SOCIAL SECURITY
Office of the Inspector General

October 31, 2011

The Honorable Sam Johnson
Chairman, Subcommittee on
Social Security
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am pleased to provide the enclosed report, which addresses your April 14, 2011 letter expressing concern that the Social Security Administration (SSA) was using unobligated balances in the annual Limitation on Administrative Expenses (LAE) appropriation to fund investments in information technology (IT) rather than to find and prevent wasteful spending for erroneous benefits. To address this concern, we reviewed the LAE transfer process and the IT account structure and financing process. This report discusses

- Congress' original intent for providing the LAE transfer authority to SSA;
- SSA's LAE transfer process, including the Office of Management and Budget's role in the process;
- SSA's IT fund account structure and financing process; and
- SSA's IT spending and year-end balances over the past several years.

To ensure SSA is aware of the information provided to your office, we are forwarding a copy of this report to the Agency. If you have any questions concerning this matter, please call me or have your staff contact Misha Kelly, Congressional and Intra-Governmental Liaison, at (202) 358-6319.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Enclosure

cc:
Michael J. Astrue

CONGRESSIONAL RESPONSE REPORT

The Social Security Administration's Limitation on Administrative Expenses Appropriation's Transfer Authority

A-15-11-01117

October 2011

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

Our objective was to review information on the Social Security Administration's (SSA) Limitation on Administrative Expenses (LAE) appropriation's transfer of unobligated annual LAE funds to the no-year account for information technology (IT) investment.

BACKGROUND

The 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 annual LAE account. The annual LAE appropriation provides SSA with the funds needed to administer its Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs, and to support the Centers for Medicare and Medicaid Services in administering its programs. See Appendix C for definitions of key budgetary terms used in this report.

The Social Security Trust Funds, the General Fund, the Medicare Trust Funds, and applicable user fees[1] fund the annual LAE account. Section 201(g)(1)(B)[2] of the *Social Security Act* requires that SSA determine the applicable administrative expenses the Trust Funds use to administer their respective programs and the General Fund uses to administer the SSI program. Retirement and non-SSI disability costs are charged to the OASI and DI Trust Funds, and Medicare-related work is charged to the Health Insurance and Supplementary Medical Insurance Trust Funds. The General Fund pays for SSI and the Agency's non-mission related work. SSA calculates the administrative costs attributable to each program using its cost analysis system.

Annual LAE Budget Request and Congressional Approval

The Office of Budget (OB) reviews and adjusts the overall annual LAE budget that includes Information Technology Systems (ITS) based on guidance from the Agency's executives. The Commissioner approves the annual LAE budget request. The OB submits the Commissioner-approved annual LAE budget to the Office of Management and Budget (OMB). OB and OMB work together to prepare SSA's annual LAE budget request that aligns with the President's initiatives.

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[1] Applicable user fees include SSI State Supplement User Fees and Non-attorney Representative User Fees.

[2] 42 U.S.C. § 401(g)(1)(B).

Each fiscal year (FY), SSA documents the agreed-upon annual budget request in its Justification of Estimates for Appropriations Committees (also referred to as the Budget Justification).[3] We reviewed SSA's Budget Justifications for FYs 2010 through 2012. The Budget Justifications provided requests for budgetary resources to fund the annual LAE account. The Budget Justification includes, but is not limited to, LAE information on funds available for obligation including recoveries and transfers, beginning and end-of-year unobligated balances, the President's E-Government Initiatives, and general background on IT infrastructure and investments in new IT projects.[4] However, the Budget Justification does not mention the budget request for the annual LAE line items such as ITS.

OMB submits the agreed upon annual LAE budget to the President for its review. Final decision for SSA is included with those of other Federal agencies as part of the President's Budget, presented to Congress. Congress reviews the President's budget and enacts annual funding, including SSA's annual LAE appropriation.

The Agency stated it intends to obligate the entire annual LAE budget. However, SSA historically obligates approximately 99 percent of the annual LAE budget each FY. Therefore, SSA unobligated approximately 1 percent of the annual LAE budget each FY. Between FYs 2002 and 2010, SSA's unobligated annual LAE budget ranged from approximately $62 to $175 million.

Annual and No-year LAE Apportionment

Once Congress approves SSA's annual LAE appropriation for the FY, OMB apportions the annual LAE account in Category B line items[5]. The Category B line items in the apportionment schedule vary each FY. In FYs 2006 through FY 2010, OMB apportioned the annual LAE account into several line items including Category B Line Items:

- Administrative Expenses,
- ITS,
- Disability Determination Services (DDS),
- Base Continuing Disability Reviews and Redeterminations,

[3] According to OMB Circular A-11, *Preparation, Submission and Execution of the Budget* (August 2011), during the budget process, Section 10.5 (page 4 of Section 10) states "Agencies prepare and OMB reviews congressional budget justification materials" and Section 22.6 (page 3 of Section 22) states " Congressional budget justification materials must include or be structured as the performance plan submission [and] …include additional information . . . as well as detailed descriptions of agencies' activities and proposals at the program, project, and activity level."

[4] SSA stated, "The amount of transfers and recoveries has been reflected in the Congressional Budget Justification since FY 2002 and the FY 2012 budget justification provides the full budgetary amount needed and the transfer amount."

[5] According to OMB Circular A-11, supra, Section 120.9, Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories.

- Additional Continuing Disability Reviews and Redeterminations,
- Social Security Advisory Board, and
- Access to Financial Information.

For example, the apportionment request for the FY 2010 annual LAE appropriation shows the Agency requested approximately $977 million for ITS. The Budget Justification does not specifically mention the budget request for ITS. See Appendix F for the FY 2010 annual LAE apportionment that SSA requested in August 2010.

In addition to an annual LAE appropriation, SSA has a no-year LAE account with funds that are available until expended. OMB reapportions any unused no-year LAE funds from the prior FY that SSA carried forward to the current FY. In FYs 2006 through FY 2010, OMB apportioned the no-year LAE account into several line items including:

- ITS,
- Automation Investment Fund (AIF),
- Low Income Subsidy,
- Delegated Buildings, and
- Disaster Relief.

See Appendix G for an example of FY 2010 no-year LAE apportionment.

Transfer of Unobligated Balances from the Annual LAE Account to the No-year LAE Account

Since FY 1996, public law has required that the unobligated balances provided for annual LAE at the end of each FY remain available until expended to invest in IT (see Appendix D for FYs 1996 through 2010 public laws containing this requirement). This provision has allowed SSA to transfer millions of dollars from the expired annual LAE accounts to the no-year LAE account for a computing network, IT, telecommunications hardware and software infrastructure, and non-payroll administrative expenses associated solely with these costs. In FYs 2006 through 2010, SSA's unobligated balances in the annual LAE accounts that were remaining at year-end and available for transfer were from the Administrative Expenses and DDS apportionments.

From FYs 1997 to 2001 (see Appendix E), SSA transferred its unobligated balances from its expired annual LAE accounts to its no-year LAE account for the AIF. The purpose of AIF was to fund a state-of-the-art computing network, including related equipment and non-payroll administrative expenses related to these costs. From FYs 2001 through 2010, SSA transferred its unobligated balances from its expired annual

LAE accounts[6] to its no-year LAE account for ITS. The purpose of ITS was to fund IT, telecommunications hardware and software infrastructure, and non-payroll administrative expenses related to these costs.

Congressional Request on SSA's LAE Transfer Process

On April 14, 2011, we received a letter from Representative Sam Johnson, Chairman, House Subcommittee on Social Security, Committee on Ways and Means, requesting information about SSA's LAE transfer process. Specifically, the letter requested we answer the following questions.

1. What was the original intent of SSA's receiving LAE transfer authority, what amounts were transferred initially, and has the process changed over the years?

2. What is the Office Management and Budget's role in the SSA LAE transfer process?

3. Over the past 2 years, how did SSA spend its IT funds generally; and specifically, how did it spend the LAE funds transferred to the IT investment account?

4. What were the year-end balances in the IT account over the past 5 fiscal years?

5. The SSA officials have stated that the Agency needs $196 million as an unobligated balance in the LAE account at the end of Fiscal Year 2011. What is the basis for this estimated year-end balance amount?

