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Social Security Administration's Procedures for Allocating Administrative Costs to the Supplemental Security Income Program. HRD-76 12; B-164031(4). November 17, 1977. 13 pp. + 5 appendices (7 pp.).

Report to Rep. Charles A. Vanik; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security Programs: Program Monitoring and Administration (1303).

Contact: Human Resources Div.

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Organization Concerned: Social Security Administration.

Congressional Relevance: Rep. Charles A. Vanik.

Authority: Social Security Act, as amended. Social Security Amendments of 1956. Social Security Amendments of 1966.

The Social Security Administration (SSA) has highly integrated units with common management and support duties which administer programs such as the Supplemental Security Income for the Aged, Blind, and Disabled. Since the administrative costs of the various programs are paid from different sources, SSA distributes these costs through a cost allocation system. SSA's method of allocating administrative costs to the Supplemental Security Income program is reasonable, but could be improved. Findings/Conclusions: In fiscal year 1976 SSA's administrative costs were \$2.3 billion. The Supplemental Security Income program was allocated \$484 million of this, about 21%. Social Security has over 1,300 field offices nationwide to carry out its responsibilities. In New York State, some field offices spent as much as 67% of their time on the Supplemental Security Income program while other offices spent very little time in the program. There are other large units within SSA which spent little or no time on the Supplemental Security Income program. SSA allocates administrative costs on the basis of benefits paid. Recommendations: The Secretary of Health, Education, and Welfare should direct the Commissioner of Social Security to review and revise as appropriate the method for allocating shared costs between the trust funds and the Supplemental Security Income program to recognize the relative cost of doing a particular unit of work rather than allocating costs on the basis of benefits paid. The Commissioner should also review any changes in the various work measurement systems to insure that they continue to provide reliable data needed to allocate costs. (Author/SC)

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# *REPORT OF THE COMPTROLLER GENERAL OF THE UNITED STATES*

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## **Social Security Administration's Procedures For Allocating Administrative Costs To The Supplemental Security Income Program**

The Social Security Administration has highly integrated units, with common management and support duties, which administer programs such as Supplemental Security Income for the Aged, Blind, and Disabled. Since the administrative costs of the various programs are paid from different sources, Social Security distributes these costs through a cost allocation system. In fiscal year 1976 Social Security's administrative costs were \$2.3 billion. The Supplemental Security Income Program was allocated \$484 million.

Social Security's method of allocating administrative costs to the Supplemental Security Income program is reasonable but could be improved. Social Security Administration should review, and revise as appropriate, its method of allocating the \$87 million of costs shared among different programs and any changes made in the various work measurement systems to make sure they continue to provide reliable data needed to allocate costs.



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-164031(4)

The Honorable Charles A. Vanik  
House of Representatives

Dear Mr. Vanik:

While Chairman of the Subcommittee on Oversight, you requested that we determine if the Social Security Administration's procedures are adequate for properly allocating administrative costs to the Supplemental Security Income program. Specifically, you stated that you believed "that several hundred million dollars may have been used and gone unreimbursed from the trust funds to administer the Supplemental Security Income" program. This statement was based in part on the results of a poll taken by your staff showing that most workers at the Miami and Cleveland inner city Social Security offices felt that they spent more time on Supplemental Security Income cases than any other type of case. You were concerned that only 20.6 percent of Social Security's total administrative costs for fiscal year 1976 were allocated to the Supplemental Security Income program when the results of the poll indicated that the figure should have been higher. The cost of administering the Supplemental Security Income program is required by law to be paid from general revenues and not from the trust funds.

You also requested that we determine the adequacy of Social Security's procedures for allocating administrative costs to other nontrust fund programs, such as the Black Lung benefit program.

On June 23, 1976, your staff requested that we obtain additional information on the nature and allocation of costs in certain bureaus. This information is presented in appendixes I through IV.

