SOCIAL SECURITY

MEMORANDUM

Date: September 1, 2010

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Use of Limitation on Administrative Expenses Funds (A-15-10-21085)

The attached final quick response evaluation presents the results of our review. Our objective was to review aspects of the Social Security Administration's use of its available administrative funds.

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

QUICK RESPONSE EVALUATION

The Social Security Administration's Use of Limitation on Administrative Expenses Funds

A-15-10-21085

September 2010

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.

Background

OBJECTIVE

The objective of this evaluation was to review aspects of the Social Security Administration's (SSA) use of its available administrative funds.

BACKGROUND

Each year, SSA prepares a budget justification[1] to request administrative funds to process growing workloads, reduce backlogs, support and maintain staff, and meet customer service expectations. The Fiscal Year (FY) 2010 justification added that the recent economic downturn had created an unprecedented rise in initial claims receipts and exacerbated the challenges the Agency was already facing (for example, hearings backlog and improper payments). While the congressionally approved FY 2009 *Omnibus Appropriations Act*[2] and the *American Recovery and Reinvestment Act of 2009* [3] provided additional resources to target the Agency's growing workloads, SSA continues to assert more resources are needed to improve service to the public.

Congress authorizes an annual appropriation for the administrative costs SSA incurs in fulfilling the terms of the *Social Security Act*. These funds are appropriated under the *Limitation on Administrative Expenses* (LAE) account. The LAE appropriation language provides SSA with the funds needed to administer the Old-Age and Survivors Insurance, Disability Insurance (DI), and Supplemental Security Income (SSI) programs and support the Centers for Medicare and Medicaid Services in administering its programs. The functions SSA performs include issuing Social Security numbers, maintaining lifetime earnings records, processing initial claims for cash benefits, processing post-entitlement actions,[4] and adjudicating hearings and appeals cases.

[1] Social Security Administration Justification of Estimates for Appropriations Committees.

[2] Pub. L. No. 111-8, Division F, Title IV.

[3] Pub. L. No. 111-5, Division A, Title VIII.

[4] Post-entitlement actions are services after individuals become eligible for benefits. These services include issuing emergency payments, recomputing payment amounts, and processing address and other status changes.

Public Law[5] surrounding the Agency's annual administrative expenses appropriation provides that "… unobligated[6] balances of funds provided at the end of each fiscal year not needed for the current fiscal year shall remain available until expended to invest in the Social Security Administration information technology and telecommunications hardware and software infrastructure." This provision allows for the transfer of millions of dollars from the current FY annual LAE appropriation to the no-year appropriated Information Technology Systems (ITS) funds for non-payroll automation and telecommunications investment costs (see Table 1).

SSA faces challenges in closing the gap between limited resources and increasing workloads. According to SSA's *Fiscal Year 2009 Justification of Estimates for Appropriations Committees*, limited resources, new responsibilities, and increased workloads are threatening the Agency's reputation for protecting the integrity of the Social Security programs and will ultimately have a dramatic effect on millions of Americans in terms of service. The unprecedented growth in SSA workloads makes it necessary that SSA effectively utilize technology. However, while enhanced automation is critical to SSA achieving its long-term goals, program integrity workloads help ensure program dollars are being spent wisely and according to the intent of the law.

Program integrity workloads include continuing disability reviews and SSI non-disability redeterminations. SSA's program integrity workloads improve accuracy of benefit programs, protect the integrity of the Trust Funds, and ensure taxpayer money is properly used. These program integrity efforts ensure that individuals receiving benefits continue to be eligible and are being paid the correct amount.

In addition to program integrity workloads, investing in additional funds to process initial disability claims should help to reduce the disability backlog.

[5] For Fiscal Years (FY) 2001 through 2009, LAE amounts were appropriated under Public Laws – Pub. L. No. 106-554 (Appendix A, Title IV), Pub. L. No. 107-116 (Title IV), Pub. L. No. 108-7 (Division G, Title IV), Pub. L. No. 108-199 (Division E, Title IV), Pub. L. No. 108-447 (Division F, Title IV), Pub. L. No. 109-149 (Title IV), Pub. L. No. 110-5 (Division B, Title II), Pub. L. No. 110-161 (Division G, Title IV), and Pub. L. No. 111-8 (Division F, Title IV).

[6] According to Office of Management and Budget (OMB) Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, unobligated balance means the cumulative amount of budget authority that is not obligated and that remains available for obligation under law.

Results of Review

To perform our review, we obtained data on the administrative funds SSA had available in the LAE account. We found that SSA transferred $528 million of its annual unobligated LAE funds to LAE ITS no-year funds from FYs 2004 through 2008[7] and invested $2,845 million in ITS projects and infrastructure during the same period (see Table 1 and Appendix C).

Table 1
LAE ITS Transfers and Remaining Funds
After Assumed $25 Million Used to Process Workloads
($ in millions)

FY	Annual LAE Balance Available When the FY Ended[8]	Actual Amount Transferred to ITS from Annual LAE (As of 9/30/2009)	Remaining Amount Available for Transfer (As of 9/30/2009)[9]	Total Amount Available for LAE ITS Transfer (As of 9/30/2009)	Assume $25 Million Used for Workloads Each Year[10]	Minimum Amount Still Available to Transfer to ITS Assuming $25 Million Used for Workloads
2004	$91	$136	$5	**$141**	$(25)	**$116**
2005	$176	$236	$43	**$279**	$(25)	**$254**
2006	$93	$96	$51	**$147**	$(25)	**$122**
2007	$119	$60	$85	**$145**	$(25)	**$120**
2008	$119	$0	$130	**$130**	$(25)	**$105**
Total	**$598**	**$528**[11]	**$314**	**$842**	**$(125)**	**$717**

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[7] The LAE appropriation is apportioned by OMB and documented in the Standard Form 132, *Apportionment and Reapportionment Schedule,* in categories that include, but are not limited to, Administrative Expenses, ITS, Construction, and Disability Determination Services. Only the unobligated LAE Administrative Expenses and unobligated LAE ITS funds that have been apportioned and available on September 30 are transferred to the no-year LAE ITS appropriation. Therefore, for purposes of this report, Administrative Expenses and ITS will only be used when referring to transferring unobligated balances.

[8] These amounts represent the unobligated amount that was available for transfer at the end of each FY before any adjustments. The adjustments accrue after the close of the FY. For example, $141 million was ultimately available for transfer as of September 30, 2009, but the full amount was not available on September 30, 2004. On September 30, 2004, only $91 million went unspent, and at that point in time was the maximum considered available for transfer.

[9] These amounts represent the remaining amount of annual LAE funds that are available for transfer. FY 2004 is the only year that funds have exceeded the 5-year period for authority to disburse and was canceled. For FYs 2005 through 2009, funds may still be transferred to no-year LAE ITS or used in the event adjustments need to be made to obligations or prior-year obligations need to be liquidated.

[10] This provides an illustration of the amount of funds that would have been available had $25 million been committed in the annual LAE Administrative Expenses allotment to process additional SSA workloads each year. The amount would be obligated during the FY and consequently decrease the unobligated amount available for transfer at the end of each FY.

[11] Refer to Table 2 for detailed transfer amounts.

Based on our review of SSA's transfer of unobligated annual funds, investment in ITS, and available administrative funds for SSA workloads and ITS investments, the Agency had the opportunity to use more of its annual LAE funds to reduce the disability backlog and invest in program integrity workloads and thereby reduce the amounts of transferred unobligated balances.

