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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**The Social Security Administration's  
Oversight of the Dell Workstation Blanket  
Purchase Agreements under the  
General Services Administration's Schedule  
Contract GS-35-F-4076D**

**September 2006**

**A-15-06-16073**

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**AUDIT REPORT**

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## **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**

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- 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.
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## SOCIAL SECURITY

### **MEMORANDUM**

**Date:** September 25, 2006 **Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** The Social Security Administration's Oversight of the Dell Workstation Blanket Purchase Agreements under the General Services Administration's Schedule Contract GS-35-F-4076D (A-15-06-16073)

### **OBJECTIVE**

Our objective was to assess the Social Security Administration's (SSA) oversight of three Blanket Purchase Agreements (BPA)<sup>1</sup> issued under the General Services Administration's (GSA) Multiple Award Schedule Contract GS-35-F-4076D to acquire Dell workstations, peripheral equipment, and installation and support services. Specifically, we determined whether the goods and services were delivered timely, within specifications and at the agreed to price.

### **BACKGROUND**

Each year, Federal agencies spend billions of dollars to buy commercial products and services through the GSA Multiple Award Schedules Program.<sup>2</sup> Agencies may establish BPAs under GSA Schedule Contracts to fill recurring needs for supplies and services, while leveraging its buying power by taking advantage of quantity discounts, saving administrative time, and reducing paperwork. Federal agencies can directly purchase, through more than 16,000 Schedule Contracts, over 8 million products from more than 10,000 commercial vendors. In Fiscal Year (FY) 2004, purchases from these contracts totaled more than \$32 billion dollars. For FY 2005, SSA issued a total of 2,621 awards against the GSA Schedule Contract Program at a cost close to \$430 million.

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<sup>1</sup> Under 48 C.F.R §13.303-1(a), a BPA is a simplified method of filling anticipated repetitive needs for supplies or services by establishing "charge accounts" with qualified sources of supply.

<sup>2</sup> Under the GSA Multiple Award Schedules (also referred to as Multiple Award Schedules and Federal Supply Schedules) Program, GSA establishes long-term government-wide contracts with commercial firms to provide access to over 10 million commercial supplies and services that can be ordered directly from GSA Schedule Contractors.

SSA's Office of Acquisition and Grants' (OAG) mission is to acquire quality products at a reasonable price that fully meets the needs of the user. In FY 2001, OAG used the GSA Schedule Awards Contract GS-35-F-4076D to establish the first of three BPAs (BPAs were established in FY 2001, 2002 and 2004) to acquire Dell workstations, peripheral equipment, and installation and support services at a cost of approximately \$79 million dollars. These BPAs included specifications, general requirements, unit pricing, and installation and support services agreed upon by SSA and the Dell Computer Corporation.

The Director of SSA's Office of Telecommunications and Systems Operations (OTSO), Distributed Data Processing Management Staff (DDPMS)<sup>3</sup> assigned the Project Officers (PO) and Alternate Project Officers (APO) for the three Dell BPAs. The PO served as the Contracting Officer's Technical Representative for SSA's ongoing workstation replacement efforts. The PO provided technical knowledge, which included development of a Statement of Work, and/or specifications, evaluation of vendor proposals, assistance in vendor negotiations, and recommendation for vendor selection.

After the PO's appointment, the Contracting Officer (CO) issued official designation letters to both the PO and APO. These letters defined the PO's role and responsibilities, contained delegated authorities and limitations, provided guidance for post-award contract administration<sup>4</sup> and required a contractor performance evaluation. Each contract or BPA must be planned and monitored by both a CO and PO to ensure the Government receives fair value for its money. The CO and PO had separate yet similar responsibilities during the pre- and post-award contract administration (see Appendix C).

## **RESULTS OF REVIEW**

Generally, SSA provided adequate oversight of the three Dell BPAs issued under the General Services Administration's Multiple Award Schedule Contract GS-35-F-4076D. However, there are opportunities for SSA to improve its oversight to help ensure contracted goods are received and reconciled to the Agency's accounting records.

## **OPPORTUNITIES TO IMPROVE SSA'S OVERSIGHT OF DELIVERY OF IT EQUIPMENT**

Federal agencies use management controls to ensure reliable and timely information is obtained, maintained, reported and used in decision-making. According to guidance issued by the Office of Management and Budget:

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<sup>3</sup> The DDPMS initiates major program, subprogram, project, and task activities in support of the implementation of plans outlined in the Integrated Systems Plan and the Agency's Strategic Plan.