6. Regarding the IT fund, is there a better account structure and financing process for the SSA's appropriation that is more accountable to the taxpayer?

7. Why was money diverted to the IT fund rather than being used to find and prevent wasteful spending for erroneous benefits?

Subsequent Events to Fieldwork

We conducted our fieldwork from April 15 through June 15, 2011. However, on June 24, 2011, after the end of our fieldwork, SSA moved responsibilities from the Office of the Chief Information Officer (OCIO) to the Office of Systems (OS). Therefore, our response to this request does not reflect the impact (if any) of this recent reorganization on the LAE transfer process. Refer to Question 6 (see page 18) for a discussion of the OCIO's responsibility in the LAE transfer process before June 24, 2011.

[6] According to OMB Circular A-11, supra, Section 20.4(c), budget authority in the expired phase is no longer available for new obligations but is still available for disbursement. This phase lasts 5 years after the last unexpired year unless the expiration period has been lengthened by legislation.

Results of Review

We determined that the Agency funded its IT investment from a combined budget of the annual LAE and no-year LAE funds. As a result, the transfer process required that SSA monitor the IT spending closely and report the balances of prior year funds for transfer availability. During our review, we obtained information on the following.

- The original intent of SSA's LAE transfer authority, amounts initially transferred, and whether SSA's transfer process has changed.
- OMB's role in SSA's LAE transfer process.
- SSA's IT expenses over the past 2 years.
- Year-end IT account balances for past 5 years.
- SSA's basis for needing $196 million as an unobligated balance in the LAE at the end of FY 2011.
- IT account structure and financing process.
- SSA's basis for transferring money to the IT fund rather than using such funds to find and prevent wasteful spending for erroneous benefits.

QUESTION 1: What was the original intent of SSA's receiving LAE transfer authority, what amounts were transferred initially, and has the process changed over the years?

SSA stated that the original intent of the LAE transfer authority was to provide additional funding without increasing the annual LAE appropriation. SSA initially transferred approximately $349 million from the expired annual LAE accounts to the no-year LAE account for AIF in FYs 1997 through 2001 (see page 7, Table 1 for details). Additionally, nothing came to our attention to show that the transfer process has changed since the inception of the LAE transfer authority.

Original Intent of SSA's Receiving LAE Transfer Authority

Before FY 1990,[7] Congress included the funds for ITS-related[8] activities in the annual LAE appropriations with amounts available until expended (no-year) or as an annual (1 year) appropriation. For example, in FY 1985,[9] public law provided that approximately $210 million shall remain available until expended for automatic data processing and telecommunications activities, and in FY 1989,[10] public law stated that

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[7] Also, known as automated data processing and telecommunications.

[9] *Department of Health and Human Services Appropriation Act, 1985*, Pub. L. No. 98-619, 98 Stat. 3305, 3317- 3318.

[10] *Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1989*, Pub. L. No. 100-436, 102 Stat. 1680, 1695-1696.

not to exceed $170 million shall be available for automatic data processing and telecommunications activities.

Beginning in FY 1996,[11] SSA received authority to transfer unobligated funds from the expired annual LAE accounts to the no-year LAE account for the AIF. According to the Agency, ". . . the original intent of the LAE transfer authority was to be able to spend more money on automation without having to provide the full amount in new budget authority (BA) in the appropriation." Although the Agency did not provide supporting documentation on the original intent of the transfer authority, we were able to locate language contained in a Senate Report[12] stating, "However, a bill language provision has been added specifying that funds unobligated at the end of the fiscal year remain available until expended to augment multiyear automation initiatives."

Amounts Transferred Since the Inception of the Transfer Authority

Since the inception of SSA's transfer authority (FYs 1996 to 2011), the Agency has transferred approximately $566 million to the no-year LAE account for AIF and $1.475 billion to the no-year LAE account for ITS, for a total of $2.041 billion to the no-year LAE account. See Appendix E for the unobligated annual LAE funds transferred to the no-year LAE account since the inception of SSA's transfer authority.

Transfers to the No-year LAE Account for AIF (FYs 1997 Through 2001)

See Table 1 (page 7) for the amounts SSA initially transferred from the expired annual LAE accounts to the no-year LAE account for the AIF.

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[11] The *Omnibus Consolidated Rescissions and Appropriations Act of 1996*, Pub. L. No. 104-134, 110 Stat. 1321-241 states ". . . that unobligated balances at the end of fiscal year 1996 not needed for the fiscal year 1996 shall remain available until expended for a state-of-the-art computing network, including related equipment and administrative expenses associated solely with this network . . . ."

[12] S. Rep. No. 104-236, at p. 115 (1996).

Table 1: Annual LAE Funds Transferred to the No-year LAE Account for the AIF in FYs 1997-2001 ($ in millions)						
Annual LAE Account Funds Were Transferred From[13]	FY the Funds Were Transferred to No-year LAE Account for AIF					
	FY 1997	FY 1998	FY 1999[14]	FY 2000	FY 2001	Total
FY 1996	$50.0	$0.0	$0.0	$40.0	$38.0	**$128.0**
FY 1997	--	$100.0	$0.0	$0.0	$40.9	**$140.9**
FY 1998	--	--	$0.0	$14.0	$24.1	**$38.1**
FY 1999	--	--	--	$0.0	$0.0	**$0.0**
FY 2000	--	--	--	--	$42.0	**$42.0**
Total	**$50.0**	**$100.0**	**$0.0**	**$54.0**	**$145.0**	**$349.0**

Transfers to the No-year LAE Account for AIF and ITS (FYs 2002 Through 2005)

In FY 2001,[15] Congress revised the public law to expand the scope of the uses of the transferred funds, and, in FY 2002 SSA began transferring the unobligated funds from the expired annual LAE accounts to the no-year LAE account for ITS. Transfers to the no-year LAE account for the AIF continued until FY 2005 when SSA closed the FY 2000 annual LAE account. Therefore, in FYs 2002 through 2005, SSA transferred unobligated funds from the expired annual LAE accounts to the no-year LAE account for both the AIF and ITS.

SSA stated, "Both the AIF and ITS base budget address automation investments . . . The AIF primarily addresses one major infrastructure investment – the creation of a state-of-the-art computing network- while the ITS base budget addresses the balance of the Agency's ITS investments and ongoing information system expenses." See Table 2 (page 8) for transfers to the no-year LAE account for AIF and ITS in FYs 2002 through 2005.

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[13] The funds from the annual LAE appropriation are not available for transfer until the subsequent FY. After the FY has closed, the annual LAE account remains open for 5 years allowing for late adjustments and payments. FY 1996 through 2005 annual LAE appropriations had exceeded their 5-year period of authority to disburse and were cancelled. Therefore, these funds are no longer available for transfer.

[14] The Agency did not transfer annual LAE funds to the no-year LAE account for the AIF in FY 1999 or transfer funds from the FY 1999 annual LAE account to the no-year LAE account for the AIF in FYs 2000 and 2001.

[15] The *Consolidated Appropriations Act, 2001*, Pub. L. No. 106-554, 114 Stat. 2763, 2763A-68, states that ". . . unobligated balances of funds provided at the end of fiscal year 2001 not needed for the fiscal year 2001 shall remain available until expended to invest in the Social Security Administration information technology and telecommunications hardware and software infrastructure, including related equipment and non-payroll administrative expenses associated solely with this information technology and telecommunications infrastructure . . . ."

