SOCIAL SECURITY

MEMORANDUM

Date: April 20, 2011 Refer To:

To: The Commissioner

From: Inspector General

Subject: Cost Analysis System Background Report and Viability Assessment (A-15-10-20149)

We contracted with Grant Thornton LLP (Grant Thornton) to perform four reviews related to the Social Security Administration's (SSA) Cost Analysis System (CAS) and Cost Allocation Methodology. The attached final report presents the results of Grant Thornton's CAS background and viability assessment. Grant Thornton's objectives were to:

1. Provide general background information on SSA's CAS and its interfacing workload, work year, and financial accounting data systems.
2. Provide an overview of the history of the CAS technology and cost allocation methodology, including how long the current CAS has been in operation and how the CAS methodology has changed historically.
3. Determine the impact of automation upgrades to CAS and its interfacing workload, work year, and financial accounting systems.
4. Assess the viability of CAS in terms of its cost allocation methodology, operational process, technology, supporting infrastructure, and business value. Specifically, determine whether the current CAS has been enhanced or appropriately updated to account for changes in business processes, technology, or accounting standards.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

Patrick P. O'Carroll, Jr.

Attachment

OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

COST ANALYSIS SYSTEM BACKGROUND REPORT AND VIABILITY ASSESSMENT

April 2011 **A-15-10-20149**

AUDIT REPORT

Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- **Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- **Promote economy, effectiveness, and efficiency within the agency.**
- **Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- **Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- **Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- **Independence to determine what reviews to perform.**
- **Access to all information necessary for the reviews.**
- **Authority to publish findings and recommendations based on the reviews.**

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.

Executive Summary

The Social Security Administration (SSA) has the responsibility to protect the four Trust Funds for which it provides administrative support. They are the Retirement and Survivors Insurance Trust, the Disability Insurance Trust, the Hospital Insurance Trust, and the Supplementary Medical Insurance Trust. To help meet that responsibility, SSA's Commissioner established a cost analysis program in July 1973. The program was established based on the policy that administrative costs for all Trust Fund and general fund programs administered by SSA and for reimbursable work performed by SSA for outside organizations are to be allocated based on cost sharing principles. A central part of SSA's cost analysis program is its Cost Analysis System (CAS).

OBJECTIVES

The objectives of the CAS Background Report and Viability Assessment were to:

1. Provide general background information on CAS and its interfacing workload, work year, and financial accounting data systems.
2. Provide an overview of the history of the CAS technology and cost allocation methodology, including how long the current CAS has been in operation and how the CAS methodology has changed historically.
3. Determine the impact of automation upgrades to CAS and its interfacing workload, work year, and financial accounting systems.
4. Assess the viability of CAS in terms of its cost allocation methodology, operational process, technology, supporting infrastructure, and business value. Specifically, determine whether the current CAS has been enhanced or appropriately updated to account for changes in business processes, technology, or accounting standards.

This report documents our findings, conclusions, and recommendations for the CAS Background Report and Viability Assessment.

BACKGROUND

CAS is used to allocate (1) administrative costs to Trust Fund and general fund programs administered by SSA and (2) reimbursable work performed by SSA for outside organizations. This mainframe-based system, now in service for over 30 years, has been modified several times to enhance its functionality and cost-effectiveness. Because of the number and magnitude of system changes and the criticality of CAS' function, SSA's Office of the Inspector General tasked Grant Thornton LLP with examining CAS' background, history, and ongoing viability. This report includes documentation of CAS and its interfacing workload, work year, and financial accounting data systems. In addition, this report includes an assessment of the viability of the

current CAS design with respect to cost allocation methodology, information technology, systems, administrative and program operations, and supporting infrastructure.

RESULTS OF REVIEW

The primary purpose of CAS is to determine the amount of reimbursement due from each Trust or general fund to which SSA provides administrative support, including the Medicare Trust Funds. The primary internal users of CAS information are the Offices of Finance (OF), Budget (OB) and Public Service and Operations Support (OPSOS). OF uses CAS data to determine administrative costs chargeable to SSA's sources of funds and the level of reimbursement for reimbursable work performed for outside organizations. OF also uses these data for the Statement of Net Cost. OB relies on CAS-generated productivity data to project future resource requirements to meet expected workloads. CAS data support the budget process by providing workload and work year data used in formulating and executing the budget. Finally, CAS data help OPSOS measure aggregate productivity of SSA and its components and unit cost data for SSA and component workloads.

Payroll, general ledger, and workload measurement systems provide the data inputs to CAS. The cost allocation methodology uses work measurement data to assign direct and indirect costs to workloads. Work measurement involves point-in-time work sampling techniques that were already in place before the implementation of CAS.

CAS was developed based on a 1973 SSA Commissioner's Decision, which set forth cost-sharing principles. CAS began operations in 1976. In 1980, the Government Accountability Office, then called the General Accounting Office (GAO), approved CAS as SSA's administrative cost allocation system. CAS uses commitments and obligations rather than actual expenses as the primary components of its allocation base. GAO determined the analysis of obligations, rather than actual expenses, was acceptable. However, this approval was issued before Federal Accounting Standards Advisory Board standards were developed that established operating expenses as the requirement for managerial cost accounting.

In 1997, at the request of GAO, Price Waterhouse LLP reviewed the CAS cost allocation methodology for charging costs to the Medicare Trust Funds. Price Waterhouse recommended significant changes to the cost allocation methodology that, to date, have not been implemented.

SSA is in the process of modernizing the CAS technology platform. SSA initiated a phased implementation of CAS Replacement (CASRP). In 2007, CASRP introduced an Oracle database and client server technology. The current plan is to fully replace the mainframe with an Oracle-based system by 2013. These improvements were not made to address the Price Waterhouse findings.

CAS viability was assessed against criteria related to cost allocation methodology, operational process, technology, supporting infrastructure, and business value.

CONCLUSION AND RECOMMENDATIONS

We concluded that the SSA CAS is viable for calculating administrative costs if the risks identified during this audit are addressed. To this point in its lifecycle, CAS has been sustainable because of the following.

- It has a repeatable process based on an automated cost allocation system with automated feeder systems.
- It uses accounting, payroll, and workload input data from mature, legacy systems.
- SSA has continually upgraded CAS and feeder systems technology, and the CAS technology roadmap, if followed, is leading to further automation in the future.
- SSA has most supporting infrastructure in place to sustain and maintain CAS. This supporting infrastructure includes a Program Management Office, which is a function of the Office of Cost Analysis and Systems Support; technical support provided by the Office of Earnings Enumeration and Administrative Systems; a Steering Committee (that is, the SSA Unified Measurement System/Managerial Cost Accountability System steering committee); limited policies, procedures and manuals; an Intranet site; daily backup; and three technical environments (production, development, and testing).
- Key customers, such as personnel from OB, OF, and the Office of Operations, indicated that, for the most part, they are satisfied with CAS.

However, we identified two risks that needed to be addressed.

1. Equitable and appropriate allocation of administrative costs to the Trust Funds could be at risk because (a) the CAS cost allocation methodology had not been revisited or updated to account for changes in SSA business processes, system technology, or Federal accounting standards and (b) the relative complexity of the workloads; and thus the effort to process claims at the field offices, disability determination services, and program service centers, could possibly not be accounted for in the cost allocation methodology.
2. Continuity of operations could be at risk because of (a) incomplete, outdated, and/or unclear CAS documentation and (b) insufficient workforce planning.

We recommended that SSA:

- Review and update the CAS methodology as needed, in light of current statutes, regulations, and Federal accounting standards, as well as current SSA business processes and system technology.
- Review, update, and enhance the Administrative Instructions Manual System (AIMS) documents, Cost Analysis Manual, and other policies and procedures annually, and when major changes are implemented. The CAS methodology should be clearly documented, especially the rationale, methodology, and calculations of the Inter-

Trust Fund Adjustment. The CAS strategic plan should be updated annually, to reflect any changes in priorities, timelines, and funding requirements.

