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.

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[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

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

Sheet 1 of 5

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)						
10		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.