<sup>4</sup> The U.S. Department of Health and Human Services, *DHHS Project Officers' Contracting Handbook (Handbook)*, Section V, *Post-Award Administration*, revised January 23, 2003.

The proper stewardship of Federal resources is a fundamental responsibility of agency managers and staff. Federal employees must ensure that government resources are used efficiently and effectively to achieve intended program results. Resources must be used consistent with agency mission, in compliance with law and regulation, and with minimal potential for waste, fraud, and mismanagement.<sup>5</sup>

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***Insufficient Documentation  
to Support Workstations  
Received at SSA Field  
Locations***

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We could not determine whether Dell workstations ordered under the three BPAs were received at SSA's field locations. The PO was delegated certain authorities and responsibilities to oversee the Dell workstation acquisition. These responsibilities included:

1) establishing quality assurance standards and delivery requirements and ensuring that these were met, 2) receiving all required reports, samples, and such other materials called for in the BPA, and 3) adhering to the Handbook.

The CO placed call orders<sup>6</sup> against the BPAs. In turn, Dell contracted with a shipping company to "drop ship"<sup>7</sup> the workstations to various sites located in SSA's 10 regions.<sup>8</sup> The PO relied on daily status reports provided by Dell and the shipping company to determine whether workstations were delivered. The BPA required Dell to submit monthly inventory reports for the workstations drop shipped to SSA sites. The PO compared these inventory reports to the call orders to determine whether the correct quantity of workstations were delivered and received.

During our review, we determined that field locations were not required to notify or confirm with the PO the receipt of workstations or maintain delivery receipts. For example, one SSA field location sent us a copy of a delivery receipt, but the receipt did not contain sufficient information such as signatures and dates to verify whether the Dell workstations were received by this field location.<sup>9</sup>

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<sup>5</sup> Office of Management and Budget Circular A-123, *Management Accountability and Control*, dated June 21, 1995.

<sup>6</sup> An "order" against a BPA is generally referred to as a "call" however some people may use the term "call order."

<sup>7</sup> "Drop Ship" - equipment delivered to site, unboxed and trash removed by delivery company if site desires.

<sup>8</sup> The Regions are: Boston, New York, Philadelphia, Atlanta, Chicago, Dallas, Kansas City, Denver, San Francisco and Seattle.

<sup>9</sup> Northeastern Program Service Center.

SSA policy<sup>10</sup> does not specifically address the shipping and receiving of Information Technology (IT) equipment at Headquarters (HQ), regions or field offices. However, the policy does address the shipping and receiving of forms, supplies, furniture and office equipment.<sup>11</sup> This policy states:

Problems relating to the shipping and receiving process have generally been experienced by field offices and include such areas as the preparation and recognition of documents and paperwork related to receiving, checking shipments, services from motor carriers, security of sensitive items and processing loss and damage reports. A basic understanding of the shipping/receiving process may assist field office personnel in dealing with these issues....<sup>12</sup>

We noted some of these problems existed for the shipping and receiving of IT equipment. For example, field locations we contacted stated documents and paperwork related to receiving and checking shipments of delivered Dell Workstations were not maintained.<sup>13</sup> We believe the establishment of written policies and procedures will help ensure consistent and accurate compliance and application needed to achieve high levels of integrity and accuracy and to ensure assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

We contacted Office of Publications and Logistics Management (OPLM) staff<sup>14</sup> to discuss SSA's policies and procedures for the shipping and receiving of Dell workstations. OPLM staff stated that although SSA policy does not address shipping and receiving of IT equipment such as workstations, practices<sup>15</sup> were in place at HQ to ensure these contracted goods were delivered. We tested and verified these practices. As a result, we determined the HQ practices ensure IT equipment ordered was received and checked for accuracy and completeness. Additionally, OPLM staff stated that the Agency's Shipping and Receiving policies and procedures will be updated to include IT equipment.

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<sup>10</sup> Administrative Instructions Manual System (AIMS), Materiel Resources Manual (MRM), 04. Property Management (PM), Instruction 20, *Shipping and Receiving*, February 20, 1986.

<sup>11</sup> This includes: office equipment such as adding machines, calculators, duplicators, dictating machines, microfilm, typewriters, tape recorders, projectors and date stamps.

<sup>12</sup> AIMS, MRM, Chapter 04. PM, Instruction No. 20, *Shipping and Receiving, Field Offices A. Documents and Paperwork* dated 1986.

