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Highlights

Highlights of GAO-08-1020, a report to the Ranking Member, Committee on Finance, U.S. Senate

September 2008

INFORMATION TECHNOLOGY

SSA Has Taken Key Steps for Managing Its Investments, but Needs to Strengthen Oversight and Fully Define Policies and Procedures

Why GAO Did This Study

The Social Security Administration (SSA) spends about $1 billion annually to support its information technology (IT) needs. Given the size and significance of the agency's ongoing and future investments in IT, it is crucial that the agency manages these investments wisely. Accordingly, GAO was requested to determine whether SSA's investment management approach is consistent with leading investment management best practices. To accomplish this, GAO used its IT investment management framework and associated methodology, with a focus on the framework's Stages 2 and 3, which are based on the investment management provisions of the Clinger-Cohen Act of 1996.

What GAO Recommends

GAO is making recommendations to the Commissioner of Social Security related to strengthening the investment board's role and responsibilities, improving project oversight for all major investments, defining project-level and portfolio-level policies and procedures for effective investment management, and improving postimplementation reviews.

In commenting on a draft of this report, SSA agreed with most of GAO's recommendations and identified actions initiated or planned to address them.

To view the full product, including the scope and methodology, click on GAO-08-1020. For more information, contact Valerie Melvin, 202-512-6304, melvinv@gao.gov.

What GAO Found

SSA's investment management approach is largely consistent with leading investment management practices. It has established most of the practices needed to manage its projects as investments and is making progress towards managing IT investments as a portfolio; however, it is not applying its investment management process to all of its investments. Specifically:

- The agency is executing a majority of the key practices needed to build the foundation for managing its IT projects as investments. Of the 5 processes and their 38 associated key practices, SSA is executing 31 practices. (See table below.) However, the agency's investment board, which should provide executive oversight of investments, is not adequately monitoring the performance of IT projects.
- SSA has made progress in establishing the key practices for managing investments as a portfolio—it is executing 18 out of 27 key practices. The agency has made important progress in defining and creating the investment portfolio, but it has not developed enterprisewide portfolio selection criteria. The agency also has not established procedures for evaluating the portfolio, and its postimplementation reviews do not determine whether projects meet the agency's strategic goals.
- SSA is not applying its investment management process to a major portion of its IT budget. Specifically, IT products and services acquired with its acquisition budget ($610 million of the $1 billion IT budget for fiscal year 2008) are not managed by the board as investments. SSA's executive-level review board is not responsible for overseeing the acquisition budget. Consequently, executive management has limited insight into investments acquired with these funds, and the agency has limited ability to ensure that the budget is spent in the most efficient and effective manner.

Until it establishes oversight of all investments and fully defines policies and procedures for overseeing both individual projects and an agencywide portfolio, SSA risks not being able to select and control these investments consistently and completely, thus increasing the chance that investments will not meet mission needs in the most cost-effective and efficient manner.

Social Security Administration's IT Investment Management Capabilities

Stage 2: Building the investment foundation	Key practices executed (percentage)	Stage 3: Developing a complete investment portfolio	Key practices executed (percentage)
Instituting the investment board	7/8 (88)	Defining the portfolio criteria	5/7 (71)
Meeting business needs	7/7 (100)	Creating the portfolio	7/7 (100)
Selecting an investment	9/10 (90)	Evaluating the portfolio	2/7 (29)
Providing investment oversight	2/7 (29)	Conducting postimplementation reviews	4/6 (67)
Capturing investment information	6/6 (100)		
Overall	31/38 (82)		18/27 (67)

Source: GAO analysis of SSA data.