- Establish and periodically update a staffing succession plan encompassing Office of Cost Analysis and Systems Support and Office of Earnings Enumeration and Administrative Systems staff to ensure continuity of operations and to mitigate the risk of CAS institutional knowledge loss through attrition.

AGENCY COMMENTS

SSA determined that because of the interrelationship of all four CAS reviews, it was premature to comment or respond to Grant Thornton's recommendations. Once SSA receives the results of all CAS reviews, it will provide consolidated comments and responses to the recommendations.

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Introduction

The Social Security Administration (SSA) has the responsibility to protect the four Trust Funds for which it provides administrative support. They are the Retirement and Survivors Insurance (RSI) Trust, Disability Insurance (DI) Trust, Hospital Insurance (HI) Trust, and Supplementary Medical Insurance (SMI) Trust. To help meet that responsibility, SSA's Commissioner established a cost analysis program in July 1973. The program was established based on the policy that administrative costs for all Trust Fund and general fund programs administered by SSA and for reimbursable work performed by SSA for outside organizations are to be allocated based on cost-sharing principles.[1] A central part of SSA's cost analysis program is its Cost Analysis System (CAS).

OBJECTIVES

Our objectives were to:

1. Provide general background information on CAS and its interfacing workload, work year, and financial accounting data systems.
2. Provide an overview of the history of the CAS technology and cost allocation methodology, including how long the current CAS has been in operation and how the CAS methodology has changed historically.
3. Determine the impact of automation upgrades to CAS and its interfacing workload, work year, and financial accounting systems.
4. Assess the viability of CAS in terms of its cost allocation methodology, operational process, technology, supporting infrastructure, and business value. Specifically, determine whether the current CAS has been enhanced or appropriately updated to account for changes in business processes, technology, or accounting standards.

BACKGROUND

The *Social Security Act*[2] authorizes SSA to allocate administrative costs to the four Trust Funds for which it provides administrative support: RSI Trust, DI Trust, HI Trust, and SMI Trust. SSA uses CAS to allocate administrative costs to these four Trust Funds and general fund programs administered by SSA, such as the Supplemental Security Income (SSI) program as well as for reimbursable work performed by SSA for outside organizations, such as Black Lung work for the Department of Labor and Annual Wage Reporting for the Internal Revenue Service.

[1] SSA, *Face Sheet for Acting Commissioner's Action Meeting Submittal, Proposed Policy for Allocating Administrative Costs Among the Programs Administered by SSA*, pp.1-12. July 16, 1973.

[2] *Social Security Act* § 201(g)(1), 42 U.S.C. §401(g)(1).

CAS integrates data from payroll, Agency work measurement systems, and the SSA core financial accounting system and assigns costs to specific program activities and workloads. CAS provides workload, work year and administrative cost data needed to accomplish essential cost accounting functions at the Agency and major component levels. It is the central part of SSA's cost analysis program, embodying the cost allocation policy and principles established by the Agency.

SSA's policy for allocating administrative costs was initially established by a July 31, 1973 Commissioner's Decision.[3] It states that costs related solely to one program will be assigned exclusively to that program. Further, it provides that costs that benefit multiple programs will be equitably distributed among these programs, based on the proportionate value of those shared costs to each of the benefiting programs. CAS was designed to account for administrative costs by program activity in accordance with this policy. CAS provides this cost information at the Agency level and for SSA's principle component organizations. The original CAS became operational in 1976.[4] CAS is operated and maintained by the Office of Cost Analysis and Systems Support (OCASS) with technical support provided by the Office of Earnings, Enumeration and Administrative Systems (OEEAS).

This mainframe-based system has been in service for over 30 years. Because of the criticality of CAS' function in SSA's ability to provide reliable and timely information on the full cost of the programs it administers, SSA's Office of the Inspector General tasked Grant Thornton LLP with examining CAS' background, history, and ongoing viability. This audit included documenting CAS and its interfacing workload, work year, and financial accounting data systems. This report chronicles significant changes in process, methodology, and automation technology; the level of current automation; and the impact of automation upgrades that have occurred during CAS' years in service. Additionally, this report includes a viability assessment to determine whether the current CAS design, including technology and supporting infrastructure, has been enhanced or appropriately updated to account for changes in business processes, technology, or accounting standards.

This document is a summary of our work and our resulting conclusions and recommendations.

[3] SSA, *supra* note 1.

[4] SSA, Cost Analysis Manual, Chapter 2-00, Section 2-00-10.

Results of Review

Audit Objective 1: Provide General Background Information on SSA's Administrative Cost Allocation System

The primary purpose of CAS is to determine the amount of reimbursement due from each Trust or general fund to which SSA provides administrative support, including the Medicare Trust Funds. CAS is also used to

- provide Congress with an accounting of each program's administrative costs,
- provide productivity data to help project future work year estimates for budgetary purposes, and
- help manage the administrative budget and perform cost analyses.

Unlike most organizations' managerial cost accounting systems, SSA's CAS was not originally intended to perform in a cost management capacity. Rather, it was put in place to allocate administrative costs to the various Trust and general fund programs. CAS policy dictates that the allocation of administrative costs be based on cost sharing principles. This policy dictates that, for those costs that need to be shared among various program activities, sharing will be done based on benefit outlays related to those programs that issue benefit payments and by other appropriate methods for non-benefit paying programs.

The primary internal users of CAS information are the Offices of Finance (OF), Budget (OB) and Public Service and Operations Support (OPSOS). Representatives from these organizations expressed satisfaction with the data they receive from CAS.

OF also uses CAS data to determine administrative costs chargeable to SSA's sources of funds and the level of reimbursement for reimbursable work performed for outside organizations. OF also uses these data to break out costs by program for the Statement of Net Cost. OB relies on monthly CAS-generated productivity data to project future resource requirements to meet expected workloads. CAS data support the budget process by providing base (actual) workload and work year data that are used in formulating and executing the budget. CAS is used to measure actual productivity for major operating components. OB also prepares budget execution reports that compare actual workload, work years, and production rates with operating budget estimates. Finally, CAS data helps OPSOS measure aggregate productivity and unit cost data for SSA and its components' workloads.

The CAS cost allocation methodology consists of an "allocation" to program activities based on work years; a "distribution" to program workloads based on work years; and an Inter-Trust Fund Adjustment (ITFA), based on cost sharing principles. The ITFA

adjusts costs in proportion to the current value of benefit outlays and sequential benefits (that is, current DI recipients eventually shifting to RSI upon retirement).[5]

Payroll, general ledger, and workload measurement systems provide the data inputs to CAS. The cost allocation methodology uses work measurement data to assign direct and indirect costs to workloads. Work measurement involves point-in-time work sampling techniques that were in place before CAS was implemented in 1976. The work sampling intervals vary by component. Work sampling is conducted weekly at the field offices (FO) and teleservice centers; three times daily for 1 week each quarter at the disability determination services (DDS); and daily at the program service centers (PSC). Work sampling performed in the FOs, DDSs, and PSCs is manually intensive. Sampling tallies are manually transcribed into automated systems to organize and aggregate data.

The Office of Disability Adjudication and Review (ODAR) cost allocation process is similar to the overall cost allocation process used by the other SSA components. However, there are two major differences in ODAR's pre-allocation processing. First, ODAR does not have work measurement systems that directly link to CAS. Instead, ODAR collects payroll and work measurement information that is manually uploaded into a spreadsheet. Once uploaded, the spreadsheet is sent to OCASS, which operates CAS, to be reformatted and uploaded into CAS. Second, ODAR does not conduct workload sampling to determine work hours like many of the other SSA component organizations. Rather, ODAR applies standard time values to the workload count information coming from the Case Processing and Management System (CPMS) and the Appeals Review Processing System (ARPS) to determine the work hours by workload. These calculated total work hours are then converted to work years and compared with control work year figures that are provided by OCASS. Control work years are actual employee work years consumed, during the operating period. They are reported, by component, as recorded in the Payroll Operational Data Store (PayODS) for the period being calculated. Any difference between the calculated work year and control work year figures is then prorated and reassigned to the workloads. Typically, this difference is less than 1 percent and considered insignificant.