BACKGROUND INFORMATION AND SCOPE OF REVIEW

The Federal Old-Age and Survivors Insurance trust fund was established on January 1, 1940, to hold the amounts accumulated under this program. The Social Security Amendments of 1956, which became law August 1, 1956, provided for the creation of the Federal Disability Insurance trust fund to

hold the amounts accumulated under this program. There are two other Social Security trust funds--the Federal Hospital Insurance trust fund and the Federal Supplementary Medical Insurance trust fund--to hold amounts accumulated for health insurance benefits pursuant to the Medicare provisions of the Social Security Act.

The major sources of receipts for the first three funds are contributions paid by workers and their employers, and by individuals with self-employment income, for employment covered by Social Security. The Supplementary Medical Insurance trust fund is financed through (1) premiums paid by each person who enrolls and (2) contributions from Federal general revenues which are authorized to be at least equal to the amount of premiums paid by beneficiaries. Trust fund money not needed for current benefits and administrative expenses is invested in interest-bearing Federal securities.

Social Security also administers nontrust fund programs for which the administrative costs are to be paid or reimbursed from general revenues. Those programs are Supplemental Security Income for the Aged, Blind, and Disabled; Black Lung benefits program; 1/ Hospital Insurance for the Uninsured; 2/ and Special Benefits for the Aged 3/.

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1/Social Security and the Department of Labor jointly administer the Black Lung benefits program. Social Security is responsible for processing and paying benefits for miners' claims filed before July 1, 1973, initial survivors claims filed before January 1, 1974, and certain other survivor claims. The Department of Labor is responsible for other claims.

2/The Social Security Act, as amended, extends Hospital Insurance coverage to persons attaining age 65 before 1968. Quarters of coverage on a sliding scale are required for entitlement for men attaining age 65 after 1967 and before 1975 (before 1974 for women).

3/The Social Security Amendments of 1966 afforded some protection for certain persons who retired before the enactment of Social Security legislation or before their occupations were covered by Social Security. To be eligible, an individual must have attained age 72 before 1968, or meet certain minimal insured status requirements if he attained age 72 in 1968 or later.

The following schedule shows the relative size of the programs by the number of beneficiaries served and/or the amount of the benefits paid for fiscal year 1976.

<u>Program</u>	<u>Number of beneficiaries</u>	<u>Amount of benefits paid</u>
	(000 omitted)	
Old-Age and Survivors Insurance	27,500	\$62,582,313
Disability Insurance	4,400	9,382,180
Hospital Insurance (Insured Beneficiaries)	5,700	12,257,554
Supplementary Medical Insurance	14,000	4,683,028
Supplementary Security Income	4,308	5,834,769
Black Lung	500	977,164
Hospital Insurance for Uninsured	-	610,430
Special Benefits for the Aged	-	268,317

A major reorganization of the Department of Health, Education, and Welfare, effective March 8, 1977, gave Social Security responsibility for administering the Aid to Families With Dependent Children and other maintenance assistant programs and transferred administrative responsibility for the Medicare programs from the agency to the newly created Health Care Financing Administration.

The primary responsibility of the Social Security Administration is to make correct and timely benefit payments to individuals entitled to various benefits under the programs it administers. Although the administrative costs of the various programs are paid from different sources, Social Security administers them by highly integrated organizational units with common management and support functions. As of March 1977, the agency employed about 80,500 permanent, full-time personnel in its Baltimore, Maryland, headquarters; 6 program service centers and 10 regional offices located in various parts of the country; and over 1,300 district and branch offices nationwide to carry out its responsibilities.

The following illustrates the highly integrated relationships for some of the organizational units in Social Security.

An individual applying for benefits under any of the programs discussed above, except for the Aid to Families with Dependent Children program, visits a Social Security district office or a branch office and meets with a claims representative who takes the application. If the application is based on disability (including blindness), the claims representative obtains a medical history and disability report. The district office is responsible for determining whether the applicant meets all eligibility requirements except for the disability determination.

Determinations of disability for Disability Insurance and Supplemental Security Income benefits are made in the State where the applicant resides by an agency under contract with Social Security called the State Disability Determination Services. The district office sends the medical history and disability report to the State Disability Determination Services to aid it in making the determination on the basis of Social Security's standards and guides. The State Disability Determination Services is reimbursed by Social Security Administration for its work in making the determination.