TRANSFERS OF UNOBLIGATED ANNUAL FUNDS

SSA's budget for ITS costs includes both annual and no-year funds. The annual funds are apportioned by OMB as part of the enacted annual appropriation. The no-year funds are apportioned by OMB each year and include the carryover of the unobligated no-year balance at the end of the previous FY, recoveries of prior-year obligations realized in the current FY, and transfers of unobligated balances from the five previous LAE annual appropriations. For example, in FY 2009, transfers could be made from FYs 2004 through 2008.[12] Federal appropriations law allows an appropriation account to remain open for 5 years allowing for late adjustments and payments. At the end of the 5-year period, the account is closed and the funding is no longer available, including transfers to ITS.

The language included in the annual LAE appropriation does not automatically authorize the transfer of funds to ITS. Per the Agency,

> We must justify our plans for doing so with the Office of Management and Budget (OMB), and we may only transfer and spend money to the extent that OMB has given us its formal approval through the apportionment process. OMB makes its decisions after examining our entire ITS budget and reviewing our submissions of the Agency's IT Investment Portfolio (Exhibit 53s – required by OMB Circular No. A-11), and the Capital Asset Plan and Business Case Summary (Exhibit 300 – also required by OMB No. A-11). Transfer authority does not increase the ITS budget. To the contrary, it decreases the amount of current year funding we need to implement the approved budget plan. We explicitly depend on both transfer authority and current year IT funding to maintain our operating capabilities and to invest in the future.

Prior year LAE funds are available for transfer only to the extent they were not obligated in the FY and will not be needed to cover legitimate upward adjustments to contracts or other spending actions chargeable to that year. The amounts transferred to the no-year LAE account are on an 'as needed' basis to provide the approved level of funding for SSA's information technology (IT) efforts. The transfers are made late in the current FY and the funds are intended to be carried over to the next FY. For example, the $170 million transferred into FY 2009 was not used in FY 2009 but became part of the funds carried over into FY 2010.

[12] Each year, SSA submits a request for apportionment to OMB to use annual and no-year funds. The no-year apportionment does not include appropriated funds from the appropriations law but amounts that have been reapportioned from the prior year. The annually appropriated unobligated balances available at year-end to be transferred to the no-year appropriation are included in the request and subject to OMB approval.

Table 2 illustrates the total amount of funds that was transferred from the LAE annual appropriation to the LAE ITS no-year appropriation in FYs 2005 through 2009.

Table 2: ITS Transfers by Fiscal Year[13] ($ in millions)

Annual Appropriation Transferred from	Funds Transferred to No-Year Appropriation[14]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Total[15]
FY 2004	$41	$10	$25	$20	$40	**$136**
FY 2005		$102	$96	$28	$10	**$236**
FY 2006				$36	$60	**$96**
FY 2007					$60	**$60**
FY 2008[16]						
Total	**$41**	**$112**	**$121**	**$84**	**$170**	**$528**

SSA's INVESTMENT IN ITS

The Agency uses the current year ITS annual appropriation and LAE ITS transfers to support its IT operations. Annual appropriated ITS funds are obligated before ITS no-year funds are used for ITS efforts. LAE ITS resources are used either to invest in infrastructure improvements or for current and future projects. The Agency uses between 75 and 80 percent of its ITS resources for infrastructure investments. SSA's IT infrastructure improvements modernize the technological foundation for service delivery in the 21st century to provide a stable, secure system with continuous availability.[17] IT project improvements are intended to result in improved productivity and business processes.

IT investment management focuses on selecting, managing, and evaluating investments that minimize risks while maximizing the return on investment. However, resources used for ITS have not always provided a proven positive return on investment to the Agency. Furthermore, the Agency has been unable to demonstrate that ITS

[13] Information obtained from *Standard Form 132: Apportionment and Reapportionment Schedule, Justification for LAE* (FYs 2004-2008).

[14] The base year for the FY annual appropriated funds transferred is 2004. Our review only included annual appropriations that had not been canceled as of FY 2009. Therefore, our base year is 2004, which was not available for transfer until FY 2005.

[15] The total amount of ITS transfers by FY includes the unobligated amounts available at the end of each FY and any adjustments that accrued after the close of the FY. See Table 1 for the unobligated amounts available at the end of each FY.

[16] FY 2008 annually appropriated funds had not been transferred as of April 2010.

[17] SSA's FY 2010 Budget Justification.

investments achieve their intended results and address the Agency's strategic goals, objectives, and mission, despite the continued significant ITS investment. For example, from FYs 2004 through 2008, SSA had $2,913 million available for IT investment and, of that amount, $2,845 million was obligated for ITS investment. Both SSA's Office of the Inspector General (OIG) and Government Accountability Office (GAO) reports have revealed that SSA could improve on investment management, which includes the selection process and post-implementation review of IT projects.[18] Specifically, GAO stated that, ". . . until it establishes oversight of all investments and fully defines policies and procedures, SSA risks not being able to select and control these investments consistently and completely, thus increasing the chance that investment will not meet mission needs in the most cost-effective and efficient manner."[19] SSA's improvement of investment management will result in a more cost-effective and efficient use of LAE resources.

During our review, we asked SSA to provide examples of ITS projects that met or did not meet their intended return on investment targets as well as achieved the Agency's goals. While SSA provided examples of ITS Investments that either met or did not meet their intended results, they were unable to show the return on investment where actual and expected results were compared. For example, the Agency provided the Telephone Systems Replacement Project (TSRP) as an investment that met the intended results. TSRP will replace the existing digital telephone switching system(s) infrastructure with voice/data telephone equipment/switching systems. TSRP provides an opportunity to converge the two independent networks (data/voice) and concurrently decrease telephone infrastructure maintenance and operations. Since its initiation, the Agency has spent $133 million on TSRP but was unable to show there was a financial return on investment with a comparison of the actual and expected results. Additionally, SSA provided examples of two ITS investments that were terminated because they did not meet the intended results, namely the Time Allocation System (TAS) and ePulling. Table 3 provides information about the two terminated SSA ITS projects and the amount of resources used during the life span of the projects.

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[18] SSA, OIG, Social *Security Administration's Management of Information Technology Projects* (A-14-07-17099) issued July 2009 stated that "IT investment results are not independently verified after project completion to ensure that the functionality and cost savings were ultimately achieved (SSA OIG, A-14-07-17099, supra at page 3)." GAO (GAO-08-1020), *Information Technology: SSA Has Taken Key Steps for Managing Its Investments, but Needs to Strengthen Oversight and Fully Define Policies and Procedures*, recommended SSA strengthen the investment board's role and responsibilities, improving project oversight for all major investments, defining project-level and portfolio-level policies and procedures for effective investment management, and improving post implementation reviews (GAO-08-1020 supra at GAO Highlights page).

[19] GAO-08-1020, supra at Summary page.