<sup>13</sup> Field locations contacted included: Boston, California, New York and Philadelphia Regional Offices, Philadelphia Telecommunications Service Center, Northeastern Program Service Center, and Virginia Disability Determination Services.

<sup>14</sup> Center for Warehouse and Logistics Services, Office of Publications and Logistics Management.

<sup>15</sup> The HQ practices included: 1) obtained a shipping receipt (shipping receipt generally did not indicate the contents, rather the receipt specified the quantity of boxes/cartons delivered); 2) conducted a joint inventory (truck driver and SSA personnel) of the quantity of boxes; 3) contacted the component point-of-contact for instructions; 4) prepared an SSA Form 23-delivery receipt; 5) obtained the components signature; and 6) maintained a file copy of the receipt for 3 years.

As of September 2005, the Dell BPA reached both its estimated quantities and dollar limit.<sup>16</sup> Therefore, the Agency established a new BPA with Hewlett-Packard. New procedures implemented for the Hewlett Packard BPA are posted on OTSO's website.<sup>17</sup> In addition, OTSO's Centralized Customer Services Branch<sup>18</sup> continues to act as a point-of-contact by recording and tracking delivery problems. Although OTSO has implemented some new procedures, these procedures do not address or include a procedure to document the receipt of IT equipment such as workstations received in field locations.

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***Inventory not Taken  
When Dell Workstations  
Received at SSA Field  
Locations***

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SSA field locations did not verify inventories when Dell workstations were received. SSA's policy states:<sup>19</sup> "...accountable and capitalized equipment, including IT equipment and items defined as sensitive by SSA will be inventoried...on a rotating basis."<sup>20</sup> During each quarter, a portion of field and headquarters components will be inventoried. In the course of 1 calendar year, one-third of all SSA components will have been inventoried. Thus, at the completion of three consecutive years, all SSA property will be inventoried."

We determined that Dell provided SSA with monthly electronic inventory files. These files were provided to the PO, OTSO staff, and to the Office of the Deputy Commissioner for Budget, Finance and Management (formerly the Office of Deputy Commissioner for Finance, Assessment and Management), Center for Warehouse and Logistics Service (CWLS). The CWLS Systems Administrator uploaded the electronic files into SSA's Property Accountability System.<sup>21</sup> Although Dell provided the electronic files, the field locations did not verify these files with SSA's Property Accountability System. Based on Agency policy, Dell workstations potentially will not be inventoried until SSA conducts its annual reviews during a 3-year cycle.

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<sup>16</sup> The last call order under the Dell BPA was dated September 2005.

<sup>17</sup> Cycle 2 Phase 2 Workstation Replacement Procedures dated January 23, 2006, includes i.e., procedures for order status, installation/drop ship, delivery mistakes on shipment of equipment; workstation setup, disk wiping old workstations, excessing equipment, imaging, warranty, and contact and reference information.

<sup>18</sup> OTSO's Division of National Network Services and Applications, Centralized Customer Services Branch commonly referred to as "The Action Center," provides a common communication point between the OTSO Divisions and all SSA components world-wide.

<sup>19</sup> AIMS, MRM, Chapter 04 PM, Instruction No. 04, *Physical Inventory of Personal Property* dated December 11, 1998.

<sup>20</sup> SSA's Property Accountable Officer establishes schedules for the annual physical inventory of accountable personal property including IT and items defined as sensitive located throughout the Agency.

<sup>21</sup> SSA implemented the Sunflower Assets System in March 2003. Prior to that time, the Dell inventory lists were uploaded to SSA's Property Accountability System.

We believe the performance of an inventory count upon the receipt of goods, and comparing the inventory to the Agency's accounting systems provides additional controls to ensure physical assets exist and reconcile to accounting records.

## **CONCLUSION AND RECOMMENDATIONS**

SSA had a process to provide oversight of the three Dell BPAs issued under the General Services Administration's Multiple Award Schedule Contract GS-35-F-4076D. However, there are opportunities for SSA to improve its oversight to help ensure contracted goods are received and reconciled to the Agency's accounting records.

We recommend SSA continue its efforts to revise policies and procedures to address shipping and receiving of IT equipment that includes a requirement to verify that all IT equipment ordered under a BPA or contract has been received and entered into the Agency's Property Management System.

## **AGENCY COMMENTS**

SSA agreed with our recommendation. The Agency also provided a technical comment that was incorporated into our final report. The text of SSA's comments is included in Appendix D.



