs	99,232,183	310,381	99,542,564
2. Medical Costs <i>(sum of 2a+2b)</i>	30,823,359	(108,593)	30,714,766
a. Consultative Examinations <i>(sum of a1+a2+a3)</i>	27,089,252	16,074	27,105,326
1) Disability Insurance (DI) Claims	9,617,929	0	9,617,929
2) Supplemental Security Income (SSI) Claims	11,918,549	16,074	11,934,623
3) Concurrent DI/SSI Claims	5,552,774	0	5,552,774
b. Medical Evidence of Record <i>(sum of b1+b2+b3)</i>	3,734,107	(124,667)	3,609,440
1) Disability Insurance (DI) Claims	1,489,330	(48,810)	1,440,520
2) Supplemental Security Income (SSI) Claims	1,497,776	(51,126)	1,446,650
3) Concurrent DI/SSI Claims	747,001	(24,731)	722,270
3. Indirect Costs** <i>[see attached addendum]</i>	13,122,711	7,276,804	20,399,514
4. All Other Nonpersonnel Costs	13,217,557	293,644	13,511,201
a. Occupancy	6,732,667	189,802	6,922,469
b. Contracted Costs (exclude EDP)	3,264,595	(34,570)	3,230,025
c. EDP Maintenance	0	0	0
d. New EDP Equipment/Upgrades	315,428	82,655	398,083
e. Equipment Total	26,273	0	26,273
1) Purchases	25,639	0	25,639
2) Rental	634	0	634
f. Communications	1,603,045	0	1,603,045
g. Applicant Travel	76,902	8,630	85,532
h. DDS Travel	19,565	0	19,565
i. Supplies	118,934	0	118,934
j. Miscellaneous	1,060,148	47,127	1,107,275
5. Total: <i>(sum of 1 thru 4)</i>	156,395,810	7,772,236	164,168,045
6. Cumulative Obligational Authorization			160,761,490

7. SSA-871 Attached? YES ☐ NO ☒


I CERTIFY THAT THE ABOVE REPORT AND ANY SUPPORTING STATEMENTS ARE TRUE  
STATEMENTS OF DISBURSEMENTS AND UNLIQUIDATED OBLIGATIONS FOR DETERMINATIONS  
OF DISABILITY UNDER THE PROVISIONS OF THE SOCIAL SECURITY ACT, AS AMENDED.

SIGNATURE 	TITLE #Asst. Chief Accountant Division of Budget, Finance, and Data Management	DATE 1/13/21
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Form SSA-4513 (6-2001)

<sup>1</sup> SSA approved a revised SSA-Form 4513 for submission from the DDS. As shown, the revised submission was marked as "CORRECTED" by the DDS.

## FY2017 State Agency Report of Obligations for SSA Disability Programs<sup>2</sup>

Form Approved OMB No. 0960-0421			
STATE AGENCY REPORT OF OBLIGATIONS FOR SSA DISABILITY PROGRAMS (See attached Instructions and Paperwork/Privacy Act Notice)			
NAME OF AGENCY <b>CORRECTED</b> Office of Temporary and Disability Assistance		STATE NEW YORK	
FISCAL YEAR 2017	FOR PERIOD From: 10/1/2016 To: 3/31/2020		
REPORTING ITEMS - ALL TITLES	(A) DISBURSEMENTS	(B) UNLIQUIDATED OBLIGATIONS	(C) TOTAL OBLIGATIONS
1. Personnel Service Costs	106,738,877	36,873	106,775,750
2. Medical Costs <i>(sum of 2a+2b)</i>	29,990,797	37,983	30,028,780
a. Consultative Examinations <i>(sum of a1+a2+a3)</i>	26,140,281	0	26,140,281
1) Disability Insurance (DI) Claims	9,492,675	0	9,492,675
2) Supplemental Security Income (SSI) Claims	11,288,880	0	11,288,880
3) Concurrent DI/SSI Claims	5,358,726	0	5,358,726
b. Medical Evidence of Record <i>(sum of b1+b2+b3)</i>	3,850,516	37,984	3,888,500
1) Disability Insurance (DI) Claims	1,565,968	14,092	1,580,060
2) Supplemental Security Income (SSI) Claims	1,528,715	19,345	1,548,060
3) Concurrent DI/SSI Claims	755,833	4,547	760,380
3. Indirect Costs** <i>[see attached addendum]</i>	11,325,615	8,777,497	20,103,112
4. All Other Nonpersonnel Costs	12,900,035	218,230	13,118,265
a. Occupancy	7,292,534	(8,415)	7,284,119
b. Contracted Costs (exclude EDP)	3,363,286	0	3,363,286
c. EDP Maintenance	0	0	0
d. New EDP Equipment/Upgrades	0	0	0
e. Equipment Total	53,672	128,827	182,499
1) Purchases	53,672	128,827	182,499
2) Rental	0	0	0
f. Communications	1,070,747	(14,368)	1,056,379
g. Applicant Travel	63,393	0	63,393
h. DDS Travel	16,849	0	16,849
i. Supplies	103,719	0	103,719
j. Miscellaneous	935,835	112,186	1,048,021
5. Total: <i>(sum of 1 thru 4)</i>	160,955,324	9,070,583	170,025,907
6. Cumulative Obligational Authorization			163,308,785
7. SSA-871 Attached? YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> X			
I CERTIFY THAT THE ABOVE REPORT AND ANY SUPPORTING STATEMENTS ARE TRUE STATEMENTS OF DISBURSEMENTS AND UNLIQUIDATED OBLIGATIONS FOR DETERMINATIONS OF DISABILITY UNDER THE PROVISIONS OF THE SOCIAL SECURITY ACT, AS AMENDED.			
SIGNATURE 		TITLE Asst Chief Accountant Division of Budget, Finance, and Data Management	DATE 1/13/21

Form SSA-4513 (6-2001)

<sup>2</sup> SSA approved a revised SSA-Form 4513 for submission from the DDS. As shown, the revised submission was marked as "CORRECTED" by the DDS.