Audit Objective 2: Provide an Overview of the History of CAS

CAS was developed based on a 1973 SSA Commissioner's Decision that set forth cost-sharing principles. No signed or approved copy of this document was available for examination. However, we did obtain and review a 1973 memorandum[6] from the Acting Assistant Commissioner for Administration to the Acting Commissioner of SSA that outlines a proposed policy for allocating administrative costs among the programs, to which SSA provides administrative support. We were not able to determine whether the Commissioner approved the proposal as submitted or if modifications were directed.

[5] SSA, Administrative Instructions Manual System (AIMS) 04.02.05 H, *Financial Management, Cost Allocation Principles.*

[6] SSA, *supra* note 1.

CAS began operations in 1976. In 1980, the General Accounting Office (GAO), now called the Government Accountability Office, approved CAS as the SSA administrative cost allocation system.[7] CAS uses commitments, obligations, and other "costs" (accrued and expensed line items) rather than actual expenses as the primary components of its allocation basis. GAO determined the analysis of obligations, rather than actual expenses, was an ". . . acceptable basis for the purpose which it serves."[8] However, this approval was issued before the accounting standards developed by the Federal Accounting Standards Advisory Board (FASAB) that exist today, which establish operating expenses as the requirement for cost accounting systems.[9] CAS has also received positive external recognition from the Association of Government Accountants, the Office of Management and Budget, and Deloitte, an audit and consulting firm. Highlights of this recognition are provided in Appendix D.

In 1997, at the request of GAO, Price Waterhouse LLP reviewed the cost allocation methodology used in charging costs to the Medicare Trust Funds. Price Waterhouse recommended significant changes to the cost allocation methodology. Price Waterhouse stated that the use of benefit outlays as a cost assignment basis for shared workload cost did not result in equitable cost assignment and recommended its use be discontinued in favor of cause-and-effect cost assignment. They also recommended changing assumptions related to the treatment of non-personnel costs and hearings costs.[10] In response to the review, SSA indicated that it looked ". . . forward to the challenge…to again pioneer the Federal effort to successfully implement new, expanded cost accounting practices, improvements to management information systems and procedures recently promulgated as Federal Accounting Standards Advisory Board standards."[11] To date, the Price Waterhouse recommendations for improving the cost allocation methodology have not been implemented.

The Price Waterhouse report also recommended, "modifying or replacing" the aging CAS technology.[12] To modernize the CAS technology platform, SSA initiated a phased implementation of CAS Replacement (CASRP). In 2007, CASRP introduced an Oracle database and client server technology. The current plan is to fully replace the mainframe by 2013 with an Oracle-based system.

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[7] Comptroller General Letter (GAO), *Approval of the Social Security Administration Administrative Accounting System*, September 30, 1980.

[8] *Id.*

[9] FASAB, *Statement of Federal Financial Accounting Standards* (SFFAS) *No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government,* para 47, 49, and 61, July 31, 1995.

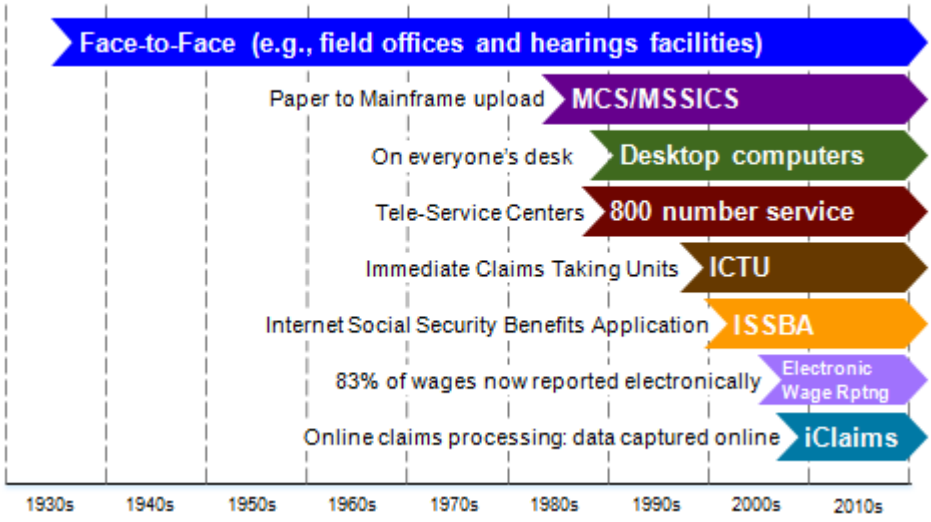
[10] GAO, *Social Security Administration Cost Assignment Methodology Review*, (Price Waterhouse LLP), pp. 2-3, September 29, 1997.

[11] *Id.* at 98.

[12] *Id.* at 3.

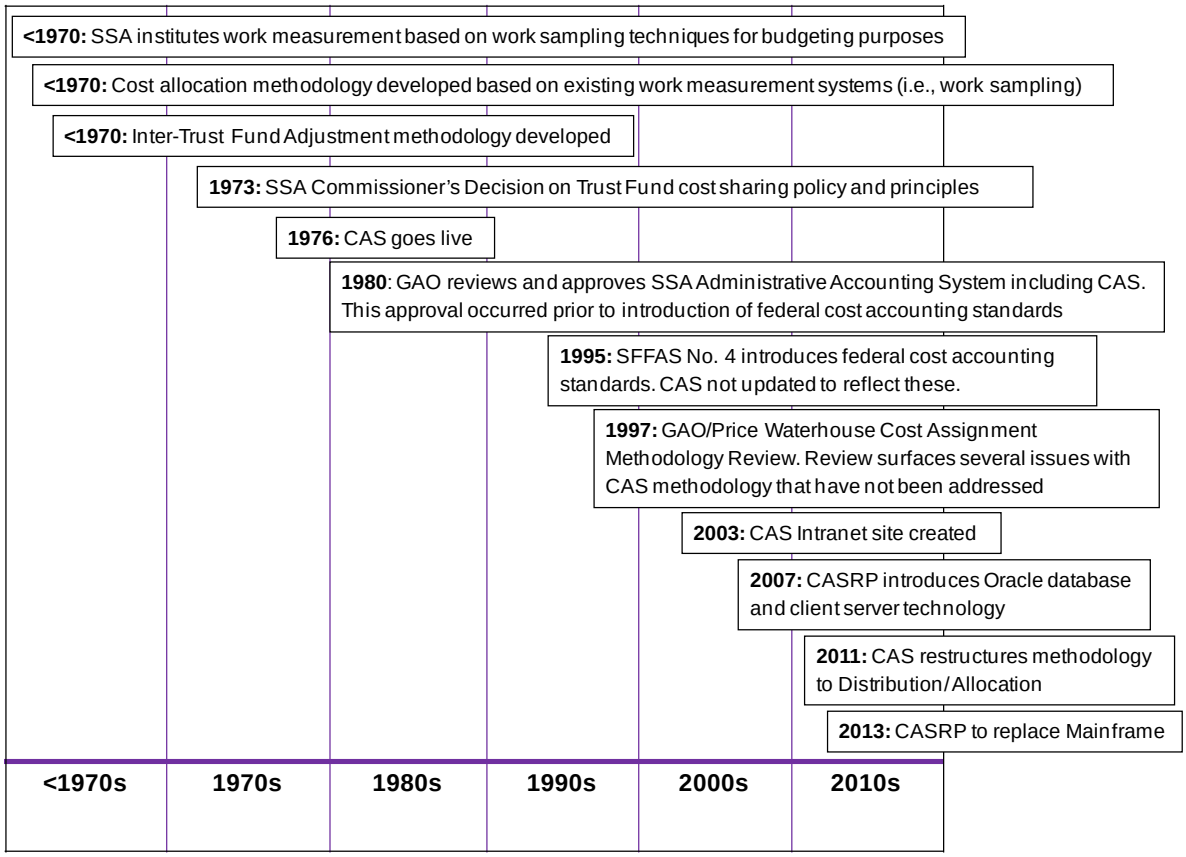
Significant automation of SSA's business processes has occurred since CAS was implemented. Examples of this automation include the implementation of the Modernized Claims System (MCS), the Modernized Supplemental Security Income Claims System (MSSICS), the On-Line Retirement Application (iClaim), roll-out of Immediate Claims Taking Units (ICTU), and the introduction of desktop computers and 800-number service. According to OPSOS representatives, these improvements have had a significant impact on the manner in which SSA interfaces with claimants and on employee productivity. A timeline of changes to SSA's business processes is provided in Figure 1.