Individuals whose claims for benefits are denied may appeal. Social Security's Bureau of Hearings and Appeals employs administrative law judges to hold hearings and decide appealed cases. The judges may hear cases relating to applicants' claims for Old-Age and Survivors, Disability, or Health Insurance benefits, or for benefits under the Supplemental Security Income or Black Lung benefit programs.

Program operations generate a huge recordkeeping workload, centralized at agency headquarters. The agency processes much of this workload on electronic data processing systems, most of which are located at agency headquarters with the remainder in the program service centers. The operations 1/ performed by these systems include establishing new Social Security numbers, computing program benefits, maintaining program beneficiary rolls, maintaining and updating individual lifetime earnings records for over

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1/Does not include operations supporting Aid to Families with Dependent Children, which may eventually be performed on these systems.

175 million living workers, and providing data processing support for the entire Health Insurance process. 1/

In conjunction with these systems, the agency maintains a nationwide telecommunications network to permit rapid data exchange between district offices, regional offices, program service centers, and agency headquarters. This network speeds the processing of claims as well as the updating of benefit records.

During the period covered by our review, Social Security's Bureau of Health Insurance administered the Medicare program. To help administer the Medicare benefits, the Department of Health, Education, and Welfare has contracted with public and private organizations which make payments under Part A 2/ and Part B 3/ of Medicare. Social Security reimburses these organizations for administrative costs incurred in performing the various Medicare functions.

We reviewed Social Security's method for allocating administrative costs to the Supplemental Security Income program, and discussed the process with officials in Social Security headquarters. We inspected selected cost allocation data from fiscal years 1974 through 1976. We tested the implementation of the procedures in the three Social Security units which comprised 82 percent of the administrative costs allocated to the Supplemental Security Income program for fiscal year 1976. These units are the District Office Operations (field offices), State Disability Determination Services, and Office of Management and Administration.

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1/As of October 1977, Social Security was expecting to continue providing support functions, including data processing services, for the Health Insurance program.

2/Part A--Hospital Insurance Benefits for the Aged and Disabled--covers inpatient hospital services and post-hospital care in a skilled nursing facility or in a patient's home.

3/Part B--Supplementary Medical Insurance Benefits for the Aged and Disabled--generally covers 80 percent of the reasonable costs of physician services, outpatient hospital services, home health services, and various other medical and health services, subject to an annual \$60 deductible. Enrollment in Part B is voluntary.

We also reviewed the two largest work measurement systems used by Social Security as the basis for allocating cost. These systems are used to measure the work in the field offices and the State Disability Determination Services. We visited two district offices and observed and evaluated the work measurement system in operation. We met with headquarters officials responsible for both of these systems and officials in three field offices.

Since the same procedures used for the Supplemental Security Income program are used for the Black Lung benefit program, the results of our work on the Supplemental Security Income cost allocation process also apply to the Black Lung benefit program. We did not look at other nontrust fund programs because they were minor or not administered by Social Security during the time of our review.

### WORK MEASUREMENT SYSTEMS

The Secretary of Health, Education, and Welfare is required by the Social Security Act to determine each fiscal year the portion of administrative costs incurred during the year which should have been borne by the general revenue fund in the Treasury and the portion of such costs which should have been borne by the trust funds.

Therefore, each operating unit in Social Security has adopted a work measurement system to identify the number of staff-years worked on each program. The information derived from the work measurement system is used as a basis for allocating costs.

In fiscal year 1976 the following operating units incurred 75 percent of the administrative costs allocated to the Supplemental Security Income program.

--District Office Operations which includes district and branch offices (\$268 million, 55 percent) and

--State Disability Determination Services (\$95 million, 20 percent).

We reviewed the work measurement systems of these two units to determine if the basis for the Supplemental Security Income charges was reasonable.



## Field Operations System

The field office work measurement system is composed of two subsystems--work reporting and work sampling.

The field office work reporting system shows the amount of work received and processed during the week and the total staff-hours worked. The work received and processed is reported in 53 categories which encompass all the types of work a field office handles. For example, one category reports all the Supplemental Security Income applications received from blind or disabled persons. Another category reports all Supplemental Security Income applications received from aged persons.