# FY2018 State Agency Report of Obligations for SSA Disability Programs


Form Approved OMB No. 0960-0421			
STATE AGENCY REPORT OF OBLIGATIONS FOR SSA DISABILITY PROGRAMS (See attached Instructions and Paperwork/Privacy Act Notice)			
NAME OF AGENCY Office of Temporary and Disability Assistance		STATE NEW YORK	
FISCAL YEAR 2018	FOR PERIOD From: 10/1/2017 To: 3/31/2020		
REPORTING ITEMS - ALL TITLES	(A) DISBURSEMENTS	(B) UNLIQUIDATED OBLIGATIONS	(C) TOTAL OBLIGATIONS
1. Personnel Service Costs	112,431,304	(2,879,557)	109,551,747
2. Medical Costs (sum of 2a+2b)	30,646,952	219,722	30,866,674
a. Consultative Examinations (sum of a1+a2+a3)	27,038,876	85,568	27,124,444
1) Disability Insurance (DI) Claims	10,110,578	30,262	10,140,840
2) Supplemental Security Income (SSI) Claims	11,399,312	37,272	11,436,584
3) Concurrent DI/SSI Claims	5,528,986	18,034	5,547,020
b. Medical Evidence of Record (sum of b1+b2+b3)	3,608,076	134,154	3,742,230
1) Disability Insurance (DI) Claims	1,452,375	56,365	1,508,740
2) Supplemental Security Income (SSI) Claims	1,435,510	48,570	1,484,080
3) Concurrent DI/SSI Claims	720,191	29,219	749,410
3. Indirect Costs** [see attached addendum]	12,774,197	5,601,969	18,376,166
4. All Other Nonpersonnel Costs	14,459,952	35,963	14,495,915
a. Occupancy	7,965,683	(144,860)	7,820,823
b. Contracted Costs (exclude EDP)	3,675,740	(250,712)	3,425,028
c. EDP Maintenance	0	0	0
d. New EDP Equipment/Upgrades	48,479	0	48,479
e. Equipment Total	28,228	15,041	43,269
1) Purchases	22,468	15,041	37,509
2) Rental	5,760	0	5,760
f. Communications	1,655,018	25,044	1,680,062
g. Applicant Travel	68,694	10,123	78,817
h. DDS Travel	39,303	0	39,303
i. Supplies	150,124	21,577	171,701
j. Miscellaneous	828,683	359,750	1,188,433
5. Total: (sum of 1 thru 4)	170,312,405	2,978,097	173,290,502
6. Cumulative Obligational Authorization			173,290,502

7. SSA-871 Attached?

YES ☐ NO ☒

\*\*The Indirect Obligations have been reduced below the actual obligations in order to not exceed the obligation authorization amount to conform to POMS DI 39506.200 B3.

I CERTIFY THAT THE ABOVE REPORT AND ANY SUPPORTING STATEMENTS ARE TRUE  
STATEMENTS OF DISBURSEMENTS AND UNLIQUIDATED OBLIGATIONS FOR DETERMINATIONS  
OF DISABILITY UNDER THE PROVISIONS OF THE SOCIAL SECURITY ACT, AS AMENDED.

SIGNATURE 	TITLE Asst. Chief Accountant, Bureau of Financial Services Division of Budget, Finance, and Data Management	DATE 7/29/20
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Form SSA-4513 (6-2001)

## Appendix C – NEW YORK DDS' RESPONSE

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ANDREW M. CUOMO  
Governor

### Office of Temporary and Disability Assistance

MICHAEL P. HEIN  
Commissioner

BARBARA C. GUINN  
Executive Deputy Commissioner

August 20, 2021

Michelle L. Anderson  
Assistant Inspector General for Audit  
Office of the Inspector General  
Social Security Administration  
6401 Security Boulevard  
Baltimore, MD 21235

Dear Assistant Inspector General Anderson:

This letter is written in response to the draft *Audit Report: Costs Claimed by the New York Division of Disability Determinations (A-55-20-0004)* issued by the Office of the Inspector General (OIG) for the Social Security Administration (SSA) on July 22, 2021. The New York State Office of Temporary and Disability Assistance (OTDA), the parent agency of the New York State Division of Disability Determinations (NYS DDD), strongly disagrees with the major findings of the draft report. Before the final audit report is published, we ask that our responses to the draft audit be thoroughly considered by your office and the audit findings modified in response to the factual information we have provided.

It is essential that the OIG understand the context in which the audit was conducted, since that had direct impact on its findings. NYS DDD was notified in June 2020, in the midst of the COVID-19 pandemic, that there would be an administrative audit on the information it reported on SSA-4513, *State Agency Report of Obligations for SSA Disability Programs*, for each of the Federal Fiscal Years (FYs) 2017 and 2018. At the time of the notification, NYS DDD raised concerns about being audited in the middle of the COVID-19 pandemic, since NYS DDD staff were in various stages of teleworking to comply with public health guidelines, as were staff of the other State agencies that were needed to provide source information. SSA, even though its own staff were working remotely, did not postpone the audit and, in fact, without justification, later expanded the scope of the audit to include FYs 2015 and 2016. Contrary to its usual practice of using the OIG to perform the audit, SSA then hired an outside audit firm, Grant Thornton, to conduct the audit.

The unprecedented scope of the audit in a state that for months was the epicenter of the COVID-19 pandemic was challenging enough. What made responding to the audit even more difficult was conducting the audit remotely, making it challenging to convey information about the policies and practices of both NYS DDD and SSA, as well as the business practices of the State of New York and the role played by various State agencies in payroll processing, vendor payment, and payment of leases and related property costs. This was compounded by the fact that because its contract with SSA was due to expire, Grant Thornton did not allow sufficient time for NYS DDD to obtain all the requested information from other State agencies that were equally impacted by the COVID-19 pandemic.