Figure 1: Major Changes to SSA's Business Processes



As shown in Figure 2, the original cost allocation methodology used in CAS was established before 1973 and was formulated around then-existing work sampling techniques used for budgeting purposes. We found no evidence that this methodology has been revisited or updated to reflect changes in technology, business processes, and the introduction of new accounting standards.

Figure 2: CAS Historical Timeline



Audit Objective 3: Determine the Impact of Automation Upgrades to CAS

CAS is a mainframe-based cost allocation system that bases its calculations on data from the following systems.

- SSA's core accounting system, the Social Security Online Accounting and Reporting System (SSOARS).
- SSA's payroll system interface, PayODS, which interfaces with the Federal Personnel/Payroll System (FPPS), the Department of Interior Payroll System, which processes payroll for SSA.

- The following Agency workload measurement systems.

    - Supplemental Security Income Processing Time (SSIPT),
    - Work Experience Reporting System (WERS),
    - Work Measurement Transition (WMT),
    - Processing Center Management Information (PCMI), which draws data from the Processing Center Action Control System (PCACS),
    - State Agency Work Sampling (SAWS),
    - Disability Insurance Operational Data Store (DIODS),
    - Resource Accounting System/Mainframe Time & Attendance System (RASMTAS)
    - Office of Medical and Vocational Expertise Case Tracking System (OMVECTS), ODAR Training Information System (OTIS), CPMS, ARPS, and the Data Mart Online Data Store through file upload from spreadsheets maintained by ODAR.[13]

Technological improvements have been made to CAS. CAS Renovation has automated the organizing and formatting of several feeder systems' data, thereby speeding the monthly processing cycle. The current CAS technical environment, which depicts these interfaces, is shown in Appendix C. SSA's technology roadmap plans for sun-setting the CAS mainframe by 2013 and moving to an Oracle-based, client-server environment, CASRP, which should reduce operational costs and improve user accessibility to CAS information. CASRP is being implemented in phases. To date, SSA has implemented an Oracle database, which interfaces with CAS Renovation feeder systems, and the legacy mainframe system. The technical environment planned for 2013 is shown in Appendix C.

Feeder systems have also been updated. SSOARS, an Oracle, client-server based core accounting system replaced the previous mainframe-based Financial Accounting System (FACTS) in 2004. In 2005, RASMTAS replaced the Deputy Commissioner for Systems (DCS) client server application, Metrics Activity Reporting System (MARS), which allowed for more accurate time reporting. WMT replaced the Integrated Workload Measurement System (IWMS) as the workload information source for SSA's FOs in 2006.

In 2003, SSA attempted to implement a fully automated, non-intrusive 100-percent work measurement system called the Time Allocation System. This work measurement system was designed to account for FO and PSC employees' workload but was later cancelled because of cost and complexity concerns.

Automation upgrades have focused on internal controls, data quality, and data entry. While these improvements have been made over time, the cost allocation methodology was never revisited or enhanced.

[13] CAS component descriptions are provided in Appendix C.

Audit Objective 4: Assess System Viability

We defined viable as capable of working, functioning, and evolving. It does not mean state-of-the-art or being on par with all leading practices. There are no defined Government or industry criteria for cost allocation system viability. The criteria we developed relate to (1) cost allocation methodology, (2) operational process, (3) technology, (4) supporting infrastructure, and (5) business value. If CAS met these criteria, it would be considered a viable system.

The viability criteria, along with our assessment of CAS, are as follows.

1) Cost Allocation Methodology

At a minimum, the cost allocation methodology must be consistent, be stable, meet policy requirements, and be periodically reviewed. Otherwise, the resulting data would be unreliable and not useful for agency reporting. The methodology must meet Federal accounting requirements. Otherwise, results would not be credible for external reporting. The methodology should also be periodically updated to account for changes in accounting standards, technology, and business process. If not, the results could present an inaccurate assessment of current operations.

The CAS methodology has remained consistent and stable since inception in 1976. It meets the requirements of SSA's documented policy, AIMS,[14] which provides the governing policy and principles and the general methods for allocation of administrative costs in SSA. However, the CAS methodology had not been updated in over 30 years. Since the inception of CAS in 1976, there have been significant changes in SSA's business processes and Federal accounting standards that should have been reflected in the methodology.

Lack of Procedures to Periodically Revisit, Update, and Document Significant Changes to the Cost Allocation Methodology

It is critical that the CAS cost allocation methodology be revisited or updated to reflect changes in SSA business processes and Federal accounting standards. CAS became operational in 1976 and has been continuously modified to enhance functionality and automate data feeds and processing; however, we found no documentation of any periodic reviews of the cost allocation methodology. This failure to periodically revisit and update the cost allocation methodology could result in costing assumptions and cost factors that are no longer valid or accurate. Consequently, the equitable and appropriate allocation of administrative costs to the Trust Funds could be at risk.

While CAS has been in operation, the ways SSA conducts business have undergone several enhancements. These business process changes include shifts to online claims processing, 800-number service, and electronic wage reporting. Because of these technological advancements, the time SSA workers spend processing various work

[14] SSA, *supra* note 5.

activities (that is, workloads) has been significantly altered. SSA's current work measurement system is based on point-in-time sampling that does not account for the relative complexity of tasks or the effects of automation.

The last 30 years have also seen the introduction of new Federal accounting standards, such as the Statement of Federal Financial Accounting Standards (SFFAS) No. 4 *Managerial Cost Accounting Concepts and Standards for the Federal Government*, SFFAS No. 1 *Accounting for Selected Assets and Liabilities,*[15] and SFFAS No. 5 *Accounting for Liabilities of the Federal Government.*[16] SFFAS No. 4 calls for increased use of cause-and-effect methods for assigning costs to outputs and use of actual expenses as the basis of accounting.

Cost allocation methodologies should be periodically reviewed and updated to account for new accounting standards and changes to organizational business processes.

First, SFFAS No. 4 emphasizes the following.

- "The full costs of resources that directly or indirectly contribute to the production of outputs should be assigned to outputs through costing methodologies or cost finding techniques that are *most* appropriate to the segment's operating environment and should be followed consistently."[17]

- "The costing methodology used (e.g., activity-based costing, job order costing, standard costing, etc.) should be appropriate for management's needs and the operating environment."[18]

These statements indicate that the costing methodology should be ". . . appropriate for management's needs and the operating environment." Typically, management's information needs and the organization's operating environment would change over time, thus necessitating a periodic review of the costing methodology.

Second, SFFAS No. 4 explains the following.

- "Cost assignments should be performed using the following methods listed in the order of preference: (a) directly tracing costs wherever feasible and economically

[15] FASAB, *Statement of Federal Financial Accounting Standards No. 1 Accounting for Selected Assets and Liabilities*, March 1993.

[16] FASAB, *Statement of Federal Financial Accounting Standards No. 5 Accounting for Liabilities of the Federal Government*, December 2007.

[17] FASAB, *Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government*, para. 10, July 31, 1995.

[18] *Id*. at para. 71.

practicable, (b) assigning costs on a cause-and-effect basis, or (c) allocating costs on a reasonable and consistent basis."[19]

- "Indirect costs should be assigned to outputs on a cause-and-effect basis, if such an assignment is economically feasible, or through reasonable allocations."[20]

The point here is that economic feasibility can change over time with the introduction of new information technologies. Again, periodic review should be performed to investigate potential new sources of better cost allocation methods and availability of data.

Third, SFFAS No. 4 stresses the following.

