

Report Summary

Social Security Administration Office of the Inspector General

November 2011



Objective

To review and test (1) internal controls, (2) the General Computer Control environments, (3) main processes, (4) data inputs, and (5) data outputs. We also determined whether the cost allocation methodology complied with the Statement of Federal Financial Accounting Standards (SFFAS) No. 4.

Background

The Social Security Administration's (SSA) cost allocation process, of which the Cost Analysis System (CAS) is a central part, determines actual administrative costs chargeable to Trust Fund activities, general fund programs, and other reimbursable programs. CAS integrates data from payroll, Agency work measurement systems, and SSA's core financial accounting system and assigns costs to specific program activities and workloads. CAS provides workload, workyear, and administrative cost data at the Agency and major component levels.

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<http://oig.ssa.gov/audits-and-investigations/audit-reports/A-15-10-20151>

The Social Security Administration Cost Allocation Process **(A-15-10-20151)**

Our Findings

We contracted with Grant Thornton LLP to conduct four CAS reviews. For this third review, Grant Thornton identified the following findings that need to be addressed.

- The internal controls and main processes related to work sampling did not ensure the completeness and reliability of CAS' data.
- Grant Thornton assessed SSA's cost allocation methodology as "partially compliant" with SFFAS No. 4. Although SSA complied with many of the requirements, Grant Thornton noted the following.
 - SSA's use of benefit outlays to assign shared costs does not manifest a suitable causal relationship between resources and outputs.
 - SSA's cost allocation methodology did not reconcile budgetary to proprietary methods of allocation at a detailed level.

Grant Thornton was not able to conclude whether CAS results were correctly stated because of the underlying data concerns and the non-compliance issues related to SFFAS No. 4.

Our Recommendations

Grant Thornton's recommendations included:

1. Discontinuing the use of benefit outlays as a means of allocating shared costs to program activities.
2. Reconciling the budgetary accounting basis used for cost allocation with the proprietary or accrual basis of accounting at a detailed level.

SSA determined that because of the interrelationship of all four CAS reviews, it was premature to comment or respond to Grant Thornton's recommendations and will provide consolidated comments once it receives the results of all CAS reviews.