

Audit Highlights



Highlights of Legislative Auditor report on the Department of Employment, Training and Rehabilitation, Rehabilitation Division, Bureau of Disability Adjudication, issued on May 15, 2008. Report # LA08-15.

Background

The Bureau of Disability Adjudication is part of the Rehabilitation Division of the Department of Employment, Training and Rehabilitation. Its mission is to provide quality, timely, professional disability decisions to individuals in Nevada who claim benefits under Social Security disability programs. The Bureau makes determinations on the medical eligibility of claims associated with Titles II and XVI of the Social Security Act.

Title II of the Social Security Act provides benefits to individuals who are "insured" by virtue of their contributions to the Social Security trust fund through the Social Security tax on their earnings. Title XVI provides Supplemental Security Income to individuals who are disabled and have limited income and resources. In December 2006, 46,966 disabled Nevadans received nearly \$49 million in Title II benefits and 25,884 disabled Nevadans received nearly \$13 million in Title XVI benefits.

As of June 30, 2007, the Bureau had 85 of its 103 authorized full-time positions filled. During fiscal year 2007, the Bureau had total expenditures of nearly \$10.9 million. The Bureau is 100% federally funded through the Social Security Administration.

Purpose of Audit

The purpose of this audit was to evaluate the Bureau's financial and administrative activities, including whether activities were carried out in accordance with applicable state and federal laws, regulations, and policies; and to evaluate the Bureau's productivity and timeliness in rendering disability determinations. We reviewed the Bureau's financial and administrative activities for the 21 months ended March 2007 and activities through September 2007 for certain audit issues. In addition, we included activities for federal fiscal years 2005 through 2007 for areas related to disability determinations.

Audit Recommendations

This report contains eight recommendations to improve the Bureau's processes. This includes recommendations to strengthen controls over claimants' information and develop a plan for reducing initial determination processing times and backlogs. We also included recommendations to improve the Bureau's controls over fixed assets and payments for medical determinations.

The Division accepted the eight audit recommendations.

Status of Recommendations

The Division's 60-day plan for corrective action is due on August 11, 2008. In addition, the six-month report on the status of audit recommendations is due on February 11, 2009.

Rehabilitation Division Bureau of Disability Adjudication

Department of Employment, Training and Rehabilitation

Results in Brief

The Bureau of Disability Adjudication generally complied with applicable state and federal laws, regulations, and policies. However, it could improve several financial and administrative functions. Better controls will help the Bureau improve safeguards over sensitive claimant information, equipment, and expenditures. In addition, the Bureau needs to improve timeliness in rendering disability determination decisions. The Bureau's productivity and accuracy rates have ranked favorably with regional and national averages for the past several years. However, the Bureau's processing times have exceeded national averages. Better planning may improve the Bureau's ability to meet national averages for processing time.

Principal Findings

Beginning in November 2001, the Bureau included social security numbers on payments to medical providers for medical examination records and consultative examinations. The Bureau was unaware that this resulted in claimants' social security numbers being included on the state's Integrated Financial System. This information was not accessible to the public, was located behind the state firewall, and there was no evidence indicating it was compromised. However, it did not require separate passwords for employees at other state agencies to view. As of July 2007, the data warehouse contained more than 257,000 documents with nearly 80,000 unique claimant social security numbers. The Department of Employment, Training and Rehabilitation, working with the Controller's Office, was able to remove the social security numbers from the website in September 2007.

During fiscal year 2007, the Bureau consistently took between 15 and 25 days longer than the national average to process initial claims. While processing time has increased, the Bureau's productivity and accuracy have remained consistent with national averages. Our review of 100 claims found that initial claims were held an average of 17 days before being assigned to an adjudicator. In addition, we found it took 26 days for the Bureau to receive a medical examination record and 33 days to receive a consultative examination. Finally, we found the Rehabilitation Division's strategic plan does not include strategies, goals, or measures to assist the Bureau in reducing processing times. Better planning may help improve the Bureau's disability determination processing times.

The Bureau did not add computer hardware purchased by the Social Security Administration (SSA) to the state's fixed asset listing, and has not attached state identification tags to the hardware. Because the purchases are initiated and paid for by the SSA, the computer hardware has SSA identification tags. Per the Code of Federal Regulations, the State has title to equipment purchased and is responsible for monitoring the equipment. As of June 2007, the Bureau had over 130 computers, servers, and scanners not included on the statewide inventory.

The Bureau can improve its controls over the disposal of excess equipment. In April 2007, the Bureau disposed of 90 computers through the Department of Employment, Training and Rehabilitation. Although Social Security Administration policy specifies state disposal practices prevail, the policy also specifies that federal procedures must be followed for the cleanup of electronic records. The Bureau maintained documentation of the electronic cleanup of each computer. However, documenting the cleanup and maintaining the documentation are not included in the Bureau's policies and procedures. In addition, because the computer hardware did not have state identification tags and was not on state inventory lists, its disposal was not adequately documented.

The Bureau can improve its oversight of fixed assets. During fiscal years 2006 and 2007, the Bureau did not ensure all applicable equipment was included in annual inventory reporting to the State Purchasing Division. Although the Bureau has two inventory listings containing fixed assets, annual inventories have only been completed for one of the fixed asset listings. In addition, the Bureau has not ensured that all the necessary changes noted on property disposition reports have been made. Furthermore, staff responsible for inventory were unaware of the Bureau's possession of a \$17,000 mail machine and had it incorrectly removed from the fixed asset listing.