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40 North Pearl Street, 3C, Albany, NY 12243-0001 | [www.otda.ny.gov](http://www.otda.ny.gov)

Due to the accelerated pace of the audit, NYS DDD, OTDA and multiple other State agencies were asked to spend thousands of staff hours analyzing Grant Thornton's requests and working as expeditiously as possible to supply Grant Thornton with the necessary documents. It took hundreds of work hours for NYS DDD to data mine transactional level requests for numerous documents per sample, with several sample documents requiring numerous layers of non-related articles of information to meet the auditor's requests. Because the audit was conducted remotely in such a compressed timeline, it appeared difficult for Grant Thornton to fully analyze all the information provided in a manner that produced accurate findings and recommendations. In some cases, it appeared that Grant Thornton confused information provided by a territory with that submitted by NYS DDD. In other cases, Grant Thornton misinterpreted the information provided and compounded the error by extrapolating from this misinformation. Without the ability to review the mathematical assumptions and extrapolations based on Grant Thornton's initial findings, it was impossible for NYS DDD to correct misinformation or misinterpretations before the draft audit report was issued.

The unprecedented scope of the audit, the complexity of federal and state fiscal systems, limitations caused by the COVID-19 pandemic, and the compressed time frame resulted in an audit report that is both inaccurate and not at all representative of the fiscal and programmatic policies and procedures of NYS DDD, OTDA, and other NYS state agencies. While OTDA has responded to all 21 recommendations in the draft audit report, it is OTDA's position that many of the recommendations are already an integral part of NYS DDD's and OTDA's business practices but went unrecognized by Grant Thornton. This fact resulted in inaccurate findings and incomprehensible extrapolations based on these findings. For that reason, it is essential for OTDA in its response to address first the findings, also referred to as the "results", and then the recommendations that followed.

Attached, therefore, are the responses to the audit findings as well as to the recommendations. We ask that, given the difficult circumstances in which this audit occurred, and the inaccurate conclusions drawn by Grant Thornton, that the OIG give thoughtful consideration to OTDA's responses. We ask that you consider revision of the audit findings to more accurately reflect NYS DDD's compliance with SSA policies and procedures.

Sincerely,



Joseph Agars  
Director of Administration  
New York Division of Disability Determinations

cc: Michael P. Hein, Commissioner, OTDA  
Barbara C. Guinn, Executive Deputy Commissioner, OTDA





## Office of Temporary and Disability Assistance

ANDREW M. CUOMO  
Governor

MICHAEL P. HEIN  
Commissioner

BARBARA C. GUINN  
Executive Deputy Commissioner

### OTDA/NY-DDS RESPONSE TO FINDINGS IDENTIFIED IN THE DRAFT AUDIT REPORT OF THE SSA OFFICE OF THE INSPECTOR GENERAL COSTS CLAIMED BY THE NEW YORK DIVISION OF DISABILITY DETERMINATIONS A-55-20-00004

Below are the findings from the Office of Inspector General Audit Report and OTDA/NY-DDS' responses:

**Objective 1: Evaluate internal control over the accounting and reporting of administrative costs.**

#### **Audit Finding # 1: Cost Allocation and Reporting Process**

For FYs 2017 and 2018, NY-DDS and OTDA management were unable to provide information sufficient to describe its cost allocation and reporting process. Additionally, for FY 2018, NY-DDS could not provide documentation to support its fringe-benefit calculation for transactions after June 2018.

Per POMS, the State is responsible for providing qualified, well-trained personnel. Further, per 2 C.F.R., part 225, all central service cost allocation plans and related documentation used as a basis for claiming costs under Federal awards must be retained for audit in accordance with records retention requirement contained in the Common Rule.

Without a clear understanding of the complexities of the State-Wide Cost Allocation and Central Office Cost Allocation Plans, management may not properly classify costs. Also, the inconsistency in the classification of costs may lead to under- or overstated cost pools.

Furthermore, the lack of documentation affects management's ability to support the fringe- benefit costs charged to the State. Refer to Objective 2 for related finding on the allowability of indirect costs.

#### ***OTDA/NY-DDS Response:***

OTDA is confident that its cost allocation and reporting processes are appropriate and accurate. OTDA and Office of Children and Family Services (OCFS) management who are responsible to the OTDA Central Office Cost Allocation Plan (COCAP) and quarterly OTDA and OCFS Central Office Cost Allocation Claims (COCAC) are extremely knowledgeable and have a great deal of experience with the COCAP and COCAC. These complicated processes were explained to the auditors in detail. Similarly, the auditors were also informed that a new statewide process was implemented in July 2018, where fringe-benefit transactions were generated automatically in New York's Statewide Financial System such that paper bills were no longer submitted to OTDA for payment.

OTDA/NY-DDS refute the finding that we are incorrectly and inconsistently reporting indirect costs. The classification of employee salaries and fringe benefits as either direct or indirect costs is made in

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consultation with the SSA NY Regional Office. OTDA provided a detailed explanation of the NYS process for discretionary payments to the auditors. All sampled costs were appropriately categorized as indirect costs based on long-established practice and fully disclosed to the SSA NY Regional Office.

#### **Audit Finding # 2: Non-Social Security Administration Work**

NY-DDS is not estimating and reporting costs associated with non-SSA work in accordance with the Memorandum of Agreement (MOA) between OTDA and SSA. We noted several inconsistencies in NY-DDS' accounting and reporting of non-SSA work as compared to the terms of the MOA. For example, NY-DDS based its estimated costs-per-case on obligations from the wrong FY. Additionally, obligations used as the basis for this calculation were adjusted without sufficient justification or approval of the adjusted amount of obligations. Finally, NY-DDS failed to report to SSA the amount of non-SSA work, in accordance with the MOA.

In our conversations, NY-DDS and OTDA management demonstrated a lack of understanding of the key components of the MOA. Additionally, before the Form SSA-4513 was submitted, it was not reviewed by NY-DDS management to verify that the non-SSA work was reported in accordance with the MOA. NY-DDS' inability to execute the MOA in accordance with its terms may limit its ability to accurately report costs related to non-SSA work and could contribute to improper or insufficient documentation of costs to determine the allowability and proper allocation. Although these conditions did not result in any unallowable charges being represented within the Form SSA-4513, similar errors in different scenarios could lead to erroneous charges.