The field office work sampling system, using statistical sampling methods, determines the time required to perform the various categories of work (workloads). The over 1,300 offices were divided into 12 groups with any one group approximately equal to any other. During a given month, the offices in a selected group record the activities of each employee at four random times each day as well as during overtime. Each month a different group of offices was work sampled, so that at the end of a year all offices were covered. 1/

By using the data from the work reporting system and the work sampling system, Social Security statistically determines the number of staff-years worked on a given workload.

During our review, we visited two field offices and observed the recording of work and activities. We found that the offices were recording work and activities according to the procedures with a few minor exceptions.

In our opinion the field office work measurement system conforms to generally accepted principles of sample design and develops representative and reliable estimates of staff-years required to do work under the various workloads. These estimates are used to allocate costs as discussed on pp. 9, 10, and 11.

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1/A new sampling system was started July 1, 1976, in which all employees in each office are sampled once each week. The Social Security Administration stated that this system is less costly to operate and will provide more accurate results.

The results of a poll taken by your staff at Social Security field offices in Cleveland, Ohio; Washington, D.C.; and Miami, Florida, indicated that most workers at the Miami and Cleveland inner city offices felt that they spent more time on Supplemental Security Income cases than any other type of case.

We also found that some field offices were spending much of their time on the Supplemental Security Income program. However, other field offices were spending very little. For example, in New York State the amount of time spent on Supplemental Security Income work in the 82 offices averaged 38 percent and ranged from 6.5 percent to 67.1 percent as follows:

	<u>Percent</u>
Jamaica (Queens Tele Service Center)	6.5
Cheektowaga (Buffalo) branch office	14.4
Kings Plaza (Flatbush) branch office	15.3
West Farms (Bronx) branch office	64.3
South Bronx district office	64.5
Tompkins Park (Bronx) branch office	67.1

Therefore, although employees at the Bronx (inner city) district offices would correctly feel that they spend much of their time working on the Supplemental Security Income program, when all the other New York State district and branch offices are combined, the average time spent on the program is much less.

Similarly, when all Social Security field offices in the Nation are combined, the national average of time spent on the Supplemental Security Income program is 38 percent.

In addition, when organizational units which do little or no Supplemental Security Income work are added (as discussed on pp. 9, 10, and 11), the percentage of Supplemental Security Income administrative costs to total administrative costs is about 21 percent.

### State Disability Determination Services

Initially, the State Disability Determination Services' work measurement system only counted the types of work. The time spent to do each type of work was estimated by Social Security through interviews with the States' agency officials and brief studies.

In December 1975, Social Security implemented a new work measurement system for the State Disability Determination Services composed of two subsystems--work reporting and work sampling. This is similar to the system used at the field offices. The work reporting system consists of 19 categories. The number of categories is less than in the field offices' system because the State Disability Determination Services do not have the variety of work that the field offices have. The work sampling system, using statistical sampling methods, determines the average time to perform the work. Similar to the field office system, employees in States which are in the sampling, record their activities at five random times a day as well as during overtime. Using the work sampling system with the work reporting system, Social Security should be able to obtain the data needed to make reliable estimates for allocating costs.

Since we looked at the reasonableness of the system during fiscal year 1976, we compared the estimate of time spent to determine a disability case for the Supplemental Security Income and Disability Insurance programs before and after the new system started. We found that the ratio of the Supplemental Security Income to Disability Insurance estimates of processing time were about the same. Therefore, we believe that the estimates produced by the old system were reasonable for cost allocation purposes.

#### DESCRIPTION OF COST ALLOCATION PROCESS

In general, the cost allocation process begins with data from each operating unit, such as the District Office Operations. Information from their work measurement systems, together with costs of salaries and expenses, and miscellaneous data from other sources, such as training records, is used to allocate costs of each unit separately. This allocation is done in several steps:

1. The measurement systems identify the staff-years directly related to processing each of the unit's principal workloads (e.g., processing Supplemental Security Income claims or changing beneficiaries' addresses) and staff-years for indirect production functions such as supervision and training.
2. Staff-years for workloads related to a single program (e.g., processing Supplemental Security Income claims) are assigned to that program.