- "Program managers should critically review costing methodologies and techniques used to derive the cost information."[21]

- "The standard requires that a costing methodology, once adopted, be used consistently. Consistent use provides cost information that can be compared from year to year. However, this requirement does not preclude necessary improvements and refinements to the system or methodology, so long as the effect of any change is documented and explained. On the contrary, improvements are encouraged."[22]

These statements strongly imply that the cost allocation methodology should be periodically reviewed to reflect evolving management needs and ensure appropriateness, consistency, and reasonableness based on changes in the organization's operating environment and availability of new data, which could be used to improve the accuracy of cost assignments.

Furthermore, the *Social Security Act* specifies that administrative cost allocations to the Trust Funds ". . . shall be made in accordance with the cost allocation methodology in existence on the date of the enactment of the Social Security Independence and Program Improvements Act of 1994 until such time as the methodology for making the determinations required under such sub clauses is revised by agreement of the Commissioner and the Secretary…."[23] This clause implies that the cost allocation methodology is not etched in stone, but rather can and should be revised as needed to ensure a continued equitable cost allocation. As the administrator of the SSA CAS and

[19] *Id.* at para.115.

[20] *Id.* at para. 91.

[21] *Id*. at para. 212.

[22] *Id.* at para.146.

[23] *Social Security Act* §201(g)(1)(D), 42 U.S.C. §401(g)(1)(D).

policy, it is incumbent upon OCASS to recommend to the Commissioner any feasible enhancements that should be made to improve the equity of the Trust Fund administrative cost allocation.

SSA has relied on a 1980 General Accounting Office [24]approval of the SSA Administrative Accounting System, which includes CAS, as a rationale for maintaining its original cost allocation methodology. This methodology assigns obligation data to program activities rather than actual expenses and uses benefit outlays as an assignment method rather than more cause-and-effect based drivers. Additionally, because of complex data collection and processing requirements, SSA's primary focus has been to update CAS technology, rather than look at its cost allocation methodology. No attempt seems to have been made to assess the methodology as a result of either new accounting standards or changes to SSA's business processes.

The Relative Complexity of the Workloads in the Cost Allocation Methodology

The relative complexity of the workloads at the FOs, DDSs, and PSCs could possibly not be accounted for in the cost allocation methodology. The cost allocation methodology uses work measurement data to assign direct and indirect costs to workloads. Work measurement involves point-in-time work sampling techniques that were already in place before the implementation of CAS in 1976. Rather than design and create a new information system to capture labor distribution data specifically for cost allocation purposes, SSA decided to use the work measurement techniques already in existence.

The work sampling techniques are used to collect tallies of what employees are working on at various points in time. However, since the sampling is at a given point-in-time, the level of effort and complexity associated with each workload could possibly not be reflected in the data being captured. The point-in-time sampling methodology assumes that level of effort, that is the total amount of time spent on each workload, is related to the number of responses per sample rather than measuring the actual time worked on each workload.

A sound cost allocation methodology assigns costs based on work measurement data that accurately estimate the total amount of time the workforce spends on each workload. The point-in-time sampling method that SSA employs measures the workloads that employees are working on at a given time each week or month, depending on the organization. From these data, one could infer what the total workforce is working on at a given point in time (the workload frequency). However, it could be incorrect to infer the total amount of time the workforce spends on each workload given the various degrees of complexity associated with each workload.

[24] Comptroller General, *supra* note 7.

2) Operational Process

At a minimum, the system operation should follow a repeatable data update process to ensure reliability. The process should be documented so new staff can readily understand operational procedures. Data should be provided by stable mature feeder systems, which also increases confidence in data reliability.

The CAS operational process generally meets this requirement. CAS data updates have been repeated monthly since inception. The update process is based primarily on mature, automated feeder systems directly linked to CAS. The core accounting and payroll systems that interface with CAS are stable and subject to individual audit. The operation process is documented in CAS handbooks and process flowcharts.

3) Technology

For a system this complex and sophisticated to be viable, the system should be automated to ensure consistency and control over data so that they can be run regularly and periodically. Although state-of-the-art technology is not required for viability, system technology should be periodically refreshed to maintain a relatively modern, easily maintainable technical environment that can readily interface with other modern software and systems. Separate technical environments for production, development, and testing are also required to easily test and incorporate system upgrades and enhancements. Adequate system security must be in place to prevent improper access to input data and/or results. Periodic data back-up functionality and procedures should be in place to ensure continuity of operations.

CAS generally meets the requirements for technology. CAS is a centralized, automated system dedicated to cost allocation and analysis. SSA has continually upgraded CAS and feeder system technology, and the CAS technology roadmap should lead to further automation and reduction in operational costs. Four separate technical environments are being maintained for production, development, validation, and integration. This enables SSA to readily test and install system upgrades and enhancements. Security passwords are required for CAS users (from the component representatives to OCASS analysts) to work on CAS. To ensure system security, secondary identifications are required for system administrators to update or change CAS. CAS data are backed up 6 days a week so data can be recreated in the event of a disaster or system crash.

4) Supporting Infrastructure

To operate a sound system, supporting infrastructure is required. This infrastructure typically includes a Program Management Office to operate and maintain the system, sufficient user documentation, and workforce planning to ensure continuity of operations and retain institutional knowledge.

OCASS provides a central, dedicated program management office for CAS and is responsible for administering the cost analysis program, developing policy, and

maintaining and operating CAS. OEEAS provides technical support. Substantial user documentation exists including a CAS manual, CAS handbook, and AIMS manuals on CAS methodology and operations. These documents and additional documentation reside on a dedicated CAS Intranet site that also lists contact information for customer-related issues.

During our examination, we noted the following weaknesses related to SSA's supporting CAS infrastructure.

Incomplete, Outdated, and/or Unclear Documentation

CAS is a complex system and requires a high degree of institutional knowledge and manual effort to maintain. Although substantial documentation does exist, many of these documents offer process, methodology, and system descriptions that are outdated, insufficient, or unclear. Some examples of inadequate documentation include the following.

- SSA documentation does not provide adequate explanation for the use of commitments and obligations rather than actual expenses for cost allocations.
- The Cost Analysis Manual lacks adequate instructions on how to operate the system.
- The CAS Documentation Handbook does not provide adequate context/explanation for charts and tables provided within the document.
- The current SSA CAS flowchart does not accurately reflect current systems and operational procedures based on our discussions with OCASS personnel.
- The description of the ITFA does not provide adequate detail on how the adjustment is actually calculated, making the methodology difficult to comprehend.

SSA developed and updated CAS policies and procedures on a piecemeal basis rather than through a holistic approach and, thus, the documents have not been comprehensively reviewed. Key personnel have informally maintained institutional knowledge. Lack of complete, up-to-date documentation and established processes could affect SSA's continuity of operations if key personnel depart from SSA. Additionally, the vision for CAS as a managerial cost accountability system could be impeded if Agency managers cannot understand underlying methodologies and formulas.

This weakness with documentation could result in a situation where a constantly evolving workforce cannot gain an adequate understanding of the inner workings of this complex system. Thus, continuity of operations could be at risk.

Insufficient Workforce Planning

Workforce planning in OCASS and OEEAS to transfer CAS-related technical and functional knowledge to new and existing staff before senior subject matter experts depart was deemed insufficient.[25] SSA lacked a formalized, long-term staffing succession plan to deal with the possible departure of key personnel involved in the CAS process. Organizations should, as a standard practice, continually and thoroughly plan for staffing succession to mitigate risk of critical institutional knowledge loss and ensure continuity of operations.

During our fieldwork, we identified limited Agency staff with extensive knowledge of CAS history, methodology, and technical environment. We found SSA's attention to human capital planning to be limited. In the almost 35 years that CAS has been in operation, several of those who did the original design, implementation, and system upgrades have retired, and more could occur because of the normal course of attrition. This could lead to a critical situation where knowledge of the CAS system is insufficient to perform many of the key functions. Normal attrition could result in significant loss of institutional knowledge and could put the continuity of operations at risk.