#### ***OTDA/NY-DDS Response:***

OTDA/NY-DDS reasserts its position that its interpretation of the MOA is correct. OTDA/NY-DDS reasserts its strong disagreement with this finding, in particular the conclusion that "management demonstrated a lack of understanding of the key components of MOA." OTDA/NY-DDS reiterates its position that it is SSA and the auditors who are misinterpreting a specific section of the MOA. While we acknowledge that OTDA/NY-DDS used an alternate method to estimate non-SSA costs, it was done out of an abundance of caution to prevent inappropriate charging of these costs to SSA, not out of a misunderstanding of the MOA.

#### **Audit Finding #3: Verification of Medical Qualifications**

For FY2017 and FY2018, the NY-DDS did not provide sufficient evidence that it performed the required verifications of qualifications and credentials for sampled providers that it hires to perform disability determinations. Specifically, the NY-DDS did not provide evidence that a review of the System for Award Management was performed for any of the sampled medical consultants in FY 2017 and FY 2018. Additionally, the NY-DDS was unable to provide documentation supporting its verification that the CE providers support staff met the licensing or certification requirements of the state and are not currently excluded, suspended, or otherwise barred from participating in Medicare or Medicaid programs.

NY-DDS does not have a control in place requiring that verifiers maintain documentation of consultative examination (CE) provider checks, as required by POMS. Per POMS, before using any new medical consultant (MC), psychological consultant, or consultative examination (CE) provider, DDSs must verify their licenses, credentials, and certifications with State boards. The documentation should include the name of the individual who conducted the verification and the date the verification was completed. The lack of documentation evidencing a review of required MC credentials affects management's ability to monitor its MCs and ensure compliance with POMS criteria for MCs who

provide services for NY-DDS. Although these conditions did not result in any unallowable charges being represented within the Form SSA-4513, similar errors in different scenarios could lead to erroneous charges.

***OTDA/NY-DDS Response:***

Prior to the audit, OTDA/NY-DDS had already changed its policies to address these issues. The NY-DDS process now includes credentialing forms signed and dated by employees completing/verifying credentialing. For Medical Consultants, since 2019, the credentialing forms include a check of the System for Award Management (SAM.) For Consultative Examination Providers, since 2018, the credentialing forms include a SAM Exclusions field to verify SAM checks.

**Audit Finding #4: Vendor Contracts**

For FY 2018, NY-DDS was unable to provide the entire MC vendor contract including the contract terms, contract period, evidence of approval, and effective date for two of five samples. Management only provided the hourly rate for services. Management has not designed and implemented controls to ensure sufficient documentation for MC contract costs is maintained for the time necessary to support costs charged to the federal award in accordance with 2 C.F.R., Part 225. Management's inability to provide documentation to support the MC costs affects management's ability to properly support the NY-DDS Personnel Service costs reported in the form SSA-4513. Refer to Objective 2 for related finding on the allowability of MC costs.

***OTDA/NY-DDS Response:***

OTDA/NY-DSS disputes the statement about missing contract documents. These were included in the June 7, 2021 SharePoint upload with contract documentation.

**Audit Finding #5: Current Procedural Terminology Codes**

NY-DDS could not provide documentation that CPT codes used in its case processing system were in accordance with the American Medical Association (AMA) CPT coding structure. Specifically, for FYs 2017 and 2018, NY-DDS did not provide sufficient documentation to crosswalk 42 of 61 sampled codes to the appropriate American Medical Association CPT codes on the Medicare Website or a secondary resource. Management does not maintain documentation of a reconciliation or crosswalk from nonstandard CPT codes used in its case processing system to the AMA CPT codes to ensure that CPT codes used are appropriate as required by POMS. Although these conditions did not result in any unallowable charges being represented within the Form SSA-4513, similar errors in different scenarios could lead to erroneous charges.

***OTDA/NY-DSS Response:***

NY DDS reasserts that its CE procedure and fee coding was approved by SSA. Further, there is no evidence that NY DDS coding has, or could possibly, lead to erroneous charges. However, because of this finding, OTDA/NY-DDS is developing a crosswalk document for use in comparing established DDS CE procedure codes with AMA CPT coding per the audit recommendation.



#### **Audit Finding #6: Approval of Medical Evidence of Record Costs**

NY-DDS was unable to provide documentation that Medical Evidence of Record (MER) costs were reviewed and approved before payment for all items sampled for FYs 2017 and 2018 was made. Per NY-DDS management, examiner reviews of MER are documented via an electronic pin; however, during the time related to our sampled period, the certification pin was not captured. NY-DDS has not implemented a procedure to ensure its system captures the examiner's pin or the date of review, in accordance with POMS. The lack of documentation over the review of MERs impacts management's ability to properly support costs reported on the Form SSA-4513. Refer to Objective 2 for related finding on the allowability of MER costs.

#### ***OTDA/NY-DDS Response:***

OTDA/ NY-DSS strongly opposes these findings. As explained in the process clarification that was submitted for the audit, individual vouchers are not created for the field MER contractor. Rather, the MER claims are supported by the actual medical evidence found in the file submitted by the MER contractor and then submitted in aggregate.

Although for non-field contractor MER clerical reviewer PINS were not captured for some FY 2017 and 2018 samples, all MER receipts were recorded in the DDD's Analyst Case Processing System (ACPS) and all sampled MER payments were proper and correct. OTDA/NY-DDS has a longstanding practice of reviewing and approving MER payments and requests that the OIG provide OTDA/NY-DDS with the opportunity to demonstrate how well the system operates and how it complies with all SSA requirements.