3. In the measurement systems some workload categories combine the staff-years for similar actions for two or more programs. These staff-years are divided among the programs in proportion to the number of actions performed for each program--such as changes of address for the Retirement and Survivors Insurance program versus changes for the Disability Insurance program.
4. Some workload categories include work elements which are performed for more than one program, such as processing a disability decision for a person applying for benefits under both the trust fund programs (Disability Insurance and Medicare) and Supplemental Security Income. Related staff-years are divided among the several programs affected in proportion to the average benefit payable under each program to such individuals (shared-costs).
5. Indirect production staff-years (e.g., supervision, training) are distributed among the programs in proportion to the unit's direct staff-years assigned to each program (as determined in steps 2, 3, and 4) unless special studies (e.g., studies of training time by program) indicate another allocation.
6. The staff-years for each workload and indirect function are converted to dollars by multiplying them by the average salary cost of the workload as determined in the measurement system. Dollars are allocated to programs along with staff-years. Salary costs include compensation and benefits.
7. Other expenses such as rent, supplies, utilities, etc., are allocated among programs in proportion to staff-years, or by other appropriate formulas, such as use of computer time to distribute computer costs.

After the program costs in all the operating units are determined the costs by program are summarized.

Cost allocation is done in a similar manner in the support offices, that is, staff-years and costs for functions specializing in one or another program are assigned to that program (e.g., within the Office of Management and Administration the quality assurance staff worked only on the Supplemental Security Income program, therefore, all of the quality

assurance costs were allocated to the Supplemental Security Income program); other support offices' staff-years and costs are allocated to programs in proportion to the allocation of staff-years for the operating units served.

Shared-cost allocation procedures

As pointed out in step 4 above, a work element will sometimes benefit more than one program. The costs associated with that work element are shared among the programs benefited. For example, shared costs are incurred when a person applies for both the Supplemental Security Income program and the Disability Insurance program. The shared costs in this situation refer principally to the costs incurred for developing proof of age and determining disability. In fiscal year 1976, Social Security accumulated about \$87 million of shared direct and related indirect costs which benefited the Supplemental Security Income program and trust fund programs. This is less than 4 percent of the total administrative costs of the Social Security Administration.

Social Security distributes these shared costs based on the ratio of average benefits paid by each program to total benefits paid to recipients of the programs which share the work. For example, recipients of both the Supplemental Security Income and the Disability Insurance program receive on the average 28 percent of their money from the Supplemental Security Income program and 72 percent from the Disability Insurance, Retirement and Survivors Insurance, Health Insurance, and Supplemental Medical Insurance programs. Therefore, Social Security allocates 28 percent of the shared costs to the Supplemental Security Income program and the remaining costs (72 percent) are allocated to the trust fund programs.

We believe this allocation method is not reasonable because the costs incurred are not necessarily proportionate to benefits paid.

PERCENTAGE OF SOCIAL SECURITY'S  
ADMINISTRATIVE COSTS ALLOCATED TO  
THE SUPPLEMENTAL SECURITY INCOME PROGRAM

In regard to the concern that only 20.6 percent of the administrative costs were allocated to the Supplemental Security Income program, it should be noted that the Supplemental Security Income percentage appears low because some administrative costs were incurred in units which did little

or no Supplemental Security Income work. For example, in fiscal year 1976, two Bureaus--Bureau of Health Insurance and Bureau of Retirement and Survivors Insurance--accounted for 33.8 percent of the total administrative costs but only 0.3 percent of the Supplemental Security Income administrative costs because these units did little or no Supplemental Security Income work. When all Social Security units are combined, the percentage of Supplemental Security Income administrative costs to total administrative costs is about 21 percent.

Appendix IV provides more information on the source of the Supplemental Security Income administrative costs.