5) Business Value

Lastly, to be viable, a system must support critical business processes, satisfy customers, and enjoy executive-level support. Failing to do so would jeopardize critical resourcing. The system would fall by the wayside to competing priorities.

CAS generally meets the requirements for business value. CAS supports administrative cost allocation to the Trust Funds required by the *Social Security Act.*[26] CAS also supports budgeting, productivity analyses, and the preparation of the Statement of Net Cost. Primary customers in the OF, OB, and OPSOS have indicated satisfaction with CAS.

A dedicated Program Management Office, OCASS, and significant investment in technology, both to CAS itself and feeder systems, are indicative of executive-level support for CAS. External recognition for the CAS program, mentioned earlier, continues to strengthen executive level support.

[25] None of the organizations cited here were able to provide a succession plan to the audit team. OCASS maintains a list of impending retirements, but has not formalized a system for dealing with other forms of attrition.

[26] *Social Security Act* §201(g)(1)(B), 42 U.S.C. §401(g)(1)(B).

Conclusions and Recommendations

Conclusions

Audit Objective 1: Provide General Background Information on SSA's Administrative Cost Allocation System

The primary purpose of CAS is to determine the amount of reimbursement due from each Trust Fund to which SSA provides administrative support, including the Medicare Trust Funds. CAS is also used to.

- provide Congress with an accounting of the costs of administering each program,
- provide productivity data to help project future work year estimates for budgetary purposes, and
- help manage the administrative budget and perform cost analyses.

Payroll, general ledger, and workload measurement systems provide the data inputs to CAS. The cost allocation methodology is based on work measurement. Work measurement involves point-in-time work sampling techniques that were already in place before CAS. The point-in-time sampling methodology assumes that level of effort is related to number of responses per workload rather than actual time spent on a task and does not take into account the relative complexity of one action as it relates to another.

Audit Objective 2: Provide an Overview of the History of CAS

CAS has been in operation since 1976. It was implemented to allocate administrative costs to the various Trust Funds and programs. The original cost allocation methodology used in CAS was established before 1973 and was formulated around then-existing work sampling techniques used for budgeting purposes. In 1980, GAO approved CAS as SSA's administrative cost allocation system. GAO determined the use of obligations, rather than actual expenses, was acceptable. This approval was issued before the statutory, regulatory, and accounting standards that exist today. The cost allocation methodology has not been revisited or updated to reflect changes in technology and business processes or the introduction of new accounting standards.

Audit Objective 3: Determine the Impact of Automation Upgrades to CAS

Technological improvements have been made to CAS and feeder systems throughout its history. CAS automation upgrades have focused on internal controls, data quality, and data entry. However, the cost allocation methodology was never revisited or enhanced.

CAS is still a mainframe-based system. However, SSA plans to sunset the CAS mainframe by 2013 and move to an Oracle-based, client-server environment, which should reduce operational costs and improve user accessibility to CAS information.

Audit Objective 4: Assess System Viability

Based on our understanding of CAS as of the date of this report, we have determined the system is viable for calculating administrative costs if the risks identified in this report are addressed. To this point, CAS has been sustainable because.

- CAS has a repeatable process based on an automated cost allocation system with automated feeders;
- CAS uses accounting, payroll, and workload input data from mature legacy systems;
- SSA has continually upgraded CAS and feeder systems technology, including plans for future automation; and
- SSA has most supporting infrastructure in place to sustain and maintain CAS.

However, two risks have been identified that need to be addressed.

1. **Equitable and appropriate allocation of administrative costs to the Trust Funds could be at risk because**:

    - The CAS cost allocation methodology had not been revisited or updated to account for changes in SSA business processes, system technology, or Federal accounting standards. Much has changed in the statutory/regulatory and accounting standards environment since CAS received approval from GAO in 1980. SSA has relied on the 1980 GAO approval of the CAS design, after which new Federal accounting standards were introduced. Leading cost management practice dictates that cost allocation methodology be periodically reviewed and updated to account for new accounting standards and changes to organizational business processes.
    - The relative complexity of the workloads at the FOs, DDSs, and PSCs could possibly not be accounted for in the cost allocation methodology. The work sampling techniques used estimate the relative proportionality of what employees are working on, at various points in time. However, since the techniques are point-in-time sampling, the level of effort and complexity associated with each workload could possibly not be captured.

    As the cost allocation methodology has not been revised and does not account for relative complexity of workloads in assigning cost, administrative cost allocation to the Trust Funds could be incorrect or inequitable.

2. Continuity of operations could be at risk because:

- CAS documentation is incomplete, outdated, and/or unclear. Most manuals (methodology, process, and system), primary policies, and strategy documents have not had a comprehensive review and update as the system has changed. Documentation for certain key processes is incomplete, making the processes difficult to comprehend. There is limited documentation explaining the use of commitments and obligations for cost calculations. The Cost Analysis Manual is outdated and does not provide adequate information. Various systems and process diagrams do not reflect the current process. Documentation was developed and updated piecemeal rather than through a holistic approach and has not been comprehensively reviewed. This lack of complete, up-to-date documentation could affect SSA's continuity of operations in the event of the departure of senior subject matter experts. In addition, SSA's vision for CAS, as a managerial cost accountability system, could be impeded, if Agency managers cannot understand underlying methodologies and formulas.
- Staff succession planning in OCASS and OEEAS to transfer CAS-related technical and functional knowledge is insufficient. There is no detailed succession plan for OCASS or OEEAS, which increases the risk of significant loss of institutional knowledge upon the departure of senior subject matter experts.

Good management practice dictates that organizations continually update critical system documentation and thoroughly plan for staffing succession in the event of normal staff turnover to mitigate risk of critical institutional knowledge loss and ensure continuity of operations.

RECOMMENDATIONS

To address the risks cited in this report, we recommend SSA:

1. Review and update the CAS methodology as needed, in light of current statutes, regulations, and Federal accounting standards, as well as current SSA business processes and system technology.
2. Review, update, and enhance the AIMS documents, Cost Analysis Manual, and other policies and procedures on an annual basis, and when major changes are implemented. The CAS methodology should be clearly documented, especially the rationale, methodology, and calculations of the ITFA. The CAS strategic plan should be updated annually, to reflect any changes in priorities, timelines, and funding requirements.
3. Establish and periodically update a staffing succession plan, encompassing OCASS and OEEAS staff, to ensure continuity of operations and to mitigate the risk of CAS institutional knowledge loss through attrition.

AGENCY COMMENTS

SSA determined that because of the interrelationship of all four CAS reviews that it was premature to comment or respond to Grant Thornton's recommendations. Once SSA receives the results of all CAS reviews, they will provide consolidated comments and responses to the recommendations.

The full text of SSA's response can be found in Appendix E.

Appendices

Acronyms

AGA	Association of Government Accountants
AIMS	Administrative Instructions Manual System
ARPS	Appeals Review Processing System
CAS	Cost Analysis System
CASRP	CAS Replacement
DCS	Deputy Commissioner for Systems
DDS	Disability Determination Service
DI	Disability Insurance
DIODS	Disability Insurance Operational Data Store
FACTS	Financial Accounting System
FASAB	Federal Accounting Standards Advisory Board
FO	Field Office
FPPS	Federal Personnel/Payroll System
GAO	Government Accountability Office and General Accounting Office
HI	Hospital Insurance (Medicare Part A)
iClaim	On-Line Retirement Application
ICTU	Immediate Claims Taking Unit
ITFA	Inter-Trust Fund Adjustment
IWMS	Integrated Workload Measurement System
MARS	Metrics Activity Reporting System
MCS	Modernized Claims System
MSSICS	Modernized Supplemental Security Income Claims System
OB	Office of Budget
OCASS	Office of Cost Analysis and Systems Support
ODAR	Office of Disability Adjudication and Review
OEEAS	Office of Earnings Enumeration and Administrative Systems
OF	Office of Finance

OMB	Office of Management and Budget
OMVECTS	Office of Medical and Vocational Expertise Case Tracking System
OPSOS	Office of Public Service and Operations Support
OTIS	ODAR Training Information System
PayODS	Payroll Operational Data Store
PCACS	Processing Center Action Control System
PCMI	Processing Center Management Information
PICA	Pre-Input Cost Analysis
PSC	Program Service Center
RASMTAS	Resource Accounting System / Mainframe Time & Attendance System
RSI	Retirement and Survivors Insurance
SAWS	State Agency Work Sampling
SFFAS	Statement of Federal Financial Accounting Standards
SMI	Supplementary Medical Insurance (Medicare Part B)
SSA	Social Security Administration
SSI	Supplemental Security Income
SSIPT	Supplemental Security Income Processing Time
SSOARS	Social Security Online Accounting and Reporting System
U.S.C.	United States Code
WERS	Work Experience Reporting System
WMT	Work Measurement Transition

Appendix B

Scope and Methodology

Grant Thornton reviewed the current state and history of the Social Security Administration's (SSA) Cost Analysis System (CAS), outlining its origin, policy, technology evolution, and current configuration. The audit focused on an assessment of CAS' viability as a cost allocation system based on the comparison adequacy of its methodology, technology, operations, supporting infrastructure, and business value.