Table 3: Examples of Terminated ITS Projects			
Name of Project	**Description**	**Reason for Termination**	**Resources Spent on ITS Investment ($ in millions)**
TAS	TAS was proposed as a replacement for District Office Work Sampling (DOWS), the current time measurement system for field offices and teleservice centers. DOWS uses sampling counts for each workload category and is regarded as statistically valid at the end of a FY. TAS uses a set of business rules to determine the amount of time spent on each workload. Information is available by person and day and is based on the computer screens, or combination of screens, that are accessed.	The Office of Quality Performance (OQP) completed a TAS Time Study. The physical regional observations took place on March 2 and 3, 2009. OQP completed its analysis of the Time Study and presented the results to the Associate Commissioners on July 10, 2009 and the Deputy Commissioners on August 13, 2009. The Deputy Commissioners decided that, at that time, the Agency would not move forward to use the TAS for budget formulation and execution purposes.	$35.1 Million
ePulling	ePulling was an Office of Disability Adjudication and Review initiative and was expected to increase the efficiency of the electronic folder preparation process and reduce the time it takes to prepare a case for hearing.	ePulling increased the case preparation time and was discontinued in August 2009.[20]	$4.6 Million

The ITS budget is managed by the Office of the Chief Information Officer (OCIO). The OCIO provides advice to the Commissioner and Deputy Commissioner of SSA to ensure IT is acquired and information resources are managed in compliance with the *Clinger-Cohen Act*.[21] The OCIO also makes final IT budget recommendations to the Commissioner. The Deputy Commissioner for Systems is responsible for monitoring all development and operations projects included in the Agency IT plan. In prior years, the OCIO served as chairman of the SSA Information Technology Advisory Board, which was responsible for IT investment management. During this time, OCIO conducted only limited post-implementation reviews[22] and did not have a process in place to define how post-implementation reviews should be carried out. The Agency's investment board has been restructured to include OCIO oversight of both the IT acquisition budget and the IT administrative budget under a newly formed investment board called the Strategic

[20] SSA OIG's June 2009 report, *Electronic File Assembly* (A-07-09-19069).

[21] The *Clinger-Cohen Act of 1996*, 40 U.S.C. § 1401 *et seq*. assigns overall responsibility for the acquisition and management of IT to the Director of OMB. It also gives the authority to acquire IT resources to the head of each executive agency and makes them responsible for effectively managing their IT investments (Pub. L. No. 104-106, Division E, Title LI).

[22] Per the Agency, the OCIO has only conducted post-implementation reviews for iClaims and ePulling.

IT Assessment and Review (SITAR) Board. The SITAR will be responsible for investment management reporting, cost-benefit analysis guidance and support, and IT performance measurement and post-implementation reviews. The new governing process of the SITAR reflects the OCIO's desire to better align SSA's technology investments with the agency's strategic priorities.

SSA's AVAILABLE ADMINISTRATIVE FUNDS FOR WORKLOADS AND ITS INVESTMENTS

According to SSA's FY 2010 *Annual Performance Plan*, the Agency has a commitment to reduce the disability backlog, improve the quality of the disability process, improve service, and preserve the public's trust in SSA's programs. The *Annual Performance Plan* indicates that to maintain this commitment, additional resources are needed to fund the Agency's workload.

Early in the budget process, the Agency has the opportunity to make different decisions to ensure administrative funds are available to provide the most cost-effective use of resources for the Agency's growing workload, rather than transfer funds to the no-year LAE ITS appropriation at the end of the FY. In the last 10 years, SSA has left approximately 1.5 percent of the annual LAE appropriation unobligated at the end of each FY, and approximately 1.7 percent unobligated in the last 29 years (see Appendix D for percentages). Before the Social Security Online Accounting and Reporting System (SSOARS),[23] the Agency had lapsed as low as 0.3 percent in FY 1989 and 0.7 percent in FY 1992 of the annual LAE appropriation. Since SSOARS went into production in FY 2004, SSA has lapsed at least 1 percent per year.

To illustrate, SSA can use $25 million of the current FY annual unobligated LAE funds to improve the integrity and/or service levels of the Agency. For FYs 2004 through 2008, substantial unobligated funds would still have remained to be transferred to ITS (see Table 1 for illustration of $25 million being applied to workloads). Table 4 presents examples of SSA workloads that can benefit from the use of unobligated LAE funds, to protect the integrity of the Social Security programs, improve service, and reduce its disability backlog.

[23] SSOARS became SSA's accounting system of record when it went into production on October 1, 2003. SSOARS reports the financial results of SSA activities, provides financial information for management for use in preparing the administrative budget, and provides information to properly control SSA's assets. SSOARS receives input from SSA Headquarters, field offices, vendors, State agencies, General Services Administration and Department of Treasury. SSOARS is integrated with other systems and has on-line query capabilities.

Table 4: Illustrations of Workloads That Could Benefit from the Use of Unobligated LAE Funds			
Workload	**Description of Workload**	**Cost Associated with Workload**	**Benefit of Using Administrative Funds Toward Workload**
Program Integrity Workloads – Continuing Disability Reviews (CDR)	CDRs are periodic reevaluations to determine whether disability beneficiaries are still disabled. CDRs review medical eligibility factors for DI and SSI disability beneficiaries.	SSA estimates each full medical CDR costs $1,000.[24]	Recent SSA estimates indicate that CDRs yield roughly $12 in lifetime program savings for every dollar spent.[25] Therefore, if the $25 million of unobligated administrative funds had been used toward the CDR workload in a year, approximately 25,000 CDRs could have been completed and provide a potential lifetime benefit savings of up to $300 million. Therefore, up to $1.5 billion lifetime benefit savings could result if SSA performs 25,000 CDRs each year over a 5-year period. [26]
Program Integrity Workloads – Redeterminations	Redeterminations ensure that SSI recipients are receiving the correct payment amount based on non-medical factors of eligibility.	For 2009, Cost Per Redetermination is approximately $142.[27]	SSA estimates that SSI redeterminations yield $8 in lifetime program savings for every $1 spent. Therefore, if the $25 million of unobligated administrative funds had been used toward the redetermination workload in a year, the Agency could have achieved a potential lifetime benefit savings of up to $200 million. Therefore, up to $1 billion in lifetime benefit savings could result if SSA uses $25 million for redeterminations each year over a 5-year period.[28]

[24] We obtained the full cost of a medical CDR from the OQP Website, http://quality.ba.ad.ssa.gov/hq/DAAG/cdrModels/cdrModelsBackground.html.

[25] For FY 2008, SSA estimated that the CDR process yielded an average savings-to-cost ratio of $12.3 to $1. The Agency calculates this by dividing the estimated present value of total lifetime benefits saved with respect to CDR cessations, $3.8 billion (including OASDI, SSI, Medicare and Medicaid savings), by the $307 million spent on periodic CDRs in FY 2008.

[26] According to the Agency, SSA expects year-to-year fluctuations in the savings-to-cost ratio to occur because of changes in the distribution of CDRs processed by program and the percentage of cases where there is a high likelihood of medical improvement. Therefore, while it is not likely that the lifetime benefit savings would be $1.5 billion for CDRs worked over the 5-year period described here, the savings could conceivably be up to $1.5 billion.

[27] SSA, OIG, *Supplemental Security Income Redeterminations* (A-07-09-29146), issued July 2009, provides an in-depth review of redeterminations and calculation of cost per redetermination.

[28] According to the Agency, SSA is more likely to have worked the redetermination cases expected to be the most cost effective first; therefore, the return on investment for the cases worked with the additional funding may not earn the same level of lifetime benefit savings. Consequently, it is not likely that the lifetime benefit savings would be $1 billion, although the savings could conceivably be up to $1 billion.

Table 4: Illustrations of Workloads That Could Benefit from the Use of Unobligated LAE Funds			
Workload	**Description of Workload**	**Cost Associated with Workload**	**Benefit of Using Administrative Funds Toward Workload**
Disability Workload (DI and SSI)	According to SSA, disability workloads have grown significantly over the past 5 years and will continue to increase substantially because of the current economic conditions and baby boomers reaching their disability-prone years.	According to SSA, the overall cost per case to process initial disability claims in the disability determination services (DDS) would be $511.[29]	If the $25 million of unobligated administrative funds was used to process disability workloads, the Agency could have potentially processed approximately 49,000 additional disability cases per year. A rough estimate of the additional initial claims that could be processed over a 5-year period is 245,000.[30] This would essentially assist the Agency in reducing the disability backlog.