Patrick P. O'Carroll, Jr.

# **Appendices**

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[\*\*APPENDIX A\*\*](#) – Acronyms

[\*\*APPENDIX B\*\*](#) – Scope and Methodology

[\*\*APPENDIX C\*\*](#) – Contracting and Project Officer Responsibilities

[\*\*APPENDIX D\*\*](#) – Agency Comments

[\*\*APPENDIX E\*\*](#) – OIG Contacts and Staff Acknowledgments

## **Appendix A**

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### **Acronyms**

AIMS	Administrative Instructions Manual System
BPA	Blanket Purchase Agreement
CO	Contracting Officer
CWLS	Center for Warehouse and Logistic Services
DHHS	Department of Health and Human Services
DDPMS	Distributed Data Processing Management Staff
FY	Fiscal Year
GSA	General Services Administration
Handbook	DHHS' Project Officers' Contracting Handbook
HQ	Headquarters
IT	Information Technology
MRM	Materiel Resources Manual
OAG	Office of Acquisition and Grants
OMB	Office of Management and Budget
OPLM	Office of Publications and Logistics Management
OTSO	Office of Telecommunications and Systems Operations
PM	Property Management
PO/APO	Project Officer/Alternate Project Officer
SSA	Social Security Administration

# **Scope and Methodology**

To accomplish our objective, we:

- Reviewed pertinent sections of Social Security Administration's (SSA) policies and procedures as well as other relevant Federal laws and regulations.
- Reviewed relevant Office of Management and Budget Circulars; National Archives and Record Administration General Records Schedules; and U.S. Department of Health and Human Services, Project Officers' Contracting Handbook sections.
- Interviewed SSA's Office of Acquisition and Grants staff to gain an understanding of the Blanket Purchase Agreement (BPA) process.
- Obtained and reviewed the three Dell workstation, peripheral equipment, and installation and supports services BPAs and modifications.
- Interviewed staff in the Office of Telecommunications and Systems Operations (OTSO).
- Interviewed staff from the Office of Publications and Logistics Management, Center for Warehouse and Logistic Services and Office of Property Management; and Regional and Field Offices to gain an understanding of the shipping and receiving of Information Technology equipment and physical inventory.<sup>1</sup>
- Tested and verified SSA's Headquarters shipping and receiving practices.
- Requested and received a list of 228 call orders issued under the 3 BPAs. We selected the largest call order for each BPA. For the remaining 225 call orders, we randomly selected 50 for review. For each call order, we selected and reviewed the first invoice and associated waybill.<sup>2</sup> We compared SSA site codes, quantity of equipment ordered and delivered, delivery dates, delivery receipt signatures, and amount of equipment charged.

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<sup>1</sup> Field locations contacted included: Boston, California, New York and Philadelphia Regional Offices, Philadelphia Telecommunications Service Center, Northeastern Program Service Center, and Virginia Disability Determination Services.

<sup>2</sup> Waybill is a document prepared by the carrier for a shipment of goods that contained the details of the shipment, route, and charges. The waybills were only available for one BPA SS00-04-40024.

- Verified that new Hewlett Packard BPA procedures were posted on OTSO's website.

We did not physically inspect computers and workstations to determine whether the technical specifications as outlined in the three BPAs were met. Some BPA documents may not have been maintained for all BPAs and therefore could not be reviewed.<sup>3</sup> The availability of these documents did not impact the review objective. We did not review the Office of Acquisition and Grants internal controls.

The entities audited were the Office of Acquisitions and Grants and the Office of Publications and Logistics Management under the Office of Budget, Finance and Management and OTSO under the Office of Systems. We performed our audit from November 2005 through April 2006 in Baltimore, Maryland in accordance with generally accepted government auditing standards.

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<sup>3</sup> Documents reviewed for BPAs 0440-01-42005 and 0440-02-42023 included BPA, modifications, call orders and invoices. Dell waybills were only available for BPA SS00-04-40024.

## ***Appendix C***

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# **Contracting and Project Officer Responsibilities**

During the pre-solicitation phase, the Project Officer (PO) had the lead and the Contracting Officer (CO) operated in an advisory capacity. Then in the solicitation and evaluation and award phases the lead shifted to the CO, with the PO acting largely as an advisor. In the post-award phase, the PO, (acting as the CO's authorized representative, within the authority limits designated by the CO), assumed lead responsibility for some functions, and the CO for others.