#### **Audit Finding #7: Approval of Other Costs**

For FY 2018, NY-DDS could not provide evidence of SSA approval for the purchase of \$48,479 in EDP software, rental of a postage meter for \$600 per month, or a complete and signed contract for one of 19 all other non-personnel samples. Management does not maintain sufficient documentation or have a control in place to ensure the SSA approval for, and maintenance of, EDP purchases, equipment rental, and contracts in accordance with 2 C.F.R., part 225. The inability to provide documentation to support new EDP equipment/upgrades and equipment rental costs impacts management's ability to support the costs reported on the Form SSA-4513. Although these conditions did not result in any unallowable charges being represented within the Form SSA-4513, similar errors in different scenarios could lead to erroneous charges. Although these conditions did not result in any unallowable charges being represented within the Form SSA-4513, similar errors in different scenarios could lead to erroneous charges.

#### ***OTDA/NY-DDS Response:***

The NY-DDS reasserts its disagreement with the finding related to the rental of the postage meter. The NY-DDS maintains that implicit authorization from SSA via approval of Annual Spending Plans detailing the equipment rental charges is all that is necessary. The Social Security Administration – regardless of policy promulgated in POMS - does not have the authority to mandate the purchase of postage meters. Postage meters are governed by federal requirements at 39 CFR Part 501, particularly 39 CFR §§ 501.1 and 501.2. Given that, "approval" to rent as opposed to purchase postage meters – equipment essential to carrying out the Disability Programs' primary mission – is a moot consideration and explains why neither NY-DDS nor the SSA NY Regional Office possess a record of such authorization.

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While NY-DDS concurs with the Objective 1 finding that NY-DDS did not provide evidence of SSA approval related to the EDP purchase of Dragon Medical Software, we find it significant that this (appropriately) did not result in an Objective 2 finding of an unallowable charge. The expense incurred for the EDP software purchase was an allowable obligation.

As stated in POMS DI 39506.001, SSA will provide the State with funding for all expenses (direct or indirect) necessary to make disability determinations. The purchase of Dragon software had been approved by NYRO in 2011 (see attached email dated August 3, 2011). The NY-DDS then purchased upgraded software in 2018 to accommodate a new, SSA-mandated operating system.

#### **Audit Finding # 8: Unliquidated Obligations**

During testing for FY 2017, we noted NY-DDS reported unliquidated obligations that exceeded 5 percent of total obligations, as documented in the Form SSA-4513 as of March 31, 2020.

Specifically, for FY 2017, the unliquidated obligations for the categories we tested amounted to \$9,018,510, averaging approximately 42 percent of its total obligations. Similarly, for FY 2018, unliquidated obligations for categories we tested amounted to \$6,008,460 (or an average of 25 percent of total obligations). NY-DDS noted that it reviews unliquidated obligations when it prepares the Monthly Obligation Report and makes adjustments as necessary and within the limit of the Federal allocation; however, there is no monitoring control to determine whether high unliquidated obligations are supported and reasonable in accordance with 2 C.F.R., part 225.

Per Federal budgetary regulations, NY-DDS has a period of 5 years after the FY of obligation to liquidate the related obligated amount. However, the large number of unliquidated obligations more than two years after the close of the FY demonstrates a lack of timely accounting for transactions as well as potential inappropriate obligations of funds in excess of amounts determined to be reasonable. The lack of timely accounting for obligations impacts NY-DDS' ability to comply with the criteria in 2 C.F.R., part 225 for indirect cost allowability. This also inhibits SSA's ability, as the awarding Federal agency, to account for award obligations and payments in a timely manner.

Additionally, per POMS valid unliquidated obligations should be supported by documents/records that describe the nature of the obligations and support the amounts recorded.

#### **OTDA/NY-DDS Response:**

OTDA/NY-DDS disagrees with this finding. OTDA is aware of and follows 31 U.S.C. 1552 which provides that on September 30th of the fifth fiscal year after the period of availability for obligation ends, the account closes and any remaining obligation of unexpended amounts are cancelled and become unavailable for expenditure. Therefore, it is important that states resolve all unliquidated obligations by that time. As OTDA previously stated, its SSA-4513s submitted at the end of the five-year period do not contain any unliquidated obligations.

OTDA has previously provided documentation to the SSA NY Regional Office for outstanding Unliquidated Obligation amounts reported on the Indirect Costs line. OTDA/NY-DDS will comply with ongoing report requirements established by SSA.

#### **Objective 2: Determine Whether the Administrative Costs Claimed on the Most Recently Submitted Form SSA-4513 Were Allowable and Properly Allocated**

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#### **Audit Finding #9: Payroll Variances**

NY-DDS did not provide supporting documentation sufficient to recalculate 47 of 50 sampled items for FY 2017 and 45 of 50 sampled items for FY 2018. This resulted in projected errors of \$54,824,456 and \$55,083,883 for FYs 2017 and 2018, respectively, and are included in Table 1 ("Personnel service cost" line item). C.F.R., part 225, states that costs are allowable if they are properly supported. Management's inability to explain all factors considered when it calculated employee payroll and the lack of support for the factors included in the payroll calculation limits the NY-DDS' ability to support the employee payroll costs claimed in Form SSA-4513. These projected errors are included in Table 1 ("Personnel service cost" line item).

#### ***OTDA/NY-DDS Response:***

While NY-DDS acknowledges that it was unable to obtain detailed payroll records in the time frame requested, we would expect SSA to recognize and acknowledge the difficulty NY-DDS's parent agency (OTDA) encountered when attempting to comply with this request in the middle of the COVID-19 pandemic. As noted in our initial response, NYS agencies who oversee employee compensation compile and maintain detailed payroll records pursuant to Internal Revenue Service and other federal and state laws and regulations. OTDA's Bureau of Human Resources has an understanding of basic salary calculations such as for raise increases, location pay amounts, etc.; however, NY-DDS and OTDA do not calculate employee salaries, nor are they provided with detailed records of those calculations. Salary calculations are performed by another NYS agency and confirmed by yet another NYS agency which is responsible for the proper administration of payroll for all state employees. As the auditors and SSA have been informed previously, OTDA has obtained these records from the responsible NYS agency and will provide them to SSA for its review. It should be noted that on March 5, 2021, OTDA did provide the auditors with a copy of the wage calculation guidance document.