Table 2: Annual LAE Funds Transferred to the No-year LAE Account for the AIF and ITS in FYs 2002 Through 2005 ($ in millions)						
Annual LAE Account Funds were Transferred From	FY the Funds Were Transferred to the No-year LAE Account					
	No-year LAE Account Transferred for	FY 2002	FY 2003	FY 2004	FY 2005	Total
FY 1997	AIF	$22.4	--	--	--	**$22.4**
FY 1998		$8.2	$36.0	--	--	**$44.2**
FY 1999		$14.0	$19.2	$19.2	--	**$52.4**
FY 2000		$21.1	$28.6	$7.9	$ 40.0	**$97.6**
FY 2001	ITS	$52.1	$10.0	$10.1	$10.0	**$82.2**
FY 2002		--	$17.0	$27.9	$14.0	**$58.9**
FY 2003		--	--	$39.0	$15.0	**$54.0**
FY 2004		--	--	--	$41.0	**$41.0**
Total Annual LAE Funds Transferred to the No-year LAE Account for AIF and ITS		**$117.8**	**$110.8**	**$104.1**	**$120.0**	**$452.7**

Transfers to the No-year LAE Account for ITS (FYs 2006 to Present)

In FY 2006, SSA began transferring unobligated funds from the expired annual LAE accounts only to the no-year LAE account for ITS. The Agency has not requested annual LAE funding for AIF since FY 1998. The AIF remains a separate funding stream in the no-year LAE account, but after FY 2005, the Agency did not transfer unobligated funds from the expired annual LAE accounts to the no-year LAE account for the AIF. The current balance in the no-year LAE account for the AIF consists of funds that SSA transferred in previous FYs and recoveries of prior year obligations in AIF. As of September 30, 2010, the no-year LAE account for the AIF had approximately $2 million remaining and available for obligation. SSA stated that ". . . after AIF expires, ongoing costs for hardware and software acquired as AIF automation investments will be met from the ITS base budget." See Table 3 (page 9) for the amounts transferred to the no-year LAE account for ITS for FYs 2006 through 2011.

Table 3: Annual LAE Funds Transferred to No-year LAE Account for ITS in FYs 2006 Through 2011 ($ in millions)							
Annual LAE Account Funds Were Transferred From	FY the Funds Were Transferred to No-year LAE Account for ITS						
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011[16]	Total[17]
FY 2001	$10.0	--	--	--	**--**	**--**	**$10.0**
FY 2002	$10.0	$53.0	--	--	**--**	**--**	**$63.0**
FY 2003	$10.0	$10.0	$84.5	--	**--**	**--**	**$104.5**
FY 2004	$10.0	$25.0	$20.0	$40.0	**--**	**--**	**$95.0**
FY 2005	$102.0	$96.0	$28.0	$10.0	$65.0	**--**	**$301.0**
FY 2006	--	$0.0	$35.5	$60.0	$20.0	$25.0	**$140.5**
FY 2007	--	--	$0.0	$60.0	$70.0	$65.0	**$195.0**
FY 2008	**--**	**--**	**--**	$0.0	$75.0	$30.0	**$105.0**
FY 2009	**--**	**--**	**--**	**--**	$50.0	$90.0	**$140.0**
FY 2010	**--**	**--**	**--**	**--**	**--**	$85.0	**$85.0**
Total	**$142.0**	**$184.0**	**$168.0**	**$170.0**	**$280.0**	**$295.0**	**$1,239.0**

QUESTION 2: What is the Office of Management and Budget's role in the SSA LAE transfer process?

SSA estimates the transfer amounts and discusses them with OMB during the budget formulation process. OMB stated that its role in the transfer process includes approving the transfer request after approval of SSA's budget. Furthermore, OMB ensures the apportionment request for the transfer amounts align with SSA's spending plan. See the Background section (page 2) for discussion of OMB's role in the apportionment request for annual and no-year LAE accounts.

OMB's Role in the LAE Transfer Process

The Agency and OMB have worked out a process where they reach an agreement on the amount of expired annual LAE funds that will be transferred to the no-year LAE account for ITS. During the formulation of the President's budget in the fall of each

[16] As of May 2011, the Agency had transferred $295 million from expired annual LAE accounts to the no-year LAE account for ITS. Additionally, $275 million was rescinded in FY 2011 from the no-year LAE account. According to the Agency, they do plan to transfer annual LAE resources before September 30, 2011 for use in FY 2012.

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

FY,[18] OMB works with SSA's OB to negotiate the estimated carryover in the no-year LAE account for ITS and transfer amounts from the expired annual LAE accounts that will reduce the overall annual LAE budget request. However, these amounts are not included in the Budget Justification. For example, SSA requested $11.4 billion for its FY 2010 overall annual LAE budget. However, the estimated carryover and transfer amounts that reduced the FY 2010 annual LAE budget request were not included in the Budget Justification.

IT Investment Funding

The Agency's LAE budget for ITS includes annual and no-year LAE funds. The annual LAE budget request for ITS is funded with monies Congress appropriates annually. Whereas, the no-year LAE budget request for ITS is funded with funds that SSA transferred from expired annual LAE accounts. The no-year LAE account for ITS funds includes

- 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 expired annual LAE accounts.

Each year, SSA submits a request for apportionment to OMB to use annual and no-year LAE funds. For example, in August 2010, OMB apportioned SSA approximately $11.5 billion of the annual LAE appropriation. In this apportionment schedule, OMB provided funding of approximately $977 million for ITS. See Appendix F for an example of an annual LAE apportionment schedule approved in FY 2010.

See Table 4 (page 11) for the funding sources of the LAE budget for ITS in FYs 2006 through 2010.

[18] According SSA, ". . . negotiations with OMB on the transfer amount usually begins with the submission of the Commissioner's budget, which for the FY 2013 budget, will be this fall. Negotiations continue up to the submission of the President's Budget which is the following February."

Table 4: Total LAE Budget for ITS in FYs 2006 Through 2010 ($ in millions)					
FYs	No-year LAE Funding Sources for ITS			Annual LAE Funding for ITS	Total LAE Budget for ITS[19]
	Carryover of the Unobligated No-year LAE Balance from Prior Year for ITS	Recoveries of Prior-Year Obligations for ITS[20]	Transfers of Expired Annual LAE Unobligated Funds		
FY 2006	$69	$8	$142	$456	**$675**
FY 2007	$143	$5	$184	$481	**$813**
FY 2008	$185	$2	$168	$535	**$890**
FY 2009	$219	$17	$170	$725	**$1,131**
FY 2010	$202	$15	$280	$964	**$1,461**

The Agency's LAE budget for ITS increased from approximately $675 million to $1.5 billion between FYs 2006 and 2010. The Agency stated,

> From FY 2006 to FY 2010, the LAE ITS budget increased by approximately $786 million ($1,461 million minus $675 million). These increases were due to the expansion of the agency's IT strategy, support and maintenance. The major investment increases include: Infrastructure (+$242 million), Hardware & Software Maintenance (+$112 million), Contractor Support (+$94 million), and Disability Process (+$83 million). This accounts for approximately $530 million of the $786 million increase.

See Question 3 (page 12) for the details of the transfers regarding the spending of the LAE account funds for IT investments in the Social Security Online Accounting and Reporting System (SSOARS),[21] which is SSA's accounting system.

[19] The Total LAE Budget for ITS is the approved budget for IT investment that has been apportioned by OMB. The Agency does not allow the full amount to its components for obligation. See Table 6 (page 16) for the amounts available for obligation and the amounts not available for obligation.

[20] These recoveries of prior-year obligations are for ITS in the no-year LAE account only and are not included in the overall recoveries for the annual LAE account.

[21] 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, GSA and the Department of the Treasury. SSOARS is integrated with other systems and has online query capabilities.

QUESTION 3: Over the past 2 years, how did SSA spend its IT funds generally; and specifically, how did it spend the LAE funds transferred to the IT investment account?

Over the past 2 years (FYs 2009 and 2010), SSA generally spent its IT funds on major IT projects.[22] However, we were unable to determine the specific projects funded with the annual LAE funds transferred to the no-year LAE account for ITS. According to the Agency, "SSA does not distinguish its ITS projects between Annual and X [no-year]."

The Funding of ITS Expenditures

According to SSA, all Agency payroll related to IT projects is funded from the Administrative Expenses apportionment[23] in the annual LAE account. Based on our review of the Agency's financial records for FYs 2006 through 2010, we found that SSA charged the ITS payroll to the Administrative Expenses apportionment. Furthermore, we found that the ITS apportionment, for annual and no-year LAE accounts, funds the following expenditures.

- Rents, communications, and utilities associated with IT.
- Hardware and software equipment.
- IT supplies and materials.
- Other services that include contractual services.

We reviewed a sample of FY 2010 ITS expenditures to ensure charges to the annual LAE account were IT and telecommunications' hardware and software expenses, including related equipment and non-payroll administrative expenses associated with the IT and telecommunications infrastructure. Based on this review, we determined that SSA properly charged the ITS expenditures to the annual LAE account.