FISCAL YEAR 2010 LAE TRANSFERS

Prior to the issuance of our final report, SSA informed the OIG that $280 million was transferred in August 2010 from unobligated prior-year 1-year LAE accounts to the ITS no-year account. The transferred LAE funds represent unobligated balances in FYs 2005 through 2009. The Agency provided documentation to support this transfer; however, we did not validate this information.

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[29] The $511 figure is the actual experienced FY 2009 cost-per-case and reflects the average cost to process a disability claim in the DDSs. This cost-per-case includes payroll, indirect, medical, postage, and other costs.

[30] The rough estimate of 245,000 additional initial disability cases per year was derived by dividing the $25 million of unobligated funds by $511 (the DDS FY 2009 overall cost-per-case), resulting in approximately 49,000 additional claims that could be processed each year. The 5-year estimate was derived by multiplying 5 times the 49,000 claims that could be processed in 1 year.

Matters for Consideration

Each year, the Agency transfers unobligated administrative funds to the ITS no-year account. There is no documentation of the return on investment of the amounts transferred to the ITS no-year account. In any of those years, the Agency could have obligated additional funds to complete more CDRs and/or redeterminations, thereby generating tangible program savings. Alternatively, the Agency could use the funds to process additional disability workloads. Given the increased workload demands facing the Agency, careful consideration should be given to using unobligated funds for these program integrity and disability service activities.

We recognize that the Agency is pursuing IT projects that are intended to increase productivity. We support the transfer of LAE funds as long as the return on investment of the transfer is equal to benefits that are achieved for existing workloads that have had a high rate of return. Therefore the Agency should have a process in place that ensures the amount available to transfer to ITS is the absolute minimum with a goal to process workloads that have a proven positive return on investment.

AGENCY COMMENTS

The Agency provided comments to the OIG on this report (see Appendix E). We have responded to the Agency's comments and made changes to the report as appropriate. The OIG's response is in Appendix F.

Appendices

Acronyms

CDR	Continuing Disability Review
DDS	Disability Determination Services
DI	Disability Insurance
DOWS	District Office Work Sampling
FY	Fiscal Year
GAO	Government Accountability Office
IT	Information Technology
ITS	Information Technology Systems
LAE	Limitation on Administrative Expenses
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQP	Office of Quality Performance
Pub. L. No.	Public Law Number
SITAR	Strategic IT Assessment and Review
SSA	Social Security Administration
SSI	Supplemental Security Income
SSOARS	Social Security Online Accounting and Reporting System
TAS	Time Allocation System
TSRP	Telephone Systems Replacement Project
U.S.C.	United States Code

Scope and Methodology

To complete the objectives of our review, we:

- Reviewed applicable laws, audit reports, and pertinent parts of the Social Security Administration (SSA) Accounting Manual related to Limitation on Administrative Expenses (LAE).

- Reviewed SSA's annual continuing disability review (CDR) Reports to Congress and Office of Quality Performance Website information to obtain the
  - savings-to-cost ratio of CDRs and
  - cost to perform a CDR.

- Reviewed SSA's annual Performance and Accountability Report to obtain the
  - savings-to-cost ratio of CDRs and
  - savings-to-cost ratio of redeterminations.

- Interviewed personnel from SSA's Office of Finance to obtain
  - LAE's unobligated funds;
  - LAE's obligated funds; and
  - LAE ITS transfers, including carryovers and recoveries.

- Interviewed personnel from SSA's Offices of the Deputy Commissioner for Systems and Chief Information Officer to obtain
  - role in the LAE Information Technology Systems (ITS) budget process;
  - role in the Information Technology Advisory Board; and
  - examples of ITS investments.

- Interviewed personnel from SSA's Office of Budget to obtain the ITS budget process.

- Calculated cost and savings of additional funds put toward the LAE administrative workload.

The entity reviewed was SSA's Office of Budget. Our work was conducted at SSA Headquarters in Baltimore, Maryland, from November 2009 through April 2010. We determined that the data used in this report were sufficiently reliable given the review objective and their intended use. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspections*.

Information Technology Systems Commitments and Obligations

For Fiscal Years 2004 through 2008, the Social Security Administration had a total of $2,913[1] million available for information technology investment; however, of that amount, $2,845 million was obligated for Information Technology Systems (ITS) investment. The table below depicts the obligated funds for ITS investment projects during Fiscal Years 2004 through 2008.

ITS Commitments/Obligations (as of Fiscal Year End) [2] ($ in millions)						
	2004	**2005**	**2006**	**2007**	**2008**	**Totals**
ITS Current Fiscal Year Annual Appropriation	$410	$453	$458	$481	$535	**$2,337**
ITS No-Year Appropriation	$11	$137	$76	$148	$136	**$508**
Totals	**$421**	**$590**	**$534**	**$629**	**$671**	**$2,845**

[1] According to the *Report on the Status of Funds for LAE ITS as of Fiscal Year End (Excludes Reimbursable Activity)*, the Agency was allowed $424 million, $625 million, $548 million, $640 million, and $676 million funds for Fiscal Years 2004 through 2008, respectively, for a total of $2,913 million.

[2] Obtained from *Report on the Status of Funds, LAE ITS (Excludes Reimbursable Activity) As of Fiscal Years Ending* 2004, 2005, 2006, 2007, and 2008.

Unobligated Balances at Year-End

The unobligated balance remaining at year-end represents the amount of LAE annual funds that have not been spent. The unobligated (or lapsed) funds are either transferred to ITS or remain in the annual appropriation account until it is closed.

Table 1: Lapse Percentage of LAE Appropriation by Fiscal Year (FY)[1]

FY	Annual Appropriation Received	Unobligated Balance, Available (as of Year End)	Unobligated Balance as a Percentage of Appropriation (Lapse Percent)[2]	Obligated Balance as a Percentage of the Annual Appropriation
1980	$2,354,100,000.00	$28,801,000.00	1.2%	98.8%
1981	$2,763,550,000.00	$51,459,751.00	1.9%	98.1%
1982	$2,982,973,000.00	$54,763,329.00	1.8%	98.2%
1983	$3,408,451,000.00	$106,544,000.00	3.1%	96.9%
1984	$3,423,861,000.00	$89,644,433.00	2.6%	97.4%
1985	$3,787,515,000.00	$167,226,000.00	4.4%	95.6%
1986	$3,809,547,000.00	$49,099,704.00	1.3%	98.7%
1987	$3,614,602,000.00	$79,071,705.00	2.2%	97.8%
1988	$3,584,114,000.00	$16,908,415.00	0.5%	99.5%
1989	$3,554,457,440.00	$10,775,963.00	0.3%	99.7%
1990	$3,837,389,000.00	$23,146,719.00	0.6%	99.4%
1991	$4,157,309,000.00	$89,570,284.00	2.2%	97.8%
1992	$4,550,450,000.00	$31,589,749.00	0.7%	99.3%
1993	$4,813,100,584.00	$44,241,429.00	0.9%	99.1%
1994	$5,194,285,000.00	$57,434,420.00	1.1%	98.9%
1995	$5,404,037,756.00	$70,460,796.00	1.3%	98.7%
1996	$5,647,074,000.00	$113,537,310.00	2.0%	98.0%
1997	$5,872,737,000.00	$205,083,109.00	3.5%	96.5%
1998	$5,894,040,000.00	$105,480,180.00	1.8%	98.2%
1999	$5,988,019,000.00	$147,590,093.00	2.5%	97.5%
2000	$6,111,871,000.00	$145,640,316.32	2.4%	97.6%
2001	$6,583,000,000.00	$97,203,519.30	1.5%	98.5%
2002	$7,092,334,796.00	$67,158,444.26	0.9%	99.1%
2003	$7,846,011,791.00	$62,346,620.87	0.8%	99.2%
2004	$8,268,571,956.00	$90,741,455.51	1.1%	98.9%
2005	$8,681,040,136.00	$175,776,355.96	2.0%	98.0%
2006	$9,055,821,000.00	$92,804,969.01	1.0%	99.0%
2007	$9,241,228,811.00	$118,572,872.63	1.3%	98.7%
2008	$9,712,645,935.00	$118,666,885.76	1.2%	98.8%

[1] For most years illustrated, information was obtained from the Standard Form 133 – Report on Budget Execution and Budgetary Resources for FYs 1981 through 2008. For FYs 1980, 1983, and 1985 we obtained information from the Justification of Appropriation Estimates for Committee on Appropriation. For FY 1984, we obtained information from the Financial Indicator Report.