#### **Audit Finding #10: Medical Consultant Invoices Versus Contract Variances**

NY-DDS' management did not verify the rate the vendor was paid against the approved contract, resulting in vendor invoices rates that exceeded the contract rates in most of the samples for FY2017 and FY2018. The NY-DDS only reviewed the hours within the MC timesheets. Invoices are submitted to OTDA for review and approval before payment is made.

The NY-DDS relies on OTDA to review and approve vendor invoices; thus, they do not have a control in place to appropriately review these costs in accordance with 2 C.F.R. part 225.

The lack of review performed over the vendor invoice has resulted in a total monetary error of \$834 and a projected error of \$3,748 for FY2017. Similarly, it resulted in a total monetary error of \$1,061 and a projected error of \$2,982 for FY2018. These projected errors are included in Table 1 ("Personnel service cost" line item).

#### ***OTDA/NY-DDS Response***

As indicated by NY-DDS during the audit, rates on a small number of invoices were compared to a chart which inaccurately stated the contract rates. This has now been rectified.

### Audit Finding # 11: Indirect Cost Allocation

For FYs 2015 through 2018, NY-DDS was unable to provide documentation to support several indirect disbursements selected for testing. To test the allowability and proper allocation of indirect disbursement costs, we sampled from the indirect population and requested original invoices and payroll detail (for allocated payroll costs) to support the allocation base and allocation percentage (factor) calculations for each sample. For example, in FY 2015, NY-DDS was unable to provide support for discretionary payments it made to reimburse the State of New York for 10 of 13 samples. Additionally, NY-DDS mis-categorized direct costs to the indirect cost pool for 3 of 13 samples. There were similar findings for FYs 2016 through 2018.

NY-DDS does not maintain adequate documentation to support the costs recorded on Form SSA-4513, in accordance with 2 C.F.R., part 225. In addition, the C.F.R. states it is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost.

The lack of documentation over the discretionary payments and payroll affects management's ability to properly support the cost. Additionally, the inconsistency in reporting the same type of expense as either direct or indirect costs leads to the inaccuracy of the direct and indirect cost pools being over- or understated. As a result, we could not determine the allowability or proper allocation of 100 percent of the sampled population; thus, we determined a projected error of \$15,003,063, \$13,122,711, \$11,325,615, and \$12,774,197 for FYs 2015 through 2018, respectively, as noted in Table 1 ("Indirect cost" line item).

#### OTDA/NYS DDS Response:

OTDA/NY-DDS is confident that its cost allocation and reporting processes are appropriate and accurate.

As explained in Audit Finding #9, indirect payroll amounts are not calculated by OTDA/NY DDS.

SSA has long been aware of OTDA/NY DDS's classification of certain costs as indirect. As established during this audit, the categorization of personnel costs as indirect was a finding in a prior SSA OIG audit. Per SSA's instructions, OTDA/NY DDS is addressing this finding through a process of attrition, which both SSA and OTDA/NY DDS acknowledge needs to be done over a period of many years.

### Audit Finding # 12: Invoice Variances

NY-DDS was not able to provide appropriate invoices or third-party documentation to support a portion of the All Other Non-personnel Costs. For example, NY-DDS provided Form AC3253- S, *Claim for Payment*, in place of an invoice for 2 of 19 FY 2018 samples; however, the Form did not include the quantity, unit, or unit price paid for the services provided by the vendor. There were additional findings in FY 2018 and similar findings in FY 2017 that determined the inadequate support of costs.

Management does not maintain adequate documentation to support or explain expenses in accordance with 2 C.F.R., part 225. Additionally, management used funds from the incorrect FY to pay for expenses for another FY as obligations were not made immediately available. The lack of documentation impacts management's ability to properly support costs reported on the Form SSA-4513. In addition, the lack of supporting documentation resulted in a monetary error of \$69,134 and \$392,037 and projected error of \$1,755,915 and \$3,147,828 for FYs 2017 and 2018,

respectively, as noted in Table 1 ("all-other non-personnel cost" line item).

#### *OTDA/NY-DDS Response*

OTDA/NY-DDS strongly opposes these findings. The audit did not take into consideration NY's business processes for invoices and costs. For example:

Electric and rent payments are not sent to OTDA/NY-DDS for review before payment. Instead, the State's Business Services Center (BSC) reviews and approves invoices based on a purchase order that the BSC establishes with coding provided by OTDA. The BSC must receive instructions and coding from OTDA before establishing or changing a purchase order.

Recurring payments, which include rent as well as ancillary payments such as, parking and a prorated portion of utility payments, are programmed into the BSC's Real Estate Module (REM). Every month, the REM pays these bills automatically unless instructed not to do so by NY-DDS. Ancillary payments are those that are set out by the lease language and therefore can be anticipated in advance. OGS, representing New York State, determines the reasonableness of these costs during the lease negotiations and these are appended to the lease. The REM is run monthly to pay the rent and other static costs automatically, so there are no invoices for review for those payments. The payments are made based on the rates established in the lease. While parking and utilities are not formally "included" in the rent lease, effectively the ancillary costs have been reviewed as intrinsic costs associated with the lease and approved at the time of execution or renewal, within the agreed upon terms of the lease.

- Every month, the BSC sends a report of payment to NY-DDS which is then reviewed. Note that Tax or Operating escalation payments are often for a full 12-month period that may not line up neatly with federal fiscal years, so those invoices are reviewed by the NY-DDS to determine how costs should be allocated.
- Regarding deposits to postage meters, no invoice exists for these transactions. As noted during the audit, these are deposits into a dedicated account for the purpose of replenishing postage meter funds. Form AC3253-S, Claim for Payment, is the document used to deposit funds, at which point the funds are obligated to the NY DDS federal allocation. NY DDS has detailed records of when these funds are applied as postage, but they are not obligated on that basis.