[22] According to OMB's *Guidance for Exhibit 300 - Planning, Budgeting, Acquisition, and Management of Capital Assets*, Section 300.4 (page 5 of 21 Exhibit 300), ". . . Major IT Investment means a program requiring special management attention because of its importance to the mission or function of the agency, a component of the agency, or another organization; has significant program or policy implications; has high executive visibility; has high development, operating or maintenance costs; is funded through other than direct appropriations; or is defined as major by the agency's capital planning and investment control process." Furthermore, it states, ". . . Investments not considered "major" are non-major."

[23] Administrative Expenses is a Category B Line Item within the annual LAE account. The annual LAE Administrative Expenses apportionment includes payroll, payroll benefits, training, postage, rent, contractual services, travel, supplies, and others.

General ITS Expenditures

According to the Agency, SSA's IT investment plan supports the Agency's goals and objectives identified in its Strategic Plan. OMB reviews the projects included in the investment plan. SSA's OMB Exhibit 53[24] documents the Agency's IT investments, which consist of the following four areas.

1. **Financial Management Systems:** IT investment in Financial Management Systems provides for the operation and maintenance of SSOARS.

2. **Strategic Plan Mission Areas:** IT investment in the Strategic Plan Mission Areas further supports the Agency's strategic goals and objectives. The objectives of these IT investments include ensuring the availability of core business functions through enhanced critical systems infrastructure and modernization of existing IT investments; improving systems for filing claims and accessing retirement information; continuing automation of the DDS, including implementation of projects to reduce hearing office backlogs and electronic disability case processing; supporting the national 800-number; further automation of the Social Security card application process; upgrading the Interactive Video Tele-training program for SSA employees; and supporting Medicare initiatives.

3. **IT Infrastructure and Office Automation:** IT investment in Infrastructure provides for telephone service; videoconferencing; upgrading and maintaining hardware and software; deploying new technologies to safeguard personally identifiable information; and maintaining SSA's data center to support critical operations and protect it from loss or vulnerability.

4. **Enterprise Architecture and Planning:** IT investment in Enterprise Architecture establishes a framework that identifies strategic information assets that define the business processes required, the technologies needed to support and operate those processes, and a transition strategy for implementing new technologies to respond to the changing needs of the Agency.

See Table 5 (page 14) for the costs of IT investment for FYs 2009 and 2010 in each area.

[24] According to OMB Circular A-11, supra, Section 53.5 each Agency that is subject to Executive Branch review must submit an IT investment portfolio (Exhibit 53) to OMB.

Table 5: IT Investments by Area for FYs 2009 and 2010 (Non-Payroll Expenses) ($ in thousands)		
Areas of IT Investment	**FY 2009**	**FY 2010**
Financial Management Systems	**$22,970**	**$13,157**
Strategic Plan Mission Areas:		
Core Services	$82,029	$51,164
Improve the Disability Process	$82,648	$104,501
High Performing Workforce	$32,001	$29,587
Program Integrity & Public Trust	$24,280	$29,067
Savings & Solvency	$718	$1,032
Hearing Process	$4,928	$4,220
Cross Cutting Activities[25]	$0	$28,114
Total Strategic Plan Mission Areas	**$226,604**	**$247,685**
IT Infrastructure and Office Automation	**$713,260**	**$816,051**
Enterprise Architecture and Planning	**$3,531**	**$30,927**
Totals	**$ 966,365**	**$ 1,107,820**

For FYs 2009 and 2010, the Agency fully used its annual LAE funding for ITS of $725 million and $964 million, respectively. The no-year LAE account for ITS funded the remainder of SSA's IT costs. See Table 4 (page 11) for the IT funding sources and Question 4 (page 15) for the year-end LAE balances for ITS over the past 5 FYs. The four areas of IT investment consist of several IT projects categorized as either major or non-major projects. Major projects comprised 89 percent of IT spending in FY 2009 and 85 percent of IT spending in FY 2010.

In FYs 2009 and 2010, SSA spent approximately 74 percent of its total IT spending in IT Infrastructure and Office Automation area. The majority of this area consists of major projects and includes replacement of the telephone system with Voice Over Internet Protocol and IT Operations Assurance, which reduces the risk associated with loss or vulnerability of SSA's National Computer Center.

Of the Strategic Plan Mission Areas, SSA's efforts to Improve the Disability Process accounted for over one-third of the spending. Spending in this area included funding for automation of the DDS and addressing ways to deliver accurate disability decisions faster. SSA spent approximately $83 and $105 million on improving the disability process in FYs 2009 and 2010, respectively.

[25] The Cross Cutting Activities Mission Area was added to the ITS budget in FY 2010.

Specific ITS Expenditures

Our review found that the Agency did not fund certain projects with the annual LAE account funds for ITS and other projects with the no-year LAE account funds for ITS. ITS spending is from the combined IT budget that includes both the no-year and annual LAE account funds for ITS.

SSA initially charges all ITS expenses to the annual LAE account for ITS and continuously monitors the annual LAE account's charges for ITS. When the annual LAE account for ITS is near full utilization, SSA transfers ITS expenditures to the no-year LAE account to allow additional charges in the annual LAE account for ITS. SSA stated,

> As an internal control, SSOARS will not post an obligation against an unfunded allowance and will not post an obligation if funds are insufficient to process the full charge . . . When ITS annual funding is about to be fully utilized, the ITS accountant transfers expenditures and, if necessary, unpaid obligations to ITS X [no-year] thereby allowing additional charges to post against ITS annual funds. At the end of the reporting period, the charges are reconciled and then allocated between the funding sources to ensure that ITS Annual funding is fully utilized and only those obligations and expenses in excess of ITS Annual funding are charged to ITS X [no-year].

Even though SSOARS can charge expenses to the annual and no-year LAE accounts for ITS, SSA stated that it chose to set SSOARS to track the ITS expenses in the annual LAE account for ITS and transfer ITS expenditures to the no-year LAE account for ITS. SSA stated, it does not ". . . distinguish its ITS projects between Annual and X [no-year]; therefore, we would not be able to identify which account the activity should be charged to. Also, since at the end of the year, we require the annual account to fully utilized before using the X [no-year] account authority, it would be very difficult to achieve this with charges going to both accounts."

See Question 6 (page 18) for the discussion of the Agency's methodology for tracking ITS expenses.

QUESTION 4: What were the year-end balances in the IT account over the past 5 fiscal years?

SSA's "IT account" includes both no-year and annual LAE funding for ITS. For the past 5 FYs, the unobligated no-year LAE for ITS year-end balances ranged from $143 to $385 million. See Table 6 (page 16) for the year-end balances in the "IT account" and unobligated balances brought forward during FYs 2006 through 2010.

Table 6: FYs 2006 Through 2010 Year-End Balances in No-year LAE Account for ITS ($ in millions)					
FY	**Source of ITS Category B Line Item in the LAE Apportionment**[26]	**Funds Available for Obligation**	**Funds for ITS Not Available for Obligation**	**Total Obligations**	**Total Unobligated Year End Balance**
2006	**Annual LAE Account**	$456	$0	$(456)	$0
	No-year LAE Account	$90	$129	$(76)	$143
	Total	**$546**	**$129**	**$(532)**	**$143**
2007	**Annual LAE Account**	$481	$0	$(481)	$0
	No-year LAE Account	$159	$174	$(148)	$185
	Total	**$639**	**$174**	**$(628)**	**$185**
2008	**Annual LAE Account**	$535	$0	$(535)	$0
	No-year LAE Account	$141	$214	$(136)	$219
	Total	**$676**	**$214**	**$(671)**	**$219**
2009	**Annual LAE Account**	$725	$0	$(725)	$0
	No-year LAE Account	$219	$187	$(205)	$201
	Total	**$945**	**$187**	**$(930)**	**$202**
2010	**Annual LAE Account**	$964	$0	$(964)	$0
	No-year LAE Account	$202	$295	$(112)	$385[27]
	Total	**$1,165**	**$295**	**$(1,075)**	**$385**
***Note:** The dollar amounts presented in Table 6 are based on actual numbers from SSA's Financial Indicator Reports. However, there may be differences in the totals due to rounding.					