[2] The unobligated balance as a percentage of appropriation is calculated by dividing the unobligated balance, available at year-end by the annual appropriation.

We determined the average percentage of unobligated and obligated balances at year end over 5, 10, and 29 years.[3] The calculation is as follows:

Table 2: Average Percentage of Unobligated and Obligated Annual LAE Funds		
Description	**Unobligated Balance as a Percentage of Appropriation (Lapse Percent)**	**Obligated Balance as a Percentage of the Annual Appropriation**
Average Percentage Over 29 Years (1980 - 2008)	1.7%	98.3%
Average Percentage Over 10 Years (1999 - 2008)	1.5%	98.5%
Average Percentage Over 5 Years (2004 - 2008)	1.3%	98.7%

[3] The average percentage of unobligated and obligated balances at year end over 5, 10, and 29 years was calculated by adding the unobligated balances for the sum total and dividing by the number of years. For example, FYs 2004 through 2008 had a sum of 6.7 percent of unobligated balances as a percentage of the appropriation. This was divided by 5 years to equal 1.3 percent.

Agency Comments

From: Hall, Stephanie
Sent: Wednesday, July 28, 2010 1:41 PM
To: Schaeffer, Steve
Subject: OIG Draft Quick Response Evaluation: SSA's Use of Limitation on Administrative Expenses Funds - Audit #22010063

Note to Steve Schaeffer

Steve,

Thank you for the opportunity to review the draft quick response evaluation report on this subject. We have attached our comments on the report.

If your staff have any questions, please contact Candace Skurnik on extension 54636.

Stephanie Hall
Assistant Deputy Commissioner
for Budget, Finance and Management

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT "QUICK RESPONSE EVALUATION: SOCIAL SECURITY ADMINISTRATION'S USE OF LIMITATION ON ADMINISTRATIVE EXPENSES FUNDS" (A-15-10-21085)

Thank you for the opportunity to review the subject report. We offer the following comments.

General Comments

On page 1 you state: "The objective of this evaluation was to review aspects of the Social Security Administration's (SSA) use of its available administrative funds."

This is a rather broad objective, but you present essentially two major themes in the report concerning the way we spend our Limitation on Administrative Expenses (LAE) dollars. First, you suggest that we could have used LAE funding more effectively by financing additional workloads and doing more program integrity work – i.e., continuing disability reviews (CDR) and disability redeterminations. Second, you state that where we have spent LAE dollars on Information Technology Systems' (ITS) projects, those projects have not always yielded positive returns on investments and that we must improve oversight of our investments. We address your two major points below.

Effective Use of LAE Funding

You state on page 2 of the report:

"Public Law surrounding the Agency's annual administrative expenses appropriation provides that … unobligated balances of funds provided at the end of each fiscal year not needed for the current fiscal year shall remain available until expended to invest in the Social Security Administration information technology and telecommunications hardware and software infrastructure. This provision allows for the transfer of millions of dollars from the current FY annual LAE appropriation to the no-year appropriated Information Technology System (ITS) funds for non-payroll automation and telecommunications investment costs."

Comment

This language has been included in our annual LAE appropriation for several years, but it does not automatically authorize us to transfer funds to ITS, nor to spend those funds. We must justify our plans for doing so with the Office of Management and Budget (OMB), and we may only transfer and spend money to the extent that OMB has given us its formal approval through the apportionment process. OMB makes its decisions after examining our entire ITS budget and reviewing our submissions of the *Agency's IT Investment Portfolio* (Exhibit 53s – required by OMB Circular No. A-11), and the *Capital Asset Plan and Business Case Summary* (Exhibit 300 – also required by OMB No. A-11).

Transfer authority does not increase the ITS budget. To the contrary, it decreases the amount of current year funding we need to implement the approved budget plan. We explicitly depend on both transfer authority and current year IT funding to maintain our operating capabilities and to invest in the future. Recent investments such as iClaim and the Retirement Estimator are examples where we successfully implemented new processes that paved the way for enhancing our internet presence, improving service to the public, and conserving field office resources.

Page 3, 2nd paragraph reads:

"Based on our review of SSA's transfer of unobligated annual funds, investment in ITS, and available administrative funds for SSA workloads and ITS investments, the Agency had the opportunity to use more of its annual LAE funds to reduce the disability backlog and invest in program integrity workloads and thereby reduce the amounts of transferred unobligated balances."

Comment

Above this paragraph in "Table 1," you illustrate how we could have used $25 million more in each of five prior fiscal years to process additional disability and program integrity workloads. Your example is completely arbitrary. We have focused intently on disability workloads and honored our commitment to Congress and the American public to make disability processing a top priority. This year alone we reassessed our LAE resources and approved the hiring of 900 new employees, virtually all for front-line positions in field offices. We targeted many of these additional resources to our most stressed offices.

Throughout the report and in the "Matters for Consideration," you make statements such as "the Agency could have obligated additional funds" during a current year and processed more disability and program integrity workloads. We disagree with your after the fact oversimplification of the appropriation process. We have never intentionally lapsed funding for the purpose of eventually transferring money to ITS. Each year, we obligate about 99 percent of our LAE appropriation. Given the inevitability of legitimate increases to prior year obligations, it is neither a sound nor common fiduciary practice to obligate an entire current fiscal year appropriation. You, yourself, exercise the same sound practice of allowing approximately 1 percent of OIG appropriated funds to lapse each year.

There are many challenges to effectively utilizing LAE funds, and routinely, prolonged continuing resolutions (CR) contribute to those challenges. We consistently operate under a CR at the beginning of each year and often do not receive an appropriation until more than one-fourth of a fiscal year has elapsed. This necessarily drives the date of funds availability into later quarters. Nevertheless, when we finally receive our appropriations, we allocate nearly all annual LAE funds to components based on their estimated needs. In addition, we review, re-evaluate, and if needed, reallocate funds a minimum of three times a year. We compare hiring to component plans, re-price payroll costs, and re-evaluate other objects expenditures during this process.

To maximize our use of funding, we recently developed a Current Year Spending Report that reflects spending rates for payroll, other objects, and staffing. We analyze the data, investigate trends, and reallocate funds where necessary. In conjunction with this, local managers and analysts regularly monitor workload reports to make sure we are on track to meet or exceed budgeted workload goals; this includes work processed, work pending, productivity, and processing time targets. Workload performance goals include targeted funding for our program integrity workloads. Our Office of Budget meets monthly with components and shares information on the status of current and future fiscal year budgets.

Each year, we redistribute funds amongst components based on emerging programmatic priorities. At the same time we consider the longer-term impact of funding commitments for subsequent fiscal years. Your $25 million per year example fails to consider our actual experience in planning and executing our budget and, therefore, your example does not improve our budget process. For example, you do not consider the long-term implications of hiring additional staff to handle disability cases and program integrity workloads; hiring that might result in exponentially greater costs for the yet-to-be determined budgets in the future. In addition, you do not take into account that we have a limited amount of physical space, and we may not be able to house more staff in our field offices.