#### **Audit Finding #13: Missing Vouchers and Service Dates**

NY-DDS was unable to provide the MER form/order vouchers to support that MER costs were allowable and properly allocated for several samples in FY2017 and FY2018. Additionally, NY-DDS recorded MER costs in FY2017 for 7 of 50 samples for which the service dates fell outside of the FY. Management does not maintain sufficient documentation for the MER claims and the review of the MER costs in accordance with 2 C.F.R., part 225. The lack of documentation for MER claims and incorrectly allocating expenses to the incorrect FY resulted in a monetary error of \$100 and \$60 and a projected error of \$770,104 and \$432,970 for FYs 2017 and 2018, respectively, as noted in Table 1 ("Medical cost" line item).

**OTDA/NY-DDS Response:**

OTDA/NY-DDS reasserts its strong opposition to the findings. The audit did not take into consideration NY's business process for Medical Evidence Record (MER) expenses.

OTDA/NY-DDS strongly disputes the appropriateness and the amounts of the monetary errors and projected errors. In addition, to the issues with the cited samples noted in our initial response, we object to MER payments made in the incorrect FY being used to project monetary errors. Making disability determinations in the federal Disability Programs is a continual process. Although funding and workload targets are segregated by the federal FY, the processing of actual cases goes on uninterrupted. Per POMS DI 39501.001.A, "The Commissioner of the Social Security Administration (SSA) provides funds to the States for the functions necessary to make disability determinations for the Federal Government." The fact that an MER payment is applied to the incorrect FY does not render the payment unnecessary to make a disability determination. It remains a legitimate obligation. If this methodology is to be followed, an obligation misapplied to one FY represents an equal understatement of obligations in a prior or subsequent FY. Consequently, obligations in those other FYs can be projected to have been understated in equal, or nearly equal, amounts.

The monetary finding regarding misapplied MER payments should be treated in the manner as Audit Finding 7 above. In that case, although policy regarding EDP purchases was not followed, the auditors found it to be an allowable obligation. The same approach should be applied to the cited MER payments. Any "monetary error" should be addressed by simply moving the obligations in question to the correct FY.

**Objective 3: Reconcile funds drawn down with claimed costs**

No findings.

**Objective 4: Assess the General Security Controls Environment****Audit Finding #14: Physical Access Termination**

Additional information to be provided under separate cover.

**Audit Finding # 15: Physical Access Review**

Additional information to be provided under separate cover.





## Office of Temporary and Disability Assistance

ANDREW M. CUOMO  
Governor

MICHAEL P. HEIN  
Commissioner

BARBARA C. GUINN  
Executive Deputy Commissioner

### DDD Responses to DDS Administrative Costs Audit Recommendations

#### Objective 1

1. We recommend NY-DDS train management and staff on how to classify, record, and report indirect costs in accordance with the State-Wide Cost Allocation Plan and Central Office Cost Allocation Plan. Additionally, management should consistently record similar expenses to the appropriate direct or indirect cost category.

**OTDA/NY-DDS Response:**

OTDA/NY-DDS agrees to adopt any policy changes promulgated by SSA regarding expenditure categorization – as is now occurring through attrition with indirect Personal Services costs as a result of a prior audit.

2. NY-DDS and OTDA should consult with SSA to determine a mutual understanding of all Memorandum of Agreement (MOA) terms.

**OTDA/NY-DDS Response:**

OTDA/NY-DDS reasserts that its interpretation of the MOA is correct. From that perspective, we concur that consultation with SSA regarding the MOA terms is necessary.

3. We recommend NY-DDS maintain sufficient documentation of credential verification documents in accordance with POMS, DI 39569.300, and maintain them in a way that can be accessed for inspection when necessary.

**OTDA/NY-DDS Response:**

NY-DDS implemented the recommendation after the FY 2017 and FY 2018 review periods. The NY-DDS process includes credentialing forms signed and dated by employees completing/verifying credentialing. For Medical Consultants, since 2019 the credentialing forms include a check of the System for Award Management (SAM). For the Consultative Examination Providers, since 2018 the credentialing forms include a SAM Exclusions field to verify SAM checks.

Currently for Consultative Exam providers, NY-DDS employees verifying required information sign and date an internal tracking spreadsheet that memorializes the credential verification process. The NY-DDS process includes a SAM Exclusions field to verify SAM checks. Statements regarding all support staff certification will be included with annual credentialing. NY-DDS utilizes providers licensed to practice in NY. NY-DDS obtains licenses of Consultative Exam providers during the contract renewal process and whenever new providers become involved with disability exams.

NY DDS internal credentialing tracking spreadsheets are stored in secure shared folders maintained by the components responsible for credentialing checks. They are accessible by authorized personnel from those components and senior managers to produce for inspection by external entities.

4. We recommend NY-DDS implement procedures to ensure invoices are reviewed against the vendor contract to review contract rates and validate the expenses.

**OTDA/NY-DDS Response:**

OTDA/NY-DDS has a longstanding practice in place for reviewing and approving contract payments. This was explained to the auditors during the audit process.

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5. We recommend that management perform, document, and retain the reconciliation/crosswalk annually or when updates are made to compare and determine whether the NY-DDS' fee does not exceed the regulatory requirements in accordance with POMS, DI 39545.650, and POMS, DI 39545.675.

**OTDA/NY-DDS Response:**

OTDA/NY-DDS agrees. The NY-DDS is currently developing a crosswalk document for use in comparing established DDS CE procedure codes with AMA CPT coding per the audit recommendation.

6. We recommend NY-DDS management enhance its procedures for documenting its reviews of the work performed by a contractor to ensure transaction details are adequately maintained in accordance with the referenced POMS.

**OTDA/NY-DDS Response:**

The NY-DDS does not currently make use of the contracts that led to this recommendation. However, should the need arise to use these contracts in the future, the NY-DDS will maintain its longstanding practice of reviewing invoiced rates to ensure they match contractual rates.

7. We recommend that NY-DDS management implement procedures to review and maintain transaction documentation in compliance with 2 C.F.R., part 225, Appendix A, section C.