### CONCLUSION

Social Security has over 1,300 field offices nationwide to carry out its responsibilities. In New York State some field offices spent as much as 67 percent of their time on the Supplemental Security Income program (especially offices in urban areas), while other offices spent very little time on this program. There are other large units within Social Security which spent little or no time on the Supplemental Security Income program. When all the organizational units are combined, the percentage of Supplemental Security Income administrative costs to total administrative costs in fiscal year 1976 is about 21 percent.

In our opinion, Social Security's method of allocating administrative costs to the Supplemental Security Income program is reasonable but could be improved.

Social Security allocates its shared-costs on the basis of benefits paid. We believe that a more equitable procedure for distributing shared-costs would be to give consideration to the relative cost of doing a particular unit of work if it were not being processed concurrently. For example, if two programs' applications were involved and it costs \$12 to do the work (which could be shared by both programs) for program A individually, \$10 to do the work for program B individually, and \$17.60 to do the work (which also could be shared by both programs) concurrently; A should be charged \$9.60 (i.e.,  $12/22$  of \$17.60) and B should be charged \$8.00.

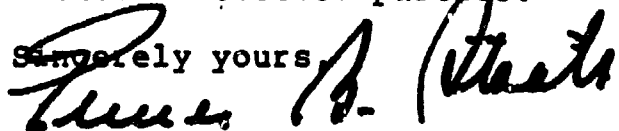
RECOMMENDATION

We recommend that the Secretary of Health, Education, and Welfare direct the Commissioner of Social Security to review and revise as appropriate the method for allocating shared costs between the trust funds and the Supplemental Security Income program to recognize the relative cost of doing a particular unit of work rather than allocating costs on the basis of benefits paid. The Commissioner should also review any changes in the various work measurement systems to insure that they continue to provide reliable data needed to allocate costs.

We provided the Department of Health, Education, and Welfare and the Social Security Administration with a copy of this report for their review and comment. They generally agreed with our recommendations. (See app. V.)

As arranged with your office, we are sending copies of this report to the Chairman, Subcommittee on Oversight, and the Secretary of Health, Education, and Welfare. Copies will also be made available to other interested parties.

Sincerely yours,



Comptroller General  
of the United States

ALLOCATION OF PROGRAMERS' COST IN THE  
BUREAU OF DATA PROCESSING

In fiscal year 1976 the Bureau of Data Processing allocated \$27.6 million of the \$214.6 million administrative costs to the Supplemental Security Income program. About 9.5 percent of the staff-years in the Bureau of Data Processing were engaged in the process of programming computers in fiscal year 1976.

The programers in the Bureau are organized in sections. Each section has responsibility for writing its own programs. The staff costs are accumulated in the work measurement system by codes. Each code has a predetermined percentage of the costs to be allocated to the Social Security programs. For example, all costs accumulated under a Supplemental Security Income code are charged to the Supplemental Security Income program. If a code benefits more than one program, the costs are charged based on the percentage of workload volume of each program.

The following table shows the relative allocation of the programers' costs in fiscal year 1976.

<u>Program</u>	<u>Percent of costs</u>
Supplemental Security Income	31.1
Reimbursement	1.3
Supplemental Medical Insurance	10.2
Health Insurance	6.7
Disability Insurance	7.9
Retirement and Survivor Insurance	<u>43.7</u>
Total	<u><u>100.0</u></u>



ALLOCATION OF SUPPLEMENTAL SECURITY INCOMECOSTS IN THE BUREAU OF RETIREMENT ANDSURVIVORS INSURANCE

The Bureau of Retirement and Survivors Insurance spent \$259.1 million in administrative costs in fiscal year 1976. The Supplemental Security Income program was allocated 0.7 percent (\$1.8 million) of these costs.

The Bureau is composed of a headquarters unit and six program service centers. The Supplemental Security Income work is done in the program service centers and primarily involves filing the Supplemental Security Income program's material received from the field offices.

ALLOCATION OF BUILDING RENTAL AND  
MAINTENANCE COSTS

Social Security's gross charge from General Services Administration for rent and maintenance in fiscal year 1976 was \$100.7 million. The Supplemental Security Income program was allocated \$21.2 million or about 21 percent of this charge.