SSA obligates its annual LAE account funds for ITS before it obligates funds from the no-year LAE account for ITS. For that reason, SSA's unobligated ITS balance at the end of the each FY is from the no-year LAE account for ITS. These funds carry over to the next FY and are available for ITS obligations until expended. For example, in FY 2006, SSA obligated $456 million from its annual LAE account for ITS and

[26] We obtained the ITS year-end balance for annual and no-year LAE accounts in FYs 2006 through 2010 from SSA's financial indicator reports as of September 30 each FY. In some instances, the apportionment numbers at year-end may differ from the last approved apportionment schedule for the annual LAE account because the Agency has reprogrammed its LAE funds before the FY ended. The approved annual LAE apportionment stated 10 percent of annual LAE funds may be reprogrammed between the Administrative Expenses and DDS Category B line items and/or the Administrative Expenses and ITS Category B line items.

[27] In FY 2011, $275 million of the $385 million that was unobligated at the end of FY 2010 was rescinded from the no-year LAE account.

$76 million from its no-year LAE account for ITS, which totals $532 million. SSA carried over the remaining $143 million to FY 2007, and it remained in the no-year LAE account for ITS until expended. See Table 4 (page 11), for the carryover of the unobligated no-year LAE balance for ITS from the prior year.

Over the past 5 FYs, SSA has obligated an average of 77 percent of its LAE budget for ITS (including both annual and no-year LAE funds for ITS), leaving an average of 23 percent of its LAE budget for ITS unobligated. The unobligated no-year LAE balance for ITS were expired annual LAE funds that SSA transferred to the no-year LAE account for ITS.

QUESTION 5: The SSA officials have stated that the Agency needs $196 million as an unobligated balance in the LAE account at the end of Fiscal Year 2011. What is the basis for this estimated year-end balance amount?

In the FY 2012 Budget Justification, SSA projected $196 million as the amount needed for prior year adjustments. SSA further stated, "It is essential that these funds remain in the expired LAE account (FY 2006-2010) to cover adjustments. Otherwise, SSA could face an anti-deficiency violation." Based on our review, we determined that $196 million was the unobligated balance in the expired annual LAE accounts as of December 31, 2010 for the FYs 2006 through 2010 annual LAE appropriations. The Agency stated that the adjustments to prior-year obligations are more volatile during the first quarter of the FY; and therefore, they chose to take a more conservative approach, reserve the unobligated balances for upward adjustments given the uncertainty of what would occur during the remainder of the FY, and transfer funds later in the FY.

Additionally, SSA stated, "The amount we hold back in prior years is not a set number. A number of factors influence our decision concerning how much prior year money needs to be retained." SSA also stated, "We need to hold less money in reserve in the oldest year than we do in the most recent year since the oldest year has much less time left available for upward adjustments to obligations. Similarly, at the beginning of the fiscal year, there is more time available for obligations than at the end of the fiscal year." SSA continuously monitors LAE accounts and communicates with its components regularly regarding the validity of open obligations as the status of obligations may change over time. Furthermore, SSA stated that recoveries of prior period obligations are also a consideration and monitored as they may have corresponding upward adjustments within the year.

SSA stated it maintains balances in prior years to cover any potential upward adjustments. We found that SSA left approximately 1.2 percent of the annual LAE appropriation unobligated at the end of each FY in the last 10 years. When SSA had a less robust accounting system, the Agency lapsed as low as 0.3 percent in FY 1989 and 0.6 percent in FY 1990 of the annual LAE appropriation. However, since the Agency implemented a new accounting system in FY 2004, SSA has lapsed at least 1 percent per year.

We found that, had SSA reviewed patterns of its prior year obligations and performed trend analyses, it would have had ample time to identify and reallocate funds during the FY to spend on various workloads. Based on our prior report,[28] we concluded that ". . . early in the budget process, SSA 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 workloads."

QUESTION 6: Regarding the IT fund, is there a better account structure and financing process for the SSA's appropriation that is more accountable to the taxpayer?

SSA stated that they could account for the transfer process in the accounting system differently but it is too labor intensive. We believe the transparency of the process could be improved if prior to making the transfer, the Agency would seek the explicit approval of the oversight committee and transfer a mutually agreed upon amount from the expired annual LAE accounts to the no-year LAE account for ITS.

We found that the Agency does not determine what projects will be funded by the annual or no-year LAE accounts since the ITS budget is combined for funding purposes and ITS spending is tracked in one account. While the Agency supplements the annual LAE account for ITS with the no-year LAE account for ITS account, it stated "The Agency tracks its ITS spending closely and this practice has not changed with receiving the authority provided by Congress to transfer funds from prior years."

Based on our review, we found the Budget Justification for FYs 2010 through 2012 did not include a specific rationale for the requested transfer amount from the expired annual LAE accounts to the no-year LAE account for ITS. The Agency provided examples of discussions with the Congressional Budget Office (CBO) and the Senate Committee on Appropriations in FYs 2010 and 2011. The CBO and Senate Committee prompted these discussions regarding the balances in the no-year and annual LAE accounts for ITS, no-year LAE carryover amounts for ITS, and the consequences of rescinding funds from the no-year LAE account.

SSA's Methodology for Tracking ITS Expenses

OMB apportions ITS as a Category B[29] line item on the annual and no-year LAE apportionment schedules. See Appendix F for an example of SSA's Category B line item for ITS (line number 8B3) included on the apportionment schedule. Once OMB has apportioned these funds, SSA issues funding documents to move approved LAE funds in the accounting system for both annual and no-year LAE accounts, thus creating the availability to incur obligations.

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[28] SSA OIG, *The Social Security Administration's Use of Limitation on Administrative Expenses Fund* (A-15-10-21085), September 2010.

[29] According to OMB Circular A-11, supra, Section 120.9, Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories.

SSA stated, "All ITS obligations require a budget FY, common accounting number (CAN), sub-object class (SOC), and an ITS project number. The CAN determines which funding source the obligation is charged to (e.g., DDS, ITS) and the SOC determines the type of charge (e.g., Rent)." Additionally, the Agency stated, "ITS obligations are only charged to ITS CANs and the ITS account does not fund federal payroll costs . . . The ITS account does fund costs under object class 2300, Rent, Telecommunications and Utilities, but ITS costs in this category are primarily for telecommunication related expenses." However, SSA initially charges all ITS obligations to the annual LAE account and closely monitors the account for full use of the annual apportioned amount. When the account is near this amount, SSA transfers some ITS expenditures to the no-year LAE account to allow additional charges to post against the annual LAE account for ITS. According to the Agency, it chose to set SSOARS to track the ITS expenses in one account versus both the annual and no-year LAE accounts for ITS.

In addition, SSA stated that the current account structure is sound and it allows the Agency "to monitor spending in a precise manner." We found that the current account structure does allow the Agency to monitor its ITS spending but does not allow the Agency to initially charge ITS expenditures to either the annual LAE or no-year LAE accounts for ITS. The transfer process requires that SSA monitor the ITS spending closely and review balances for purposes of transfer availability.

IT Financing Process

Before June 24, 2011, OCIO was responsible for the IT financing process. OCIO managed the ITS budget and made the final IT budget recommendations to the Commissioner. The Deputy Commissioner of Systems (DCS) was responsible for monitoring all development and operations included in the Agency's IT spending plan. During the IT budget formulation process, SSA's components provided their IT project plans and funding requests to DCS. SSA components submitted all IT funding requests each FY regardless of approval in the prior years' budget process. DCS integrated the IT project plans and IT funding requests, developed a proposed consolidated, prioritized IT project plan and budget and submitted them to the OCIO for review and concurrence.

DCS, Strategic Information Technology Assessment and Review (SITAR) Board,[30] and OCIO worked together to prioritize the IT projects based on instructions from OMB and the Agency's strategic planning, performance plan goals, and strategic Information Resources Management planning. The SITAR Board reviewed government and contractors' IT staff and overall IT funding. DCS focused on the costs associated with the Agency's IT hardware, software, and service requirements.

[30] Before FY 2010, SSA made investment decisions through a governing body knows as the IT Advisory Board. According to SSA, the SITAR is a new governing process that reflects SSA's desire to better align its technology investments with the Agency's strategic priorities. The SITAR Board is chaired by the Agency's Deputy Commissioner and includes Deputy Commissioner-level executives.