Page 3 – Table 1

Comment

You should make it clear that once a fiscal year has ended, single year appropriated funds may not be used to finance future years' activity. As discussed, the Congress expressly provided that, with OMB approval, unused funds transfer to a "no-year" ITS account. We cannot use these funds for any other purpose. Throughout the report, you discuss how we might have used prior year funds to process workloads. A reader may infer from your words that today, we could use prior year funds for that purpose. We cannot as appropriation law forbids it. We suggest you include an explanation that once a year has closed, funds appropriated in that year are no longer available for new spending. This relates specifically to Table 1 on page 3 (shown below)

Table 1
LAE ITS Transfers and Remaining Funds
After Assumed $25 Million Used to Process Workloads
($ in millions)

(FY)	Actual Amount Transferred to ITS from Annual LAE (As of 9/30/2009)	Remaining Amount Available for Transfer (As of 9/30/2009	Total Amount Available for LAE ITS Transfer	Assume $25 Million Used for Workloads Each Year	Minimum Amount Still Available to Transfer to ITS Assuming $25 Million Used for Workloads
2004	$136	$5	**$141**	$(25)	**$116**
2005	$236	$43	**$279**	$(25)	**$254**
2006	$96	$51	**$147**	$(25)	**$122**
2007	$60	$85	**$145**	$(25)	**$120**
2008	$0	$130	**$130**	$(25)	**$105**
Total	**$528**	**$314**	**$842**	**$(125)**	**$717**

This presentation is misleading. It gives the reader an impression that amounts reflected in the fourth column of the report were available for spending during each of the related fiscal years. This was not the case. For example, FY 2004 shows $141 million available for transfer. While it is technically accurate that $141 million was ultimately available for transfer, that full amount was not available on the last day of FY 2004. In fact, at September 30, 2004, only $91 million went unspent, and at that point in time only $91 million at a maximum was considered available for that fiscal year. The additional $50 million in recoveries did not accrue until after the close of FY 2004. For example, reimbursable work authorizations to the General Service Administration may be subsequently cancelled.

By law, after the close of the fiscal year, we cannot spend our annual appropriations. Specifically, after September 30, 2004, neither that $50 million nor the $91 million could ever be used to finance workloads. The total $141 million was available only for transfer to the ITS account with OMB approval.

The following exhibits the amounts available at the close of each fiscal year. We contrast those balances with the numbers presented in your Table 1

($ in Millions)

FY	Balance Available When the FY Ended	Total Balance Available (Table 1)	Difference
2004	$91	$141	$50
2005	$176	$279	$103
2006	$93	$147	$54
2007	$119	$145	$26
2008	$119	$130	$11
Total	$598	$842	$244

Additional Comment:

We recognize that significant dollars remained available at the end of each fiscal. But as a percentage of our overall budget, the numbers are small. As the table below shows, we typically lapse just over one percent of our total LAE appropriation.

($ in Millions)

FY	Appropriation	Lapsed	% Lapsed
2004	$ 8,270	$ 91	1.10%
2005	$ 8,730	$176	2.02%
2006	$ 9,058	$ 93	1.03%
2007	$ 9,242	$119	1.29%
2008	$ 9,713	$119	1.23%

BENEFITS OF INFORMATION TECHNOLOGY PROJECTS

Page 5, 2nd paragraph, 2nd and 3rd sentences read:

"However, resources used for ITS have not always provided a proven positive return on investment to the Agency. Furthermore, the Agency has been unable to demonstrate that ITS investments achieve their intended results and address the strategic goals, objectives, and mission of the Agency, despite the continued significant ITS investment."

Also, page 7, 6th sentence reads:

"During this time OCIO conducted only limited post-implementation reviews and did not have a process in place to define how post-implementation reviews should be carried out."

Comment

The "return on investment" and "post-implementation review" (PIR) themes dominate your report. We believe this duplicates much of what you reported in a prior Quick Response Evaluation (QRE) titled "The Social Security Administration's Post-Implementation Review" (A-14-10-30105) and provides no additional guidance to us. We commented on that report in June 2010 and described plans for strengthening our PIR processes. In this current report, you again assert that we are not able to determine our expected return on investments. While we agree that we must improve IT investment management practices, we have already started to do so. We are concerned that you paint a one-sided picture that does not fully reflect the findings in your June report or the report of Government Accountability Office (GAO) which we also discussed in our comments to you on June 10.

Page 5, SSA's Investment in ITS

Comment:

In this section, you indicate that we have not been able to demonstrate that ITS investments have achieved their intended results in addressing the strategic goals, objectives, and missions of the agency. While you (see QRE A-14-10-30105) and GAO previously found that we could improve our IT investment management processes, you do not state that you both also noted our significant progress in this area. In addition, we have provided specific performance measures and expected benefits for each major investment in every one of the Exhibit 300, *Capital Asset Plan and Business Case Summary*, we have submitted to OMB. We published these performance measures online at http://it.usaspending.gov/. While we agree that we have the opportunity to make significant progress, and we remain committed to doing so, we do not agree with your sweeping generalizations.

Page 6, 2nd Paragraph

Comment:

In reading this section, it appears you define return on investment as solely related to dollars, but dollars are not necessarily the best measure for assessing the success of infrastructure and operating investments. We have committed a majority of the ITS budget to those types of investments, including the Telephone Systems Replacement Project (TSRP). You state that "the Agency has spent $133 million on TSRP but was unable to show there was a return on investment." That statement is misleading. We were experiencing unacceptable failure rates with field phone systems, and repairs were difficult and expensive because of the age and variety of systems. Therefore, we implemented TSRP to update our technology, maintain telephone service, and avoid costly investments to keep the old technology running.

With TSRP, we conducted a comprehensive alternatives analysis before we decided on an approach. We did not develop a financial return on investment per se, but we can certainly support a strong business case; and pending workloads would be much larger today without good phone service in our hearing offices. Simply put, we decided which course to pursue, and we managed the project successfully to obtain the benefits we expected.

Page 7, Table 3: Examples of Terminated ITS Projects

Comment:

This display seems to contradict your findings that we lack an oversight process for IT investments. The table has descriptions of the terminated Time Allocation System (TAS) and ePulling projects; but it also provides the reasons why we terminated those projects. We presented these examples to you to demonstrate that we are performing oversight and to express that we recognize when projects are unlikely to produce desirable returns on investments. Our salient point is that we terminated the projects because they were not providing the expected returns. In the case of ePulling, the technology was not viable for our purposes. In the case of TAS, we were not able to take advantage of the new data provided by the system.

You do not make any specific point in mentioning the two projects in Table 3. Your information is factual, but spurious. We do not claim that all of our projects succeed. Meaningful returns must be assessed at a portfolio, or higher, level, except when we use them for oversight purposes. To do otherwise would create significant disincentives to the managed risk taking we must undertake to move the Agency forward.

Final Remark

You imply throughout the report that the only meaningful way to state anticipated benefits is through a monetary return on investment. We do not agree with this notion. Had you asked us why we pursued TSRP, ePulling, TAS, or any other ITS investment, we could have provided you with our business case justification. You did not pose the question. In fact, as noted in "Scope and Methodology," the only information you sought concerned our roles in the budget process, our roles on the information technology advisory board (ITAB), and examples of ITS investments.