To expand our knowledge and understanding of CAS, its operation, and the basics of its underlying methodology, we obtained and examined existing CAS documentation. These documents included the following.

- The proposal to the SSA Commissioner, from 1973, for the implementation of a cost sharing methodology among the program activities (Note: the formal 1973 Commissioner's Decision memorandum could not be found).
- Government Accountability Office's (GAO) 1980 letter of approval of SSA's administrative accounting system, which included CAS.
- The Guide on Administrative Cost Adjustments to Trust Fund Budget Activities – S&E Appropriation, dated September 10, 1974 that outlines the mechanics of the Inter-Trust Fund Adjustment calculation when that adjustment was done manually.
- Current versions of the Cost Analysis Manual.
- The Administrative Instructions Manual System, Chapter 4 on Financial Management.

In addition, we interviewed Agency subject matter experts from the Office of Cost Analysis and Systems Support (OCASS) and the Office of Earnings Enumeration and Administration Systems (OEEAS) for information on CAS methodology, process, and workload and feeder systems. These interviews addressed questions from document review, and provided increased understanding of CAS, as a system, its origins, processes and technological evolution. During these meetings and discussions, we were able to catalogue the evolution of CAS, as a system. OEEAS provided insight into the primary feeder systems that collect and provide data to CAS. OCASS provided considerable information related to CAS' historical development, and operational processes.

We identified recent CAS updates and technology upgrades through several discussions with OEEAS and OCASS personnel, wherein the CAS technology roadmap – past, present, and future – was outlined. Using process-mapping techniques, we produced systems documentation (for example, operational, systems, and process charts/diagrams) encompassing the current cost allocation processes. Upon

completion, we presented this documentation to SSA and Office of the Inspector General program experts for validation.

We interviewed internal users of CAS information: the Offices of Budget, Finance, and Public Service and Operations Support. These organizations provided information on their interface with CAS, the information they use, and its importance to their responsibilities, along with an estimate of overall satisfaction with the system.

Based on Grant Thornton's 15-plus years of experience and leadership in the managerial cost accounting field, we developed a comparison matrix of viability criteria related to methodology, operational process, technology, supporting infrastructure, and business value. We then compared the characteristics of current CAS to these criteria to arrive at a final assessment of the system's viability.

The entities reviewed were OCASS and OEEAS. Our work was conducted at SSA Headquarters in Baltimore, Maryland, from May through September 2010. We determined that the data used in this report were sufficiently reliable given the review objective and their intended use. We conducted this performance audit in accordance with generally accepted government auditing standards. 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix C

Cost Analysis System Component Descriptions

Component	Description
Cost Analysis System (CAS) Components	
Main CAS	Social Security Administration (SSA) system used to allocate and distribute program cost, workload and work year data across all program activities.
CAS Replacement (CASRP)	Compiles the work measurement and paid time information derived from CAS Renovation and SSA component systems, then re-formats it into a CAS compatible report.
CAS Renovation	Compiles the workload and work year information derived from SSA component systems and re-formats it into a CASRP compatible data set.
Payroll and Accounting Feeders	
Payroll Online Data Store (PayODS)	Breaks down payroll information received from the Department of the Interior's payroll system, which handles SSA payroll, and provides it all SSA components.
Federal Personnel/Payroll System (FPPS)	Department of the Interior's payroll system that provides personnel/payroll information for some Federal employees. Feeds payroll information to PayODS.
Social Security Online Accounting and Reporting System (SSOARS)	SSA financial system of record. Provides the costs to be allocated and distributed among programs, workloads, and supporting functions within the CAS.

Component	Description
Workload Feeders	
Supplemental Security Income Processing Time (SSIPT)	Provides SSI processing time data for Blind/Disabled workload.
Work Measurement Transition (WMT)	Provides data on workload volume, samples, and work year distributions for SSA field offices.
Individual Workload Systems	A collection of 14 workload systems that feed specific workload count data to Work Measurement Transition (for example, Retirement, Survivors, and Disability Health Insurance Claims, Supplemental Security Income Claims, Post Entitlement Actions).
Processing Center Management Information (PCMI)	Provides workload counts and samples for Program Service Centers and the Office of Disability and International Operations.
Processing Center Action Control System (PCACS)	Collects workload count and sample tally information for Processing Center Management Information.
Resource Accounting System / Mainframe Time & Attendance System (RASMTAS)	Provides the Office of the Deputy Commissioner of Systems regular work hours and overtime hours.
State Agency Work Sampling (SAWS)	Provides work sampling tally information for the Disability Determination Service agencies.
Disability Insurance Operational Data Store (DIODS)	Provides workload counts, productivity per work year information for state agencies.
Work Experience Reporting System (WERS)	Provides workload time information for Office of Earnings Operations.
Office of Disability Adjudication and Review (ODAR) & Office of Medical and Vocational Expertise Spreadsheets	Provides workload and work year information for ODAR and the Office of Medical and Vocational Expertise.

Component	Description
Workload Feeders	
ODAR Training Information System (OTIS)	Provides ODAR training information.
Claims Processing Measurement System (CPMS)	Provides workload counts for ODAR.
DataMart Operational Data Store (Data Mart ODS)	Provides counts for the number of ODAR supervisors.
Appeals Review Processing System (ARPS)	Provides workload counts for the Appeals Unit.
Office of Medical and Vocational Expertise Case Tracking System (OMVECTS)	Provides workload counts for the Office of Medical and Vocational Expertise.

Component	Description
Reporting and Data Storage	
Oracle Query Tool	SSA's ad hoc reporting tool for CAS information.

