



## SOCIAL SECURITY

### KSMEMORANDUM

Date: July 1, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: Administrative Expenses Incurred to Provide Economic Recovery Payments  
(A-06-09-29144)

The attached final quick response evaluation presents the results of our review. Our objectives were to evaluate the Social Security Administration's process for identifying and reporting costs incurred to administer economic recovery payments authorized as part of the *American Recovery and Reinvestment Act of 2009*.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr." with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Attachment

# ***QUICK RESPONSE EVALUATION***



## ***Administrative Expenses Incurred to Provide Economic Recovery Payments***

**A-06-09-29144**



July 2009

## **Mission**

**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.**

## **Authority**

**The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:**

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

**To ensure objectivity, the IG Act empowers the IG with:**

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

## **Vision**

**We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.**

## OBJECTIVE

Our objective was to evaluate the Social Security Administration's (SSA) process for identifying and reporting costs incurred to administer economic recovery payments<sup>1</sup> (ERP) authorized as part of the *American Recovery and Reinvestment Act of 2009* (ARRA).<sup>2</sup>

## BACKGROUND

ARRA was signed into law on February 17, 2009. It provides for a one-time economic recovery payment of \$250 to certain adult Old-Age, Survivors, and Disability Insurance beneficiaries and Supplemental Security Income recipients whose address of record is 1 of the 50 States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, or the Northern Mariana Islands.<sup>3</sup> SSA's primary responsibilities in implementing ARRA are to identify and certify those eligible to receive the one-time payment; coordinate this information with the Railroad Retirement Board and Department of Veterans Affairs to ensure no duplicate payments are issued; and provide the information needed to disburse such payments to the Secretary of the Treasury.<sup>4</sup> SSA estimates it will issue approximately \$13.25 billion to 53 million individuals from May 2009 through December 31, 2010, with the majority of payments being made in May 2009. Additionally, SSA identified the following key activities to provide timely and accurate information about the one-time payments to the public:

- educate the public about the ERP,
- notify eligible individuals before they receive the ERP,
- provide the Secretary of the Treasury the information required to disburse payments to eligible individuals,
- train employees on how to respond to inquiries related to ERP issuance,
- process returned mail, and
- re-issue undelivered checks.

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<sup>1</sup> Also referred to as stimulus payments or one-time payments.

<sup>2</sup> Pub. L. No. 111-5, February 17, 2009.

<sup>3</sup> ARRA §§ 2201(a)(1)(A) and (a)(2). Eligible individuals generally include all (1) Old-Age, Survivors and Disability Insurance beneficiaries except children and Medicare-only beneficiaries and (2) Supplemental Security Insurance recipients except individuals receiving Medicaid in care facilities. See ARRA § 2201(a)(1)(B).

<sup>4</sup> ARRA §§ 2201(a)(3) and (b).

To accomplish these tasks, ARRA provided SSA with \$90 million for the administrative expenses incurred.<sup>5</sup> These funds are available for SSA's use beginning Fiscal Year (FY) 2009 through FY 2011.

The Office of Management and Budget (OMB) issued two memorandums<sup>6</sup> that provide guidance for carrying out and reporting on the programs and activities enacted in ARRA to effectively manage activities under ARRA.<sup>7</sup> Four critical elements of the OMB guidance are transparency and reporting, information collection and dissemination, budget execution, and risk management.<sup>8</sup> For example, the information collection and dissemination guidance provides that agencies must ensure all funds are clearly distinguishable from non-ARRA funds in all agency financial, business (that is, grant and contract writing systems), and reporting systems.<sup>9</sup> OMB also requires that agencies provide weekly reports that allow the Congress and taxpayers to track and monitor use of the funds.<sup>10</sup> OMB will continue to provide updated guidance in response to the concerns and issues brought forth by agencies.

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<sup>5</sup> ARRA § 2201(e)(2)(B).

