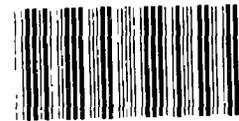


GAO

August 1987

# ADP BUDGET

## Analysis of SSA's Fiscal Year 1988 Information Technology Systems Request



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United States  
General Accounting Office  
Washington, D.C. 20548

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Information Management and  
Technology Division

B-226427

August 6, 1987

The Honorable Lawton Chiles  
Chairman, Committee on the Budget  
United States Senate

The Honorable William H. Gray III  
Chairman, Committee on the Budget  
United States House of Representatives

This report responds to your request for an analysis of the Social Security Administration's (SSA) Information Technology Systems budget including (1) the agency's funding requirements for fiscal year 1988 and (2) the estimated carry-over<sup>1</sup> of unobligated funds at the end of fiscal year 1987. SSA requested \$283 million in its fiscal year 1988 budget for information systems. On the basis of a major refocusing of the systems modernization effort announced by the SSA Commissioner in June 1987, the budget request is being revised downward. Although complete funding details on the refocusing effort are not available at this time, our analysis of the original fiscal year 1988 budget request and information available on the refocusing identified justifications for \$187 million for information systems requirements. SSA agrees that its fiscal year 1988 automatic data processing requirements are below those projected in its original budget request. However, SSA believes the GAO analysis of fiscal year 1988 requirements understates its estimate of need. We recognize that there may be a need for additional funding for three specific areas, but, based on information provided to us by SSA, we have questions about whether additional funds are justified at this time. In addressing your question about the amount of carry-over, we project that SSA will have a carry-over balance of \$181 million at the start of fiscal year 1988. SSA generally agreed with our carry-over projection, except for approximately \$10 million in telephone acquisitions and ongoing maintenance costs that they believe will be obligated in fiscal year 1987.

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<sup>1</sup>SSA is authorized to carry over unobligated funds in its information systems account from year to year based on a no-year authorization the Congress has approved since fiscal year 1983. The purpose of the carry-over is to provide funding flexibility for SSA's modernization effort.

## Information Technology Systems Fiscal Year 1988 Funding

SSA's fiscal year 1988 budget request for the information systems account<sup>2</sup>, which it submitted to the Congress in January 1987, was \$283 million. In June 1987, the Commissioner announced a major refocusing of the systems modernization effort as part of a recently established strategic planning process. The Commissioner announced this change because completion of Systems Modernization Plan objectives in the areas of software, data base integration, and management information have proven to be larger and more complex than originally envisioned. This refocusing, in part based on previous GAO reports<sup>3</sup>, entails SSA (1) renewing emphasis on software improvement and limiting the scope of new software development, (2) taking a close look at hardware procurements and reducing budgets accordingly, and (3) prioritizing management information initiatives to improve office automation and management information systems. As a result of this refocusing, SSA is reducing its estimate for funding information systems in fiscal year 1988.

SSA could not provide us with the complete supporting justification for its reduced estimate at the time of our analysis. SSA indicated that additional proposed initiatives will be included as part of SSA's fiscal year 1989 budget submission to the Office of Management and Budget in September 1987 because these initiatives impact on its fiscal year 1989 budget. Information on these proposed initiatives will not become available until release of the fiscal year 1989 President's Budget. Therefore, we concentrated our analysis on the original fiscal year 1988 information systems budget request of \$283 million. This analysis should provide a framework for the Congress in reviewing SSA's revised budget estimate once the remaining justifications have been completed. In performing our analysis, we considered documentation supporting the agency's original budget request and the status of projects, information we obtained during interviews with project and contract officers and

<sup>2</sup>The information systems account is comprised of funds for the Systems Modernization Plan, ongoing operations and other automatic data processing projects, and telephone acquisitions and service charges.

<sup>3</sup>ADP Acquisitions: SSA Should Limit ADP Procurements Until Further Testing Is Performed (GAO/IMTEC-86-31, August 8, 1986).

Software Systems: SSA Encountering Significant Delays in its Claims Modernization Project (GAO/IMTEC-87-8, December 22, 1986).

Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39, March 18, 1987).

ADP Systems: SSA's Modernization Efforts Need Redirection (GAO/IMTEC-87-16, April 10, 1987).

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management officials, findings in our previous reports, and available information on SSA's recent proposal to refocus its modernization effort.

On the basis of our analysis, we were able to identify justification for \$187 million for the fiscal year 1988 information systems funding requirement. SSA has indicated that their revised estimate will be higher than our \$187 million figure because of requirements in three areas: office automation, management initiatives, and telephone acquisitions. However, we have questions about the justification for the requirements for these three areas. For example, some telephone acquisitions budgeted for fiscal year 1988 have been denied delegations of procurement authority by the General Services Administration. Appendix I contains details of our analysis of information systems funding for fiscal year 1988.

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## Fiscal Year 1987 Carry-Over Balance

In addressing your second question about the amount of carry-over, we project that SSA will have a carry-over balance of \$181 million at the start of fiscal year 1988. When we discussed our analysis with SSA officials, they generally agreed that the carry-over would be larger than their March 1987 estimate of \$116 million. They stated, however, that we should consider approximately \$10 million for two items which could reduce the balance if obligated in fiscal year 1987. Specifically, they believe that \$8.2 million in additional telephone acquisitions will be made during fiscal year 1987, and thus should be removed from our carry-over projection. However, SSA contract officers state that these additional telephone acquisitions will not be made until fiscal year 1988. Also, they estimate \$2 million more for contracts associated with ongoing automatic data processing maintenance. SSA's estimate is based on fiscal year 1987 budget estimates, while our estimates were prorated for the remainder of fiscal year 1987 based on actual obligations through May 1987. Appendix II contains details of our analysis of the carry-over balance.

We conducted our audit work between January 1987 and July 1987, reviewing SSA's information systems budget document, interviewing key personnel in SSA and other oversight agencies regarding SSA's budget requirements, and evaluating automatic data processing and telephone project status. Our review was conducted in accordance with generally accepted government auditing standards. Appendix III contains a detailed description of the objectives, scope, and methodology of our review.

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## Agency Comments and Our Evaluation

We obtained written comments on a draft of this report from SSA through the Department of Health and Human Services. Generally, SSA agrees with GAO on the potential amount of carry-over from fiscal year 1987. In addition, SSA agrees that its fiscal year 1988 automatic data processing requirements are below those projected in