Many IT projects have a mixture of non-discretionary and discretionary costs. SSA ranks these costs in levels that identify items that are mandatory in the IT budget and helps prioritize funding allocations. Mandatory (or non-discretionary) items include maintenance, continuation of efforts, new requests from the Commissioner's directives, audits, or legislation. Discretionary items include items that can be considered for the IT budget after the mandatory needs are funded or can be postponed to subsequent years or indefinitely with little or no impact on Agency's initiatives.

On June 24, 2011, SSA moved responsibilities from the OCIO to OS. This reorganization might affect the IT financing process as described above. Furthermore, SSA has not advised us of any changes to its IT investment practices and the related accounting because of the Agency's reduction in ITS funding.

QUESTION 7: Why was money diverted to the IT fund rather than being used to find and prevent wasteful spending for erroneous benefits?

We inquired of SSA its reason for diverting the expired annual LAE funds to the no-year LAE account rather than being used to find and prevent wasteful spending for erroneous benefits. SSA stated the following.

> SSA does analyze its resource use during the fiscal year, but not with the intention of diverting resources from program integrity (PI), quality assurance or any other workload operation to IT.
>
> At the beginning of each fiscal year SSA has plans in place to spend the full budget and has documented performance targets (i.e., completed claims, hearings, continuing disability review, redeterminations, etc), which are negotiated with OMB. During the fiscal year funds become available to the agency because projects come in lower than estimated, hiring occurs later than planned, or overtime use is less than budgeted. However, we spend approximately 99% of our budget each year to accomplish SSA's mission. Given the inevitability of legitimate increases to prior-year obligations, it is neither a sound nor prudent fiduciary practice to obligate an entire current fiscal year appropriation. In order to complete more work (PI, quality assurance or other work) the agency needs to fund more workyears by either hiring more people or using more overtime. The decision to hire more employees must take into consideration the budget outlook for the upcoming fiscal year, including the potential for operating under a continuing resolution, and if it can sustain the additional hires. Although the decision to fund additional overtime does not carry a future funding commitment, the agency must consider what capacity exists for additional funding.

Unobligated Annual LAE Year-End Account Balances

The unobligated annual LAE balances at the end of each FY for FYs 2006 through 2010 ranged from approximately $93 to $140 million. While the funds were in the annual LAE account, they could have been used for hiring. However, once the funds were transferred to the no-year LAE account for ITS, the funds could only be used for IT investments. Based on our review, we identified the amount of funds transferred to the no-year LAE account for ITS over the past 6 FYs (see page 9, Table 3 for the transferred amounts).

In a prior report,[31] we illustrated how SSA could use $25 million of the current FY obligated annual LAE funds to improve the integrity and/or service levels of the Agency. We provided an illustration for FYs 2004 through 2008. We found that "In any of those years, the Agency could have obligated additional funds to complete more CDRs and/or redeterminations, thereby generating tangible program savings. 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."

[31] SSA OIG, *The Social Security Administration's Use of Limitation on Administrative Expenses Fund* (A-15-10-21085), September 2010.

Conclusions

SSA is transferring the unobligated funds from the expired annual LAE accounts in accordance with the language of its annual appropriation set forth in public law. However, the amount of annual LAE funds unobligated and available for transfer to the no-year LAE account for ITS varies (for example, SSA's unobligated annual LAE balance was between approximately $93 and $140 million in FYs 2006 through 2010). Furthermore, before the transfer, the Agency does not notify Congress of its rationale for transferring specified amounts or the need to leave certain amounts unobligated in expired annual LAE accounts.

The Agency stated that leaving approximately 1 percent in the annual LAE appropriation per year is reasonable to avoid an *Anti-Deficiency Act* violation. We understand that it is neither sound nor prudent practice to obligate an entire FY appropriation; however, our review of historical trends would indicate that a lower percentage is supportable by actual experience. This would then allow SSA to increase its funding to other Agency workloads such as disability and program integrity workloads.

Additionally, we believe the transparency of the process could be improved if, before making the LAE transfer, the Agency notified Congress of its intentions and its reasons for leaving certain amounts unobligated in annual LAE accounts.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Definitions of Key Budgetary Terms Used in the Report

APPENDIX D – Fiscal Years 1996 Through 2010 Limitation on Administrative Expenses Appropriations

APPENDIX E – Unobligated Annual LAE Funds Transferred to the No-year LAE Account for AIF and ITS

APPENDIX F – SF-132 Apportionment and Reapportionment Schedule for FY 2010 Annual LAE Funds

APPENDIX G – SF-132 Apportionment and Reapportionment Schedule for FY 2010 No-year LAE Funds

Acronyms

AIF	Automation Investment Fund
CAN	Common Accounting Number
CBO	Congressional Budget Office
CDR	Continuing Disability Review
DCO	Deputy Commissioner of Operations
DCS	Deputy Commissioner of Systems
DDS	Disability Determination Services
DI	Disability Insurance
FY	Fiscal Year
IT	Information Technology
ITS	Information Technology Systems
LAE	Limitation on Administrative Expenses
OASI	Old-Age and Survivors Insurance
OB	Office of Budget
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OS	Office of Systems
PI	Program Integrity
Pub. L. No.	Public Law Number
SF	Standard Form
SITAR	Strategic Information Technology Assessment and Review
SSA	Social Security Administration
SOC	Sub-Object Class
SSI	Supplemental Security Income
SSOARS	Social Security Online Accounting and Reporting System
U.S.C.	United States Code

Scope and Methodology

To accomplish our objective, we:

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

- Interviewed personnel from the Office of Management and Budget (OMB) to determine their roles in SSA's LAE transfer process.

- Interviewed personnel from SSA's Office of Budget to obtain

    - the original intent of the transfer authority;
    - the initial amounts transferred from the expired annual LAE accounts to the no-year LAE account; and
    - an explanation for money transferred to the information technology (IT) fund rather than being used for program integrity work.

- Interviewed personnel from SSA's Offices of the Chief Information Officer and Systems to determine

    - how SSA spent its IT funds over the past 2 years;
    - how SSA spent the LAE transferred amounts to the IT investment account; and
    - the current financing process for the IT fund.

- Interviewed personnel from SSA's Office of Finance to obtain

    - ITS year-end balances over the past 5 fiscal years;
    - an explanation and basis for the need to have $196 million as an unobligated balance in the LAE account at the end of FY 2011;
    - the current account structure for the IT fund;
    - LAE's annual unobligated balances;
    - LAE's recoveries of prior year obligations;
    - LAE's annual upward adjustments; and
    - LAE's no-year transfers.

- Reviewed the Standard Form (SF) 132 – *Apportionment and Reapportionment Schedule* – for SSA's annual and no-year LAE accounts in FYs 2006 through 2010.

- Reviewed the SF 133 – *Report on Budget Execution and Budgetary Resources* – for LAE's annual unobligated balances and upward adjustments
- Obtained the detailed transactions by sub-object class for LAE Information Technology Systems (ITS) for FYs 2009 and 2010.

- Reviewed a randomly selected sample of 45 transactions that were made in FY 2010 to verify that the charges to both the annual and no-year LAE accounts for ITS were for IT and telecommunications hardware and software infrastructure, including related equipment and non-payroll administrative expenses associated solely with this information technology and telecommunications infrastructure as defined in public law.

We conducted our work at SSA Headquarters in Baltimore, Maryland, from April 15, through June 15, 2011. 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 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Definitions of Key Budgetary Terms Used in the Report[1]

Annual Budget Authority (Appropriation)	Budget authority that is available for obligation during only 1 fiscal year or less.
Anti-Deficiency Act Violation	An *Anti-Deficiency Act* violation occurs when one or more of the following happens: overobligation or overexpenditure of an appropriation or fund account (31 U.S.C. § 1341(a)); entering into a contract or making an obligation in advance of an appropriation, unless specifically authorized by law (31 U.S.C. § 1341(a)); acceptance of voluntary service, unless authorized by law (31 U.S.C. § 1342); or overobligation or overexpenditure of (1) an apportionment or reapportionment or (2) amounts permitted by the administrative control of funds regulations (31 U.S.C. § 1517(a)).
Apportionment	A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, program, activities, projects, objects, or any combination of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, sub-allotments, and allocations.
Appropriation	A provision of law authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.
Budget Authority	Authority provided by law to incur financial obligations that will result in outlays. Specific forms of budget authority include appropriations, borrowing authority, contract authority, and spending authority from offsetting collections.