The headquarters building rental and maintenance charges are accumulated in the Centralized Common Expense Account. In fiscal year 1976, these charges were \$22.7 million. The Supplemental Security Income program was allocated \$2.4 million (or about 11 percent). This allocation is based on the ratio of staff-years in headquarters spent working on the Supplemental Security Income program to staff-years in headquarters spent working on all programs.

The field building rental and maintenance charges are accumulated in the organizational units which have field personnel. These costs are allocated using the same method used for other indirect costs. In fiscal year 1976 the total cost for field building rental and maintenance was \$78.0 million. The Supplemental Security Income program was allocated \$18.8 million or about 24 percent.

Social Security's total charge for building rental and maintenance was reduced by two credits, (1) a Government-wide credit for all programs, and (2) a further adjustment for trust fund programs to actual cost of space. Social Security's adjusted expense was \$82.4 million. The Supplemental Security Income program was allocated \$18.7 million or about 23 percent. The Supplemental Security Income program's share increased over the 21 percent calculated above because this program did not participate in the special credit for trust fund programs.

COMPARISON OF SUPPLEMENTAL SECURITYINCOME ADMINISTRATIVE COSTS

The following table shows the administrative costs as recorded by Social Security for the agency and for the Supplemental Security Income program in each organizational unit for fiscal years 1974 through 1976. The Supplemental Security Income program costs are also presented as a percentage of the total administrative costs in each unit for each year.

The administrative costs include such costs as salaries, leave, travel, printing, building rent and maintenance, utilities, and supplies. Because the Supplemental Security Income program began in the middle of fiscal year 1974 (January 1, 1974), these amounts (1) include "make ready costs" and costs for converting the State recipient to the Supplemental Security Income program which did not occur in subsequent years and (2) exclude costs for redetermining the eligibility and payment amounts which occur in subsequent years. Therefore, the fiscal year 1974 costs are not comparable to the other 2 years and are provided only for reference purposes.

Comparison of Supplemental Security Income (SSI)  
Administrative Costs for  
Fiscal Years 1974, 1975, and 1976

Organizational unit (note b)	Fiscal year 1974			Fiscal year 1975			Fiscal year 1976 (note a)		
	SSI adminis- trative costs (000 omitted)	Total adminis- trative costs (000 omitted)	SSI administrative costs expressed as percentage	SSI adminis- trative costs (000 omitted)	Total adminis- trative costs (000 omitted)	SSI adminis- trative costs expressed as percentage	SSI adminis- trative costs (000 omitted)	Total adminis- trative costs (000 omitted)	SSI adminis- trative costs expressed as percentage
Office of the Commissioner	\$ 93	\$ 560	16.7	\$ 122	\$ 537	22.7	\$ 104	\$ 447	23.3
Office of Advanced Systems	c/-	c/-	c/-	c/-	c/-	c/-	478	2,032	23.5
Office of Management and Administration	5,694	36,592	15.6	30,319	82,792	36.6	33,928	97,137	34.9
Office of Program Policy and Planning	3,089	22,103	14.0	4,664	24,615	18.9	3,358	25,314	13.3
Office of External Affairs	3,843	22,267	17.3	1,740	7,633	22.8	2,605	9,829	26.5
Office of Program Operations:									
Immediate Office	-	-	-	-	-	-	-	-	-
Bureau of Retirement and Survivors Insurance	5,163	207,427	2.5	2,257	229,311	1.0	73	21,628	.3
Bureau of Disability Insurance: State Disability Determination Service	d/67,102	d/232,496	d/28.9	10,067	95,403	10.6	1,842	259,059	.7
District Office Operations	(e)	(e)	(e)	101,391	206,764	49.0	8,674	109,587	7.9
Bureau of Supplemental Security Income	138,147	471,493	29.3	240,407	626,025	38.4	95,361	229,449	41.6
Bureau of Data Processing	48,786	48,786	100.0	32,541	32,541	100.0	267,588	710,943	37.6
Bureau of Hearings and Appeals	18,757	193,611	9.7	25,817	212,152	12.2	21,192	21,192	100.0
Bureau of Health Insurance:	3,007	46,632	6.4	9,653	61,883	15.6	27,642	214,570	12.9
Part A Contractors	-	f/430,735	-	-	72,064	-	24,300	96,541	25.2
Part B Contractors	g/-	g/-	g/-	-	151,190	-	-	77,100	-
Centralized Common Expense Account (note h)	g/-	g/-	g/-	-	258,726	-	-	163,843	-
Adjustments:	2,254	23,804	9.5	2,356	32,922	7.2	-	290,587	-
Payroll (prorated) (note j)							(120)	19,337	i/(-.7)
Unobligated commitments (note k)	2,537	7,865	32.3	257	1,063	24.2	1/-	1/-	1/-
Total	1/-	1/-	1/-	1/-	1/-	1/-	(2,392)	(10,559)	(22.7)
<b>Total</b>	<b>\$298,472</b>	<b>\$1,744,371</b>	<b>17.1</b>	<b>\$461,591</b>	<b>\$2,095,621</b>	<b>22.0</b>	<b>\$484,633</b>	<b>\$2,337,036</b>	<b>20.7</b>