<b><u>PRESOLICITATION PHASE</u></b>	<b><u>LEAD</u></b>	<b><u>SUPPORT</u></b>
MARKET RESEARCH	PO	CO
IDENTIFY REQUIREMENTS	PO	CO
PLANNING SCHEDULE	CO	PO
STATEMENT OF WORK	PO	CO
TECHNICAL EVALUATION CRITERIA	PO	CO
SPECIAL APPROVALS	PO	CO
PREPARE SSA-393	PO	CO
<b><u>SOLICITATION PHASE</u></b>		
SYNOPSIS	CO	PO
GENERATE SOLICITATION MAILING LIST	CO	PO
PREPARE SOLICITATION	CO	PO
RECEIPT OF OFFERS	CO	PO
<b><u>EVALUATION &amp; AWARD PHASE</u></b>		
TECHNICAL EVALUATION	PO	CO
BUSINESS EVALUATION	CO	PO
DISCUSSIONS (IF REQUIRED)	CO	PO
CONTRACT PREPARATION & AWARD	CO	PO
DEBRIEFING	CO	PO
<b><u>POSTAWARD PHASE</u></b>		
MONITORING TECHNICAL PERFORMANCE	PO	CO
REVIEWING PROGRESS REPORTS	PO	CO
REVIEWING FINANCIAL REPORTS	PO	CO
INSPECTION AND ACCEPTANCE	PO	CO
CONTRACT ADMINISTRATION	CO	PO

## ***Appendix D***

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### **Agency Comments**



## SOCIAL SECURITY

MEMORANDUM

0609-0011263

Date: September 14, 2006 Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.  
Inspector General

From: Larry W. Dye /s/  
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "The Social Security Administration's Oversight of the Dell Workstation Blanket Purchase Agreements under GSA Schedule Contract GS-35-F-4076D" (A-15-06-16073)—INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report are attached.

Please let me know if you have any questions. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:  
SSA Comments

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S (OIG) DRAFT REPORT, "THE SOCIAL SECURITY ADMINISTRATION'S OVERSIGHT OF THE DELL WORKSTATION BLANKET PURCHASE AGREEMENTS UNDER GENERAL SERVICES ADMINISTRATION'S SCHEDULE CONTRACT GS-35-F-4076D"**  
**(A-15-06-16073)**

Thank you for the opportunity to review and provide comments on this OIG draft report. The report indicates that the Social Security Administration (SSA) provided adequate oversight of the three Dell blanket purchase agreements (BPA) OIG examined. We believe the actions cited below will further enhance our controls over receipt and recording of information technology (IT) equipment.

**Recommendation 1**

Continue efforts to revise policies and procedures to address shipping and receiving of IT equipment that includes a requirement to verify that all IT equipment ordered under a BPA or contract has been received and entered into the Agency's Property Management System.

**Comment**

We agree. We are revising our Administrative Instructions Manual System (AIMS) guide policies and procedures relating to the shipping and receiving of property, supplies and materials to incorporate requirements ensuring that IT equipment is properly received and checked for accuracy and completeness. We plan to release the AIMS guide revisions by October 15, 2006.

We are also developing an automated process for certifying receipt of IT equipment ordered under a major BPA/contract. The process will provide for acknowledgement that an IT equipment shipment has been made along with a return confirmation of receipt by the custodial officer or designated receiving official. We plan to implement this process during the first half of fiscal year (FY) 2007.

[In addition to the comments above, SSA provided a technical comment which has been addressed in this report.]

## ***Appendix E***

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# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Victoria Vetter, Director, Financial Audit Division, (410) 966-9081

Brian Karpe, Audit Manager, Financial Audit Division, (410) 966-1029

### ***Acknowledgments***

In addition to those named above:

Sandra E Westfall, Senior Program Analyst

Brennan Kraje, Statistician

Annette DeRito, Writer-Editor

For additional copies of this report, please visit our web site at  
[www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-15-06-16073.

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Chairman and Ranking Minority Member, Subcommittee on Social Security and Family Policy  
Chairman and Ranking Minority Member, Senate Special Committee on Aging  
Social Security Advisory Board

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The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Resource Management (ORM). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

## **Office of Audit**

OA conducts and/or supervises 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 and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

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OI conducts and coordinates investigative activity 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 OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

## **Office of the Chief Counsel to the Inspector General**

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG 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. Finally, OCCIG administers the Civil Monetary Penalty program.

## **Office of Resource Management**

ORM supports OIG by providing information resource management and systems security. ORM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, ORM is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.