We have acknowledged repeatedly that we need to improve our ability to forecast costs and benefits and to follow up with actual measures once we deploy the investments. Sometimes this will equate to a simple return on investment; more often, however, we will view it in the larger context of contributions to the Agency's mission. As indicated above, we remain committed to improving our ability to track and report on a full range of performance measures for all of our significant investments.

OIG Response to Agency Comments

From: Schaeffer, Steve
Sent: Friday, August 13, 2010 10:39 AM
To: Gallagher, Michael HQ DCBFM
Subject: FW: Response to Comments - QRE: The SSA's Use of LAE (A-15-10-21085)

Michael,

Thank you for your recent comments on our *QRE: The Social Security Administration's Use of Limitation on Administrative Expenses (A-15-10-21085)*. We have modified the report accordingly and have attached our response to your comments. Please contact us if you have any questions.

Thanks

Steven L. Schaeffer

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT "QUICK RESPONSE EVALUATION: SOCIAL SECURITY ADMINISTRATION'S USE OF LIMITATION ON ADMINISTRATIVE EXPENSES FUNDS" (A-15-10-21085)

Thank you for the opportunity to review the subject report. We offer the following comments.

General Comments

On page 1 you state: "The objective of this evaluation was to review aspects of the Social Security Administration's (SSA) use of its available administrative funds."

This is a rather broad objective, but you present essentially two major themes in the report concerning the way we spend our Limitation on Administrative Expenses (LAE) dollars. First, you suggest that we could have used LAE funding more effectively by financing additional workloads and doing more program integrity work – i.e., continuing disability reviews (CDR) and disability redeterminations. Second, you state that where we have spent LAE dollars on Information Technology Systems' (ITS) projects, those projects have not always yielded positive returns on investments and that we must improve oversight of our investments. We address your two major points below.

Effective Use of LAE Funding

You state on page 2 of the report:

"Public Law surrounding the Agency's annual administrative expenses appropriation provides that … unobligated balances of funds provided at the end of each fiscal year not needed for the current fiscal year shall remain available until expended to invest in the Social Security Administration information technology and telecommunications hardware and software infrastructure. This provision allows for the transfer of millions of dollars from the current FY annual LAE appropriation to the no-year appropriated Information Technology System (ITS) funds for non-payroll automation and telecommunications investment costs."

Comment

This language has been included in our annual LAE appropriation for several years, but it does not automatically authorize us to transfer funds to ITS, nor to spend those funds. We must justify our plans for doing so with the Office of Management and Budget (OMB), and we may only transfer and spend money to the extent that OMB has given us its formal approval through the apportionment process. OMB makes its decisions after examining our entire ITS budget and reviewing our submissions of the *Agency's IT Investment Portfolio* (Exhibit 53s – required by OMB Circular No. A-11), and the *Capital Asset Plan and Business Case Summary* (Exhibit 300 – also required by OMB No. A-11).

Transfer authority does not increase the ITS budget. To the contrary, it decreases the amount of current year funding we need to implement the approved budget plan. We explicitly depend on both transfer authority and current year IT funding to maintain our operating capabilities and to invest in the future. Recent investments such as iClaim and the Retirement Estimator are examples where we successfully implemented new processes that paved the way for enhancing our internet presence, improving service to the public, and conserving field office resources.

OIG Response to Agency Comments: We added a substantial portion of the language above to page 4 of the report.

Page 3, 2nd paragraph reads:

"Based on our review of SSA's transfer of unobligated annual funds, investment in ITS, and available administrative funds for SSA workloads and ITS investments, the Agency had the opportunity to use more of its annual LAE funds to reduce the disability backlog and invest in program integrity workloads and thereby reduce the amounts of transferred unobligated balances."

Comment

Above this paragraph in "Table 1," you illustrate how we could have used $25 million more in each of five prior fiscal years to process additional disability and program integrity workloads. Your example is completely arbitrary. We have focused intently on disability workloads and honored our commitment to Congress and the American public to make disability processing a top priority. This year alone we reassessed our LAE resources and approved the hiring of 900 new employees, virtually all for front-line positions in field offices. We targeted many of these additional resources to our most stressed offices.

Throughout the report and in the "Matters for Consideration," you make statements such as "the Agency could have obligated additional funds" during a current year and processed more disability and program integrity workloads. We disagree with your after the fact oversimplification of the appropriation process. We have never intentionally lapsed funding for the purpose of eventually transferring money to ITS. Each year, we obligate about 99 percent of our LAE appropriation. Given the inevitability of legitimate increases to prior year obligations, it is neither a sound nor common fiduciary practice to obligate an entire current fiscal year appropriation. You, yourself, exercise the same sound practice of allowing approximately 1 percent of OIG appropriated funds to lapse each year.

There are many challenges to effectively utilizing LAE funds, and routinely, prolonged continuing resolutions (CR) contribute to those challenges. We consistently operate under a CR at the beginning of each year and often do not receive an appropriation until more than one-fourth of a fiscal year has elapsed. This necessarily drives the date of funds availability into later quarters. Nevertheless, when we finally receive our appropriations, we allocate nearly all annual LAE funds to components based on their estimated needs. In addition, we review, re-evaluate, and if needed, reallocate funds a minimum of three times a year. We compare hiring to component plans, re-price payroll costs, and re-evaluate other objects expenditures during this process.

To maximize our use of funding, we recently developed a Current Year Spending Report that reflects spending rates for payroll, other objects, and staffing. We analyze the data, investigate trends, and reallocate funds where necessary. In conjunction with this, local managers and analysts regularly monitor workload reports to make sure we are on track to meet or exceed budgeted workload goals; this includes work processed, work pending, productivity, and processing time targets. Workload performance goals include targeted funding for our program integrity workloads. Our Office of Budget meets monthly with components and shares information on the status of current and future fiscal year budgets.

Each year, we redistribute funds amongst components based on emerging programmatic priorities. At the same time we consider the longer-term impact of funding commitments for subsequent fiscal years. Your $25 million per year example fails to consider our actual experience in planning and executing our budget and, therefore, your example does not improve our budget process. For example, you do not consider the long-term implications of hiring additional staff to handle disability cases and program integrity workloads; hiring that might result in exponentially greater costs for the yet-to-be determined budgets in the future. In addition, you do not take into account that we have a limited amount of physical space, and we may not be able to house more staff in our field offices.

OIG Response to Agency Comments: Per feedback received from the Office of Budget, we updated Table 4 on page 11 with the cost-per-case for disability workloads including payroll and other costs.

Page 3 – Table 1

Comment

You should make it clear that once a fiscal year has ended, single year appropriated funds may not be used to finance future years' activity. As discussed, the Congress expressly provided that, with OMB approval, unused funds transfer to a "no-year" ITS account. We cannot use these funds for any other purpose. Throughout the report, you discuss how we might have used prior year funds to process workloads. A reader may infer from your words that today, we could use prior year funds for that purpose. We cannot as appropriation law forbids it. We suggest you include an explanation that once a year has closed, funds appropriated in that year are no longer available for new spending. This relates specifically to Table 1 on page 3 (shown below)

Table 1 LAE ITS Transfers and Remaining Funds After Assumed $25 Million Used to Process Workloads ($ in millions)					
(FY)	Actual Amount Transferred to ITS from Annual LAE (As of 9/30/2009)	Remaining Amount Available for Transfer (As of 9/30/2009	Total Amount Available for LAE ITS Transfer	Assume $25 Million Used for Workloads Each Year	Minimum Amount Still Available to Transfer to ITS Assuming $25 Million Used for Workloads
2004	$136	$5	**$141**	$(25)	**$116**
2005	$236	$43	**$279**	$(25)	**$254**
2006	$96	$51	**$147**	$(25)	**$122**
2007	$60	$85	**$145**	$(25)	**$120**
2008	$0	$130	**$130**	$(25)	**$105**
Total	**$528**	**$314**	**$842**	**$(125)**	**$717**

This presentation is misleading. It gives the reader an impression that amounts reflected in the fourth column of the report were available for spending during each of the related fiscal years. This was not the case. For example, FY 2004 shows $141 million available for transfer. While it is technically accurate that $141 million was <u>ultimately</u> available for transfer, that full amount was not available on the last day of FY 2004. In fact, at September 30, 2004, only $91 million went unspent, and at that point in time only $91 million at a maximum was considered available for that fiscal year. The additional $50 million in recoveries did not accrue until after the close of FY 2004. For example, reimbursable work authorizations to the General Service Administration may be subsequently cancelled.