**OTDA/NY-DDS Response:**

OTDA/NY-DDS has a longstanding practice of maintaining all expenditure data within the New York State Financial System. Some of these transactions are system automated transactions. OTDA will provide records of the systems transactions or hard copy supporting documentation as applicable for these items which are verified, processed and maintained by the NYS Business Service Center.

8. We recommend that NY-DDS management review unliquidated obligations at least once a month to cancel those no longer valid.

**OTDA/NY-DDS Response:**

OTDA/NY-DDS has a longstanding practice of reviewing unliquidated obligations for all open federal FYs on a monthly basis while preparing the Monthly Obligations Report. The review is performed by the NY-DDS's Director of Budget and Finance. This practice was explained to auditors during the audit process.

9. We recommend NY-DDS submit a quarterly report by line item for each open FY obligation.

**OTDA/NY-DDS Response:**

OTDA/NY-DDS disagrees with this recommendation. We have previously provided documentation to NYRO for outstanding Unliquidated Obligation amounts reported on the Indirect Costs line. OTDA and NY-DDS will provide any additional information as instructed by NYRO.

OTDA is required by federal regulations to submit the SSA-4513, State Agency Report of Obligations for SSA Disability Programs. It is difficult to respond in more detail to this recommendation as it is vague and ambiguous. The SSA-4513 is a line-item report, though certain lines are roll-ups of sub-line items. It is unclear if the auditors are recommending additional reporting. If so, that would likely require federal regulatory changes.

10. We recommend NY-DDS provide the status of unliquidated obligations with the quarterly report.

**OTDA/NY-DDS Response:**

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OTDA/NY-DDS disagrees with this recommendation. Unliquidated obligations are considered active until they have been liquidated by either an expenditure or an obligation adjustment. OTDA and NY-DDS will provide any additional information as instructed by NYRO.

NY-DDS position is that such a procedure would be onerous and is not currently required.

## Objective 2

11. We recommend NY-DDS implement and document procedures that provide management an understanding of how to re-calculate employee salary and wages.

**OTDA/NY-DDS Response:**

NYS OTDA does not perform the calculation (or recalculation) of employees' salaries and wages, and, therefore, does not implement and document the procedures for this process. During the audit, OTDA explained that NYS OTDA's Bureau of Human Resources enters payroll transactional data (i.e. hires/appointments, promotions, retirements, etc.) into a computerized payroll/personnel system which is linked to another NYS entity. This entity's staff then calculates salary and other wage factors (i.e. location pay, raises, performance advances, etc.) for our employees, including NY-DDS employees. Staff at this entity enters payroll/wage information into payroll/personnel systems, and data is sent electronically to a second entity which maintains the State's accounting system and administers the State's payroll. OTDA's Bureau of Human Resources may access salary/wage information, once processed, in the State's payroll system; however, it does not complete the calculations nor establish procedures for how they should be done. NY-DDS sent the wage calculation guidance document on March 5, 2021.

12. We recommend NY-DDS management maintain sufficient documentation to support the calculation of employee salary and wages.

**OTDA/NY-DDS Response:**

This recommendation is not consistent with the NYS business processes for payroll. As indicated in Response #11 above, NY-DDS and OTDA do not calculate employee salaries, nor are they provided with detailed records of those calculations. Salary calculations are performed by another NYS entity and confirmed by yet another NYS entity which is responsible for the proper administration of payroll for all state employees. OTDA's Bureau of Human Resources may access salary/wage information, once processed, in the State's payroll system, however, it does not receive documentation indicating the various factors that are used in the calculation of each individual employee's salary. NY-DDS sent the wage calculation document on March 5, 2021.

13. We recommend NY-DDS obtain and retain documentation for all expenses charged to the State.

**OTDA/NY-DDS Response:**

NY-DDS and OTDA maintains all expenditure data within the New York State Financial System which includes system automated transactions. Hard copy supporting documentation is audited and maintained by the NYS Business Service Center.

14. We recommend NY-DDS review the type of expenditures and verify that similar types of expenses are being classified consistently.

**OTDA/NY-DDS Response:**

OTDA/NY-DDS has a longstanding practice for reviewing all expenditures to ensure appropriate classification which was explained during the audit process.

15. We recommend NY-DDS implement procedures to ensure all vendor invoices undergo appropriate review and approval before they are submitted to OTDA for payment.

**OTDA/NY-DDS Response:**

OTDA/NY-DDS has a longstanding practice for reviewing and approving invoices which was explained during the audit process.



16. We recommend NY-DDS implement procedures to ensure invoices are reviewed against the vendor contract to review contract rates and validate the expenses.

***OTDA/NY-DDS Response:***

OTDA/NY-DDS has a longstanding practice for reviewing and approving contract payments, which was explained during the audit process.

17. We recommend that NY-DDS management implement procedures to review and retain appropriate documentation that will support expenses reported on Form SSA-4513 and in compliance with 2 C.F.R., part 225, Appendix A, section C.

***OTDA/NY-DDS Response:***

OTDA/NY-DDS has a longstanding practice of maintaining all expenditure data within the New York State Financial System which includes system automated transactions. Hard copy supporting documentation is audited and maintained by the NYS Business Service Center.

18. We recommend NY-DDS management work with OTDA and SSA to make obligations readily available at the beginning of the FY or implement procedures to adjust entries when using other FY obligations until the new obligation is made available.

***OTDA/NY-DDS Response:***

OTDA/NY-DDS disagrees with this recommendation. Making obligations (more accurately obligational authority) readily available is not possible. OTDA is required to follow NYS budgeting regulations and procedures, which do not allow the NY-DDS to access SSA-allocated funds immediately. There is currently a procedure for adjusting entries, but its appropriateness should be verified with SSA (i.e. federal Anti-Deficiency Act).

19. We recommend that NY-DDS management implement procedures to review the contractor's work to ensure transaction details are adequately documented in compliance with 2 C.F.R., part 225, Appendix A, section C.

***OTDA/NY-DDS Response:***

OTDA/NY-DDS has a longstanding practice of for reviewing contractor transactions.

**Objective 4**

Additional information to be provided under separate cover.

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