[1] We obtained the majority of definitions from OMB Circular No. A-11 (Page 3, 13, 15 and 17 of Section 20, Page 8 of Section 130 and Page 6 of Appendix F); however, the allotment and allowance definitions were obtained from the U.S. Department of Health and Human Services' Food and Drug Administration Staff Manual Guide (Page 1 and 14). The *Anti-Deficiency Act* Violation definition was taken from the Government Accountability Office's *Glossary of Terms Used in the Federal Budget Process* (GAO-05-734SP, page 12, September 2005).

Expired Phase	During this time, the budget authority is no longer available for new obligations but is still available for disbursement. This phase lasts 5 years after the last unexpired year unless the expiration period has been lengthened by legislation. Specifically, you may not incur new obligations against expired budget authority, but you may liquidate existing obligations by making disbursements.
No-year Budget Authority (Appropriation)	The language for a specific appropriation of budget authority or the authorization of the appropriation may make all or some portion of the amount available until expended. That means you can incur obligations against it indefinitely.
Recoveries of prior year obligations	The amount of cancellations of, or downward adjustments to unpaid obligations incurred in prior years.
Unexpired phase	During this time period the budget authority is available for incurring "new" obligations. You may make "new" grants or sign "new" contracts during this phase and you may make disbursements to liquidate the obligations.
Unobligated balance	The cumulative amount of budget authority that is not obligated and that remains available for obligation under law.
Upward Adjustments of prior recorded obligations	Upward adjustments of obligations reduce unobligated balances.

Fiscal Years 1996 Through 2010 Limitation on Administrative Expenses Appropriations

Since Fiscal Year (FY) 1996, Public Laws conveying the Agency's annual administrative expense appropriation have provided that the unobligated funds from the expired annual LAE accounts remaining at the end of each FY should remain available until expended. See the Table below for public law references for FYs 1996 through 2010.

FYs	Pub. L. No	Name of Public Law	STAT Reference
1996	104-134	*Omnibus Consolidated Rescissions and Appropriations Act of 1996*	110 Stat. 1321, 1321-240, 241
1997	104-208	*Omnibus Consolidated Appropriations Act, 1997*	110 Stat. 3009, 3009-266, 267
1998	105-78	*Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1998*	111 Stat. 1467, 1513, 1514
1999	105-277	*Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999*	112 Stat. 2681, 2681-382, 383
2000	106-113	*Consolidated Appropriations Act, 2000*	113 Stat. 1501, 1501A-271, 272
2001	106-554	*Consolidated Appropriations Act, 2001*	114 Stat. 2763, 2763A-67, 68
2002	107-116	*Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2002*	115 Stat. 2177, 2216, 2217
2003	108-7	*Consolidated Appropriations Resolution*, *2003*	117 Stat. 11, 341, 342
2004	108-199	*Consolidated Appropriations Act, 2004*	118 Stat. 3, 274
2005	108-447	*Consolidated Appropriations Act, 2005*	118 Stat. 2809, 3161, 3162
2006	109-149	Departments *of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006*	119 Stat. 2833, 2877, 2878
2007	110-5	*Revised Continuing Appropriations Resolution, 2007*	121 Stat. 8, 9, and 37
2008	110-161	*Consolidated Appropriations Act, 2008*	121 Stat 1844, 2206, 2207
2009	111-8	*Omnibus Appropriations Act, 2009*	123 Stat. 524, 800, 801
2010	111-117	*Consolidated Appropriations Act, 2010*	123 Stat. 3034, 3277, 3278

Unobligated Annual LAE Funds Transferred to the No-year LAE Account for AIF and ITS

Since the inception of SSA's transfer authority (FYs 1996 to 2011), the Agency has transferred approximately $566 million to the no-year LAE account for the AIF and $1.475 billion to the no-year LAE account for ITS, for a total of $2.041 billion to the no-year LAE as shown below:

Table:
Annual LAE Funds Transferred to No-year LAE Account for AIF and ITS in FYs 1997 through 2011
($ in millions)

		FY Funds Were Transferred to the No-year LAE Account for AIF and ITS															
Annual LAE Appropriated Funds Were Transferred From	**IT Funding**	**FY 1997**	**FY 1998**	**FY 1999**	**FY 2000**	**FY 2001**	**FY 2002**	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**Total**
FY 1996	AIF	$50.0	$0.0	$0.0	$40.0	$38.0											$128.0
FY 1997	AIF		$100.0	$0.0	$0.0	$40.9	$22.4										$163.3
FY 1998	AIF			$0.0	$14.0	$24.1	$8.2	$36.0									$82.3
FY 1999	AIF				$0.0	$0.0	$14.0	$19.2	$19.2								$52.4
FY 2000	AIF					$42.0	$21.1	$28.6	$7.9	$40.0							$139.6
Subtotal - AIF		**$50.0**	**$100.0**	**$0.0**	**$54.0**	**$145.0**	**$65.7**	**$83.8**	**$27.1**	**$40.0**							**$565.6**
FY 2001	ITS						$52.1	$10.0	$10.1	$10.0	$10.0						$92.2
FY 2002	ITS							$17.0	$27.9	$14.0	$10.0	$53.0					$121.9
FY 2003	ITS								$39.0	$15.0	$10.0	$10.0	$84.5				$158.5
FY 2004	ITS									$41.0	$10.0	$25.0	$20.0	$40.0			$136.0
FY 2005	ITS										$102.0	$96.0	$28.0	$10.0	$65.0		$301.0
FY 2006	ITS											$0.0	$35.5	$60.0	$20.0	$25.0	$140.5
FY 2007	ITS												$0.0	$60.0	$70.0	$65.0	$195.0
FY 2008	ITS													$0.0	$75.0	$30.0	$105.0
FY 2009	ITS														$50.0	$90.0	$140.0
FY 2010	ITS															$85.0	$85.0
Subtotal - ITS							**$52.1**	**$27.0**	**$77.0**	**$80.0**	**$142.0**	**$184.0**	**$168.0**	**$170.0**	**$280.0**	**$295.0**	**$1,475.1**
Total		**$50.0**	**$100.0**	**$0.0**	**$54.0**	**$145.0**	**$117.8**	**$110.8**	**$104.1**	**$120.0**	**$142.0**	**$184.0**	**$168.0**	**$170.0**	**$280.0**	**$295.0**	**$2,040.7**