a/Does not include the transition quarter.

b/The costs are identified by the organizational units which existed in fiscal year 1976. Former units are summarized under the 1976 title which has a similar function.

c/Indicates that there was no unit with similar functions in that year.

d/The amounts include costs of the State Disability Determination Services.

e/Although the State Disability Determination Services existed in fiscal year 1974, the costs were included in the Bureau of Disability Insurance.

f/The amount includes costs of Part A and B Medicare contractors.

g/Although Part A and B Medicare contractors existed in fiscal year 1974, the costs were included in the Bureau of Health Insurance.

h/This account is maintained for costs not readily identifiable with any other organizational unit.

i/In fiscal year 1976, the Supplemental Security Income program was allocated a negative amount because of a Standard Level Users Charge credit received from the General Services Administration.

j/At the end of the year, the actual payroll expense was compared to the allocated payroll costs. Any difference was prorated among the organizational units. Since the 1976 transition quarter had not ended, the payroll adjustment had not been determined.

k/Fiscal years 1974 and 1975 show obligated expenses only, therefore, this adjustment was made in fiscal year 1976 to show obligated expenses only.

l/Adjustments were not made.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20201

OCT 20 1977

Mr. Gregory J. Ahart  
Director, Human Resources  
Division  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Ahart:

As requested by Mr. Lee of your staff, the Department's comments on your draft report, "An Evaluation of Social Security Administration's Procedures for Allocating Administrative Costs to the Supplemental Security Income Program" are enclosed.

Sincerely yours,

*Thomas D. Morris*  
For Thomas D. Morris  
Inspector General

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
ON THE GAO DRAFT REPORT ENTITLED--"AN EVALUATION OF SOCIAL  
SECURITY ADMINISTRATION'S PROCEDURES FOR ALLOCATING ADMINIS-  
TRATIVE COSTS TO THE SUPPLEMENTAL SECURITY INCOME PROGRAM"

GAO Recommendation

That the Secretary of Health, Education, and Welfare direct the Commissioner of Social Security to review and revise, as appropriate, the method for allocating shared-costs between the trust funds and the Supplemental Security Income program to recognize the relative cost of doing a particular unit of work rather than allocating costs on the basis of benefits paid. The Commissioner should also continue to review the various work measurement systems to insure that they continue to provide reliable data needed to allocate costs.

Department Comment

We believe that GAO's study confirms that the accounting policies and formulas used by the Social Security Administration result in the proper allocation of administrative expenses so that the trust funds are not charged costs that are applicable to the administration of the Supplemental Security Income program. The vast majority of indirect costs are allocated to the various programs on the basis of work performed for those programs. It is only a relatively small portion of shared costs that are allocated on a "benefits paid" basis. Although our analyses had shown that this method provides an equitable and administratively efficient means of allocating these shared costs, SSA will, as GAO suggests, carefully review the method and make whatever changes or refinements are needed.

We agree that the various work measurement systems should be continually reviewed. SSA is refining and upgrading its work measurement systems to improve their support of many management and accounting functions, including program cost allocations.