By law, after the close of the fiscal year, we cannot spend our annual appropriations. Specifically, after September 30, 2004, neither that $50 million nor the $91 million could ever be used to finance workloads. The total $141 million was available only for transfer to the ITS account with OMB approval.

The following exhibits the amounts available at the close of each fiscal year. We contrast those balances with the numbers presented in your Table 1

($ in Millions)

FY	Balance Available When the FY Ended	Total Balance Available (Table 1)	Difference
2004	$91	$141	$50
2005	$176	$279	$103
2006	$93	$147	$54
2007	$119	$145	$26
2008	$119	$130	$11
Total	$598	$842	$244

OIG Response to Agency Comments: We updated language in the report on page 3, footnote #10 to include "The amount would be obligated during the FY and consequently decrease the unobligated amount available for transfer at the end of each FY" to provide a clear understanding that the $25 million would be obligated prior to close of each fiscal year.

Additionally, we updated Table 1 on page 3 to include the "Balance Available When the FY Ended" column and a footnote to clarify (see footnote #8).

Additional Comment:

We recognize that significant dollars remained available at the end of each fiscal. But as a percentage of our overall budget, the numbers are small. As the table below shows, we typically lapse just over one percent of our total LAE appropriation.

($ in Millions)

FY	Appropriation	Lapsed	% Lapsed
2004	$ 8,270	$ 91	1.10%
2005	$ 8,730	$176	2.02%
2006	$ 9,058	$ 93	1.03%
2007	$ 9,242	$119	1.29%
2008	$ 9,713	$119	1.23%

OIG Response to Agency Comments: We updated language on page 9, 2nd paragraph and added an appendix with the historical information of the obligated and unobligated LAE appropriation using the data obtained from the Office of Finance.

BENEFITS OF INFORMATION TECHNOLOGY PROJECTS

Page 5, 2nd paragraph, 2nd and 3rd sentences read:

"However, resources used for ITS have not always provided a proven positive return on investment to the Agency. Furthermore, the Agency has been unable to demonstrate that ITS investments achieve their intended results and address the strategic goals, objectives, and mission of the Agency, despite the continued significant ITS investment."

Also, page 7, 6th sentence reads:

"During this time OCIO conducted only limited post-implementation reviews and did not have a process in place to define how post-implementation reviews should be carried out."

Comment

The "return on investment" and "post-implementation review" (PIR) themes dominate your report. We believe this duplicates much of what you reported in a prior Quick Response Evaluation (QRE) titled "The Social Security Administration's Post-Implementation Review"

(A-14-10-30105) and provides no additional guidance to us. We commented on that report in June 2010 and described plans for strengthening our PIR processes. In this current report, you again assert that we are not able to determine our expected return on investments. While we agree that we must improve IT investment management practices, we have already started to do so. We are concerned that you paint a one-sided picture that does not fully reflect the findings in your June report or the report of Government Accountability Office (GAO) which we also discussed in our comments to you on June 10.

OIG Response to Agency Comments: As previously stated on page 8, footnote #20, "Per the Agency, the OCIO has only conducted post-implementation reviews for iClaims and ePulling." Additionally, on the top of page 9, we reference the new SITAR process.

Page 5, SSA's Investment in ITS

Comment:

In this section, you indicate that we have not been able to demonstrate that ITS investments have achieved their intended results in addressing the strategic goals, objectives, and missions of the agency. While you (see QRE A-14-10-30105) and GAO previously found that we could improve our IT investment management processes, you do not state that you both also noted our significant progress in this area. In addition, we have provided specific performance measures and expected benefits for each major investment in every one of the Exhibit 300, *Capital Asset Plan and Business Case Summary*, we have submitted to OMB. We published these performance measures online at http://it.usaspending.gov/. While we agree that we have the opportunity to make significant progress, and we remain committed to doing so, we do not agree with your sweeping generalizations.

OIG Response to Agency Comments: See comment above.

Page 6, 2nd Paragraph

Comment:

In reading this section, it appears you define return on investment as solely related to dollars, but dollars are not necessarily the best measure for assessing the success of infrastructure and operating investments. We have committed a majority of the ITS budget to those types of investments, including the Telephone Systems Replacement Project (TSRP). You state that "the Agency has spent $133 million on TSRP but was unable to show there was a return on investment." That statement is misleading. We were experiencing unacceptable failure rates with field phone systems, and repairs were difficult and expensive because of the age and variety of systems. Therefore, we implemented TSRP to update our technology, maintain telephone service, and avoid costly investments to keep the old technology running.

With TSRP, we conducted a comprehensive alternatives analysis before we decided on an approach. We did not develop a financial return on investment per se, but we can certainly support a strong business case; and pending workloads would be much larger today without good phone service in our hearing offices. Simply put, we decided which course to pursue, and we managed the project successfully to obtain the benefits we expected.

OIG Response to Agency Comments: We updated the language on page 7, 2nd paragraph to explain that while we asked for the information, SSA was not able to provide data on their "financial returns on IT investments with a comparison of actual and expected results."

Page 7, Table 3: Examples of Terminated ITS Projects

Comment:

This display seems to contradict your findings that we lack an oversight process for IT investments. The table has descriptions of the terminated Time Allocation System (TAS) and ePulling projects; but it also provides the reasons why we terminated those projects. We presented these examples to you to demonstrate that we are performing oversight and to express that we recognize when projects are unlikely to produce desirable returns on investments. Our salient point is that we terminated the projects because they were not providing the expected returns. In the case of ePulling, the technology was not viable for our purposes. In the case of TAS, we were not able to take advantage of the new data provided by the system.

You do not make any specific point in mentioning the two projects in Table 3. Your information is factual, but spurious. We do not claim that all of our projects succeed. Meaningful returns must be assessed at a portfolio, or higher, level, except when we use them for oversight purposes. To do otherwise would create significant disincentives to the managed risk taking we must undertake to move the Agency forward.

OIG Response to Agency Comments: None

Final Remark

You imply throughout the report that the only meaningful way to state anticipated benefits is through a monetary return on investment. We do not agree with this notion. Had you asked us why we pursued TSRP, ePulling, TAS, or any other ITS investment, we could have provided you with our business case justification. You did not pose the question. In fact, as noted in "Scope and Methodology," the only information you sought concerned our roles in the budget process, our roles on the information technology advisory board (ITAB), and examples of ITS investments.

We have acknowledged repeatedly that we need to improve our ability to forecast costs and benefits and to follow up with actual measures once we deploy the investments. Sometimes this will equate to a simple return on investment; more often, however, we will view it in the larger context of contributions to the Agency's mission. As indicated above, we remain committed to improving our ability to track and report on a full range of performance measures for all of our significant investments.

OIG Response to Agency Comments: None

OIG Contacts and Staff Acknowledgments

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Acknowledgments

In addition to those named above:

Yvasne Simmons, Senior Auditor

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