SF-132 Apportionment and Reapportionment Schedule for FY 2010 Annual LAE Funds

SF 132 APPORTIONMENT AND REAPPORTIONMENT SCHEDULE

FY 2010 Apportionment
Funds provided by Public Law 111-117

Line No	Line Split	Bureau/ Account Title / Cat B Stub / Line Split	Previous Approved	Prev Approved Footnote	Agency Request	Agency Footnote	OMB Action	OMB Footnote
		Social Security Administration						
		Account: Limitation on Administrative Expenses (016-00-8704)						
		TAFS: 28-8704 /2010						
BEA	DISC	**BEA Category**						
RptCat	NO	**Reporting Categories**						
AdjAuth	NO	**Adjustment Authority provided**						
		BUDGETARY RESOURCES						
		Unobligated balance:						
1A		Unob Bal: Brought forward, October 1 (+ or -) (Actual)						
1B		Unob Bal: Adjustment to SOY balance brought forward, October 1 (+ or -)						
		Recoveries of prior year unpaid obligations:						
2A		Recoveries of prior year unpaid obligations, Actual						
2B		Recoveries of prior year unpaid obligations, Anticipated						
		Budget authority \ Appropriation:						
3A1		BA: Appropriation, Actual						
3A2		BA: Appropriation, Anticipated						
3B		BA: Borrowing authority						
3C		BA: Contract authority						
		Budget authority \ Spending authority from offsetting collections (gross): Earned:						
3D1A		BA: Offsetting Collections - Earned, Collected						
3D1B		BA: Offsetting Collections - Earned, Change in receivables from Fed sources						
		Change in unfilled customer orders (+ or -):						
3D2A		BA: Change in unfilled customer orders - Advance received						
3D2B		BA: Change in unfilled customer orders - Without advance from Fed sources						
3D3		BA: Offsetting collections - Anticipated, without advance	80,500,000		80,500,000		80,500,000	
3D4		BA: Offsetting Collections - Previously unavailable						
		Expenditure transfers from trust funds:						
3D5A		BA: Expenditure transfers from trust funds - Collected						
3D5B		BA: Expenditure transfers from trust funds - Change in receivables						
3D5C	1	BA: Anticipated (Appropriation -- P.L. 111-117)	11,285,500,000		11,285,500,000		11,285,500,000	
3D5C	2	BA: Anticipated (SSI User Fee)	160,000,000		160,000,000		160,000,000	
3D5C	3	BA: Anticipated (Non-Attorney Certification User Fee)	1,000,000		1,000,000		1,000,000	
3D5C	4	BA: Anticipated (Transfer to No-Year Account for Delegated Buildings)	-68,889,142		-68,889,142		-68,889,142	
		Nonexpenditure transfers, net:						
4A		Nonexpenditure transfers, net: Actual transfers, BA						
4B		Nonexpenditure transfers, net: Anticipated transfers, BA						
4C		Nonexpenditure transfers, net: Actual transfers, unob balances						
4D		Nonexpenditure transfers, net: Anticipated transfers, unob balances						
5	S	Temporarily not available pursuant to Public Law P.L. ___________ (-)						
		Permanently not available:						
6A		Permanently not available: Cancellations of expired or no-year accounts (-)						
6B		Permanently not available: Enacted reductions (-)						
6C		Permanently not available: Capital transfer and redemption of debt (-)						
6D		Permanently not available: Other authority withdrawn (-)						
6E		Permanently not available: Pursuant to Public Law ___ (-)						
6F		Permanently not available: Anticipated for rest of year (-)						
7		**Total budgetary resources**	11,458,110,858		11,458,110,858		11,458,110,858	
		APPLICATION OF BUDGETARY RESOURCES						
		Apportioned:						
8A1		First quarter						
8A2		Second quarter						
8A3		Third quarter						
8A4		Fourth quarter						
8B1		Administrative Expenses	7,825,346,858	A1	7,697,142,458	A1	7,697,142,458	A1
8B2		Disability Determination Services	2,083,000,000		2,023,232,000		2,023,232,000	
8B3		Information Technology Systems	789,464,000		977,436,400		977,436,400	
8B4		Social Security Advisory Board	2,300,000		2,300,000		2,300,000	
8B5		Base CDRs and Redeterminations	273,000,000		273,000,000		273,000,000	
8B6		Additional CDRs and Redeterminations	451,000,000		453,326,900		453,326,900	
8B7		Access to Financial Institutions (AFI)	34,000,000		31,673,100		31,673,100	
8C		Apportioned for future fiscal years						
9		Budgetary Resources: Withheld pending rescission (pursuant to 2 U.S.C. 683)						
10		Budgetary Resources: Deferred						
11		Budgetary Resources: Unapportioned balance of revolving fund						
12		**Total budgetary resources**	11,458,110,858	A2,A3	11,458,110,858	A2,A3	11,458,110,858	A2,A3

Submitted ______ Don Hartline for Bonnie Kind /s/ ______ Date ______ 7/6/2010 ______

Approved ________________________________ Date ____________________

--Details shown on sheet 5 not specified on sheets 1 through 4 are not subject to 31 U.S.C. 1517.

--Footnotes on attached sheets.

SF-132 Apportionment and Reapportionment Schedule for FY 2010 No-year LAE Funds

SF 132 APPORTIONMENT AND REAPPORTIONMENT SCHEDULE

Sheet 1 of 6

FY 2010 Apportionment
Funds provided by Public Laws 110-275, 111-5, and 111-117

Line No	Line Split	Bureau/ Account Title / Cat B Stub / Line Split	Previous Approved	Prev Approved Footnote	Agency Request	Agency Footnote	OMB Action	OMB Footnote
		Social Security Administration						
		Account: Limitation on Administrative Expenses (016-00-8704)						
		TAFS: 28-8704 /X						
BEA	DISC	BEA Category						
RptCat	NO	Reporting Categories						
AdjAuth	NO	Adjustment Authority provided						
		BUDGETARY RESOURCES						
		Unobligated balance:						
1A		Unob Bal: Brought forward, October 1 (+ or -) (Actual)	729,896,500		729,896,500		729,896,500	
1B		Unob Bal: Adjustment to SOY balance brought forward, October 1 (+ or -)						
		Recoveries of prior year unpaid obligations:						
2A		Recoveries of prior year unpaid obligations, Actual	9,805		9,805		9,805	
2B		Recoveries of prior year unpaid obligations, Anticipated			20,000,000		20,000,000	
		Budget authority \ Appropriation:						
3A1		BA: Appropriation, Actual						
3A2		BA: Appropriation, Anticipated						
3B		BA: Borrowing authority						
3C		BA: Contract authority						
		Budget authority \ Spending authority from offsetting collections (gross):						
		Earned:						
3D1A		BA: Offsetting Collections - Earned, Collected	2,798		2,798		2,798	
3D1B		BA: Offsetting Collections - Earned, Change in receivables from Fed sources						
		Change in unfilled customer orders (+ or -):						
[illegible]A		BA: Change in unfilled customer orders - Advance received						
[illegible]2B		BA: Change in unfilled customer orders - Without advance from Fed sources						
3D3		BA: Offsetting collections - Anticipated, without advance						
3D4		BA: Offsetting Collections - Previously unavailable						
		Expenditure transfers from trust funds:						
3D5A		BA: Expenditure transfers from trust funds - Collected						
3D5B		BA: Expenditure transfers from trust funds - Change in receivables						
3D5C		BA: Anticipated (Transfer from One-Year LAE Account for Delegated Buildings)	68,889,142		68,889,142		68,889,142	
		Nonexpenditure transfers, net:						
4A		Nonexpenditure transfers, net: Actual transfers, BA						
4B		Nonexpenditure transfers, net: Anticipated transfers, BA						
4C		Nonexpenditure transfers, net: Actual transfers, unob balances	280,000,000		280,000,000		280,000,000	
4D		Nonexpenditure transfers, net: Anticipated transfers, unob balances						
5		Temporarily not available pursuant to Public Law P.L.____ (-)						
		Permanently not available:						
6A		Permanently not available: Cancellations of expired or no-year accounts (-)						
6B		Permanently not available: Enacted reductions (-)						
6C		Permanently not available: Capital transfer and redemption of debt (-)						
6D		Permanently not available: Other authority withdrawn (-)						
6E		Permanently not available: Pursuant to Public Law ___ (-)						
6F		Permanently not available: Anticipated for rest of year (-)						
7		**Total budgetary resources**	1,078,798,245		1,098,798,245		1,098,798,245	
		APPLICATION OF BUDGETARY RESOURCES						
		Apportioned:						
8B1		Information Technology Systems	481,636,071		501,636,071		501,636,071	
8B2		Construction	1,456,790		1,456,790		1,456,790	
8B3		Automation Investment Fund	719,707		719,707		719,707	
8B4		Delegated Buildings	78,348,485		78,348,485		78,348,485	
8B5		Disaster Relief	25,728		25,728		25,728	
8B6		Low Income Subsidy Activities	17,941,867		17,941,867		17,941,867	
8B7		RA - National Computer Center and Related Information Technology Costs	10,000,000		10,000,000		10,000,000	
[illegible]	1	Apportioned for FY 2011	30,000,000		30,000,000		30,000,000	
	2	Apportioned for FY 2012	458,669,597		458,669,597		458,669,597	
		Budgetary Resources: Withheld pending rescission (pursuant to 2 U.S.C. 683)						
[illegible]		Budgetary Resources: Deferred						
11		Budgetary Resources: Unapportioned balance of revolving fund						
12		**Total budgetary resources**	1,078,798,245		1,098,798,245		1,098,798,245	

Submitted Don Hartline for Bonnie Kind /s/ Date 8/4/2010

DISTRIBUTION SCHEDULE

Commissioner of Social Security

Chairman and Ranking Member, Committee on Ways and Means

Chief of Staff, Committee on Ways and Means

Chairman and Ranking Minority Member, Subcommittee on Social Security

Majority and Minority Staff Director, Subcommittee on Social Security

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.