<sup>6</sup> M-09-10, Initial Implementing Guidance for the *American Recovery and Reinvestment Act of 2009*, February 18, 2009 and M-09-15, Updated Implementing Guidance for the *American Recovery and Reinvestment Act of 2009*, April 3, 2009.

<sup>7</sup> Id.

<sup>8</sup> OMB, M-09-10 § 1.5.

<sup>9</sup> Id.

<sup>10</sup> OMB, M-09-10 § 1.5 and M-09-15 §§ 1.5 and 1.8.

# Results of Review

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SSA implemented a comprehensive process to identify and report costs incurred to administer the ERPs.<sup>11</sup> We believe SSA sufficiently addressed OMB's requirements, which will allow for transparency and accountability in the use of ARRA administrative funds and will provide SSA the ability to identify and track these expenditures separately from its regular appropriations. SSA also timely submitted required weekly reports summarizing administrative costs incurred.

## CONTROLS AND OVERSIGHT OVER ADMINISTRATIVE EXPENSES

The Office of Financial Policy and Operations (OFPO), under the Deputy Commissioner for Budget, Finance and Management, is the lead component in consolidating SSA's ERP administrative cost data. OFPO's Office of Program Accounting Operations (OPAO) is responsible for collecting all expense information (for example, staff time, travel, contract expenditures) from various sources. OFPO's Office of Finance (OF) is responsible for recording the expenses received from OPAO in SSA's financial accounting system and ensuring the funds remain separate, in accordance with OMB's guidance. To comply with this guidance, OF established specific ERP-related common accounting numbers (CAN) for components to charge their administrative expenses.

SSA implemented a multi-layered process to communicate with components involved in the ERP administration. The primary communications were provided at the Deputy Commissioner level based on SSA's need to identify component contacts for tracking staff time, provide the general parameters for tracking the time, and indicate the Deputy Commissioner-level ARRA funding and resource allowances. Additionally, we found that communications were sent to specific offices involved in the ERP and/or staff members with designated ERP roles. At the time of our review, SSA was not maintaining a central location with all related information regarding its efforts to track the ERP administrative expenses; however, SSA was working on such a site. This centralized site will assist in consistent, continued communication of SSA's accounting and reporting process.

OPAO and OF rely on information received from other components when collecting expense data. OPAO and OF staff identified two primary potential risks affecting the accuracy of administrative cost expenditure reporting: (1) under- or over-reporting staff time and (2) components improperly reporting their costs. To mitigate these risks, OF limited the number of components that have access to the ARRA CAN information. If a component needs to make a direct charge, it must submit a request and provide a

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<sup>11</sup> We did not assess the services procured or work performed by SSA employees in support of ERP issuance. We limited this evaluation to a review of the process SSA implemented to identify and report these costs. On May 15, 2009, we issued a separate report, *Economic Recovery Payments for Social Security and Supplemental Security Income Beneficiaries (A-09-09-29143)*, that identified several issues SSA needed to address to prevent issuance of duplicate or erroneous ERPs. We also plan to perform a series of additional reviews of SSA's actual ARRA expenditures.