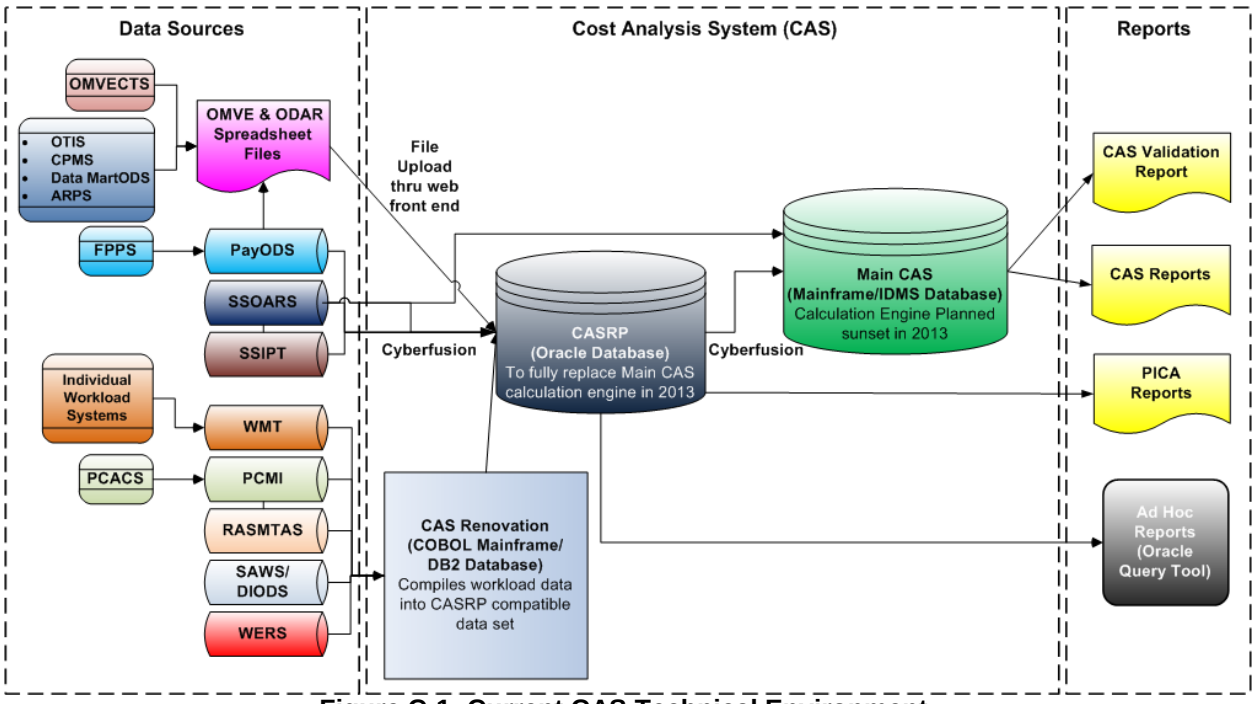


Figure C-1: Current CAS Technical Environment

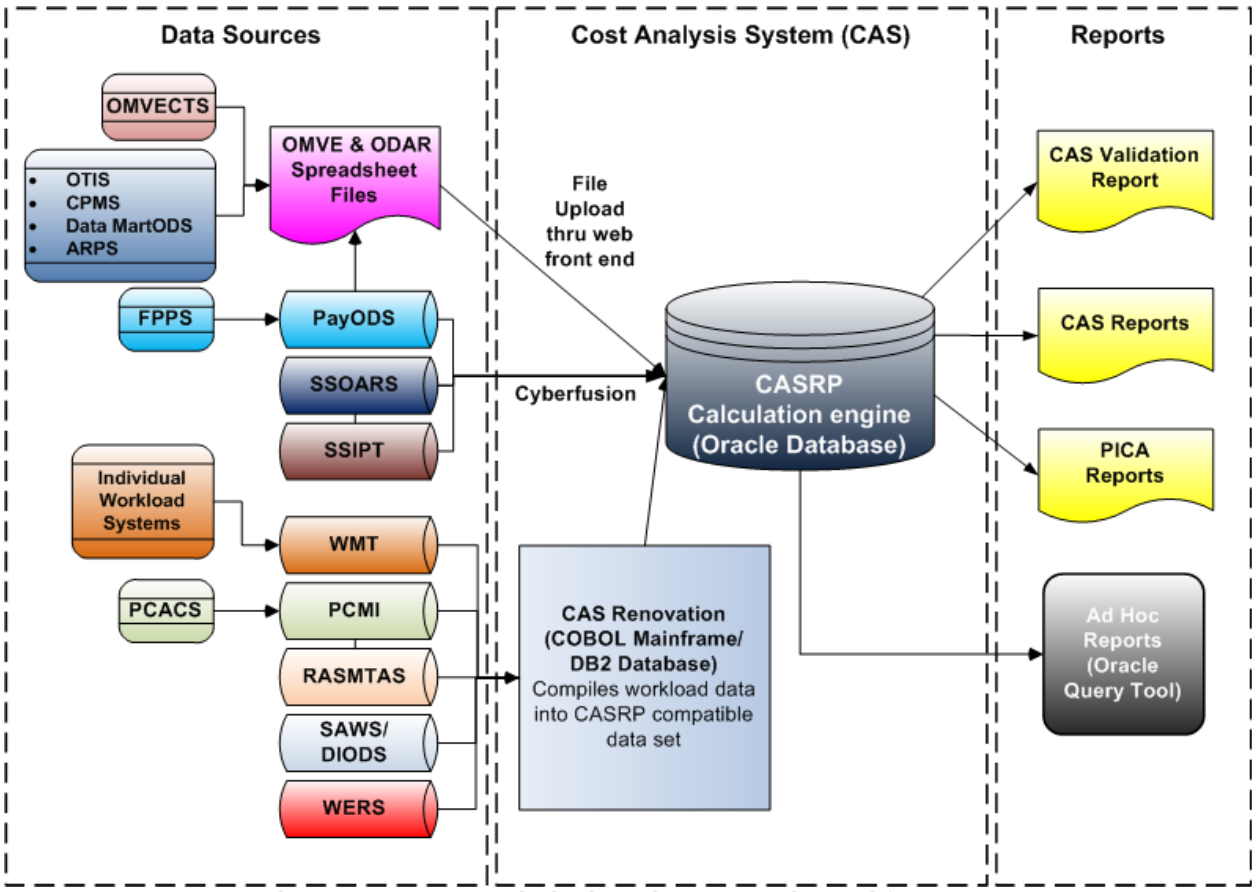


Figure C-2: CAS Technical Environment Planned for 2013

External Recognition for Cost Analysis System

The Cost Analysis System (CAS) has received positive external recognition from Government Accountability Office (GAO), the Association of Government Accountants (AGA), the Office of Management and Budget (OMB), and independent auditor, and Deloitte, per the table below.

Date	Source	Recognition
2009	AGA	AGA Corporate Partner Advisory Group research report on *Managerial Cost Accounting in the Federal Government: Providing Useful Information for Decision-making* cites SSA as a successful cost accounting implementation.[1]
2007	GAO	GAO report to congressional requestors on *Managerial Cost Accounting Practices: Implementation and Use Vary Widely across 10 Federal Agencies,* cites SSA for implementing managerial cost accounting agency-wide, using cost information routinely for decisionmaking, and for having strong leadership in place.[2]
2004	Deloitte	Deloitte CAS audit opines that ". . . aspects of the CAS we tested appear to be effective in meeting management's expectations for complying with Federal guidance, given the assumption that the CAS input data is accurate."[3]
2003	OMB	SSA is first to achieve green rating for Improved Financial Performance.[4]
1980	GAO	GAO reviews and approves SSA Administrative Accounting System including CAS.[5]

[1] Association of Government Accountants (AGA), *Managerial Cost Accounting in the Federal Government: Providing Useful Information for Decision Making*, September 2009.

[2] Government Accountability Office (GAO), *Managerial Cost Accounting Practices: Implementation and Use Vary Widely Across Ten Federal Agencies*, (GAO-07-679), July 2007.

[3] Cost Analysis System, Deloitte & Touche, LLP, dated 22 June 2004, SSA Contract Number GS23F8132H.

[4] Government Accountability Office (GAO), *President's Management Agenda: Review of OMB's Improved Financial Performance Scorecard Process*, (GAO-07-95), November 2006.

[5] Comptroller General, *supra* note 7.

Agency Comments

SOCIAL SECURITY

MEMORANDUM

Date: March 30, 2011 Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Cost Analysis Background Report and Viability Assessment" (A-15-10-20149)--INFORMATION

Thank you for the opportunity to review the subject draft report. In your May 4, 2010 start notice, you indicated you would be conducting four separate reviews of our Cost Analysis System (CAS). This is the first in your series of four reports and lays the groundwork for your remaining reviews.

Because of the interrelationship of all four reviews, we determined at this time it is premature to comment or respond to your recommendations. Once we receive the results of all your CAS reviews, we will provide consolidated comments and responses to your recommendations.

Thank you for the opportunity to review the draft report. Please let me know if we can be of further assistance. You may direct staff inquiries to Chris Molander, Senior Audit Advisor at (410) 965-7401.

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Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives

Chairman and Ranking Minority Member, Committee on Oversight and Government Reform

Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

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

Office of Investigations

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

Office of the Counsel to the Inspector General

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

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.