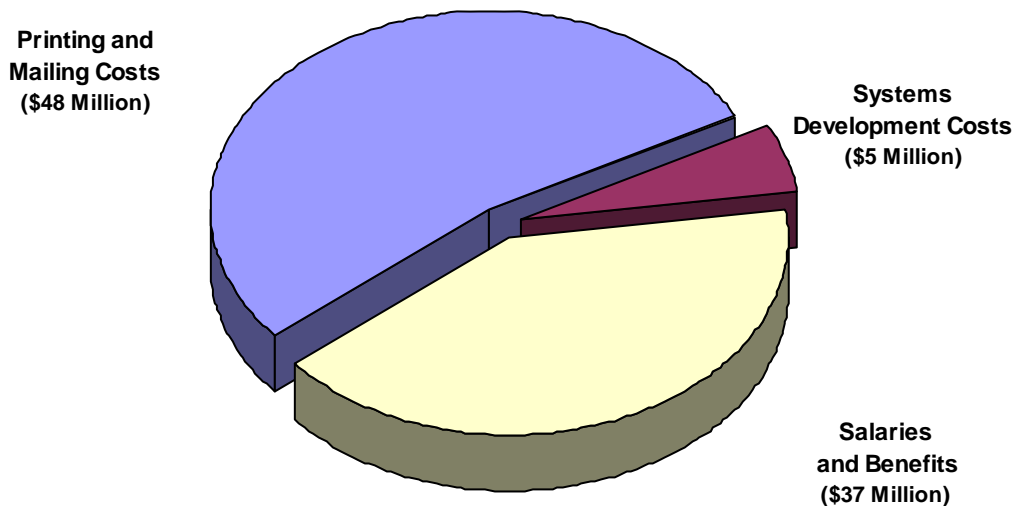
justification to OF. For the direct charges made against the ARRA CANs, both offices review the information to ensure they are proper. Additionally, to help mitigate the risk of under- or over-reporting, OPAO reviews the staff hours reported for inconsistencies. The Office of Operations also reviews the inquiry counts collected by field offices and Teleservice Centers (TSC) to ensure reporting is in line with Agency activities.

SSA also implemented system controls over the input of data into the ARRA tracking website.<sup>12</sup> Access to the website is limited to those appointed by each component and authorized by OPAO. The information retrieved from the web tracking system and input into the ARRA tracking spreadsheet is also verified by a second analyst before management review.

### **TRACKING ADMINISTRATIVE EXPENDITURES**

According to SSA's initial estimates, most administrative costs associated with issuing the ERP are front-end costs related to printing and mailing advance notices to ERP beneficiaries, educating the public, training staff to handle inquiries, and system data matches to ensure the proper individuals are identified to receive the payment. ARRA provided up to \$90 million to reimburse SSA for costs incurred to administer the ERPs. SSA initially estimated its ERP-related administrative costs as follows.

### **Initial Estimate of ERP-Related Administrative Expenditures**



<sup>12</sup> OPAO created the ARRA web tracking system to consolidate staff time information received from SSA Headquarters and regional components.

## Printing and Mailing Costs

SSA initially planned to incur approximately \$48 million in costs associated with the (1) printing and mailing of advance notices to approximately 53 million eligible one-time payment recipients and (2) printing of ERP information leaflets provided to field offices and Wal-Mart stores. SSA will charge these expenses against an ERP-specific CAN. SSA originally intended to issue two separate informational mailings to ERP recipients. However, based on the urgency of making these payments, SSA revised its original plan and consolidated the two mailings into a single notice to all potentially eligible individuals. By consolidating these mailings, SSA avoided approximately \$20 million in printing and mailing expenses. Consequently, SSA revised its ERP administrative spending plan to reflect approximately \$70 million in anticipated ERP administrative costs.

<b>SSA Spending Plan – One-time ERP</b>			
	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>1<sup>st</sup> Quarter</b>	\$ -	\$ 4,800,000	\$ 60,000
<b>2<sup>nd</sup> Quarter</b>	\$ 11,000,000	\$ 4,100,000	\$ 60,000
<b>3<sup>rd</sup> Quarter</b>	\$ 44,200,000	\$ 940,000	\$ 60,000
<b>4<sup>th</sup> Quarter</b>	\$ 4,800,000	\$ 60,000	\$ 60,000
<b>FY Totals</b>	<b>\$ 60,000,000</b>	<b>\$ 9,900,000</b>	<b>\$ 240,000</b>
<b>Source:</b> Information obtained from the SSA-provided ERP Spending Plan.			

## Salaries and Benefits and Systems Development Costs

Interviews with various SSA staff members indicated that SSA was proactive in tracking staff time and systems development costs incurred to administer the one-time payment. SSA's Office of Operations accounts for and reports the field office and TSC staff training costs associated with the ERP. Field office and TSC personnel time is tracked based on the number of inquiries received. The inquiry costs include the number of calls to the SSA National 800-number and the number of field office calls and visits. The Office of Systems (Systems) established a unique ARRA ERP code to track its staffs' time related to specific jobs. Systems anticipated incurring expenses to conduct the data matching runs with the Railroad Retirement Board and Department of Veterans Affairs. Additionally, Systems plans to purchase extra computer storage space needed to process and retain the records created by the ERP. Systems intends to charge these costs against an ERP-specific CAN.

To consolidate information on staff time for Headquarters and regional personnel, SSA developed a separate ARRA tracking website. This website allows component contacts to input staff hours for their respective organizations. This information is consolidated at the Deputy Commissioner level. OPAO reviews all final inputs and analyzes the information for trends. If needed, OPAO requests support and/or clarification for staff time inputs.



## *Matters for Consideration*

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SSA took action in accordance with OMB ARRA guidance, identified potential administrative costs to be incurred to provide the ERP, and implemented plans to track and report the identified costs. As such, we believe SSA is positioned to account for ERP-related administrative expenditures in a manner that will allow for transparency and accountability of ARRA funds. We are encouraged by SSA's decision to consolidate informational mailings and reduce overall estimated administrative expenditures by approximately \$20 million.

SSA should continue its current efforts to centralize ARRA-related guidance to ensure consistent communication to internal stakeholders. SSA should also consider providing periodic updates and reminders to staff to ensure staff time and costs are properly reported throughout the course of the \$90 million appropriation life-cycle.

# Appendices

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – OIG Contacts and Staff Acknowledgments

## Acronyms

ARRA	<i>American Recovery and Reinvestment Act of 2009</i>
CAN	Common Accounting Number
ERP	Economic Recovery Payment
FY	Fiscal Year
OF	Office of Finance
OFPO	Office of Financial Policy and Operations
OMB	Office of Management and Budget
OPAO	Office of Program Accounting Operations
SSA	Social Security Administration
TSC	Teleservice Center

# Scope and Methodology

To achieve our objective, we

- reviewed the *American Recovery and Reinvestment Act of 2009* (ARRA);
- reviewed Office of Management and Budget (OMB) and White House ARRA guidance;
- compared guidance issued by OMB to the plans developed by the Social Security Administration (SSA) for tracking administrative expenses associated with the economic recovery payments (ERP);
- reviewed SSA supporting documents and Agency-issued guidance related to tracking administrative expenses associated with the ERP;
- interviewed employees from SSA's Offices of Operations and Budget, Finance and Management involved in tracking administrative expenses related to the issuance of one-time payments;
- interviewed 10 component contacts who report staff hours for their offices; and
- inquired about past administrative expenses and the Fiscal Year (FY) 2008 Economic Stimulus payment and compared it to the plans for the FY 2009 ERP.

We performed our review from March through May 2009 in Dallas, Texas. We conducted our review in accordance with the President's Council on Integrity and Efficiency's<sup>1</sup> *Quality Standards for Inspections*.

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<sup>1</sup> In January 2009, the President's Council on Integrity and Efficiency was superseded by the Council of the Inspectors General on Integrity and Efficiency, *Inspector General Reform Act of 2008*, Pub. L. No. 110-409 § 7, 5 U.S.C. App. 3 § 11.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Ronald Gunia, Director, Dallas Audit Division

Jason Arrington, Audit Manager

### ***Acknowledgments***

In addition to those named above:

Chasity Crawley, Program Analyst

For additional copies of this report, please visit our web site at [www.ssa.gov/oig](http://www.ssa.gov/oig) or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-06-09-29144.

## **DISTRIBUTION SCHEDULE**

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Majority and Minority Staff Director, Subcommittee on Social Security

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Chairman and Ranking Minority Member, Committee on Oversight and Government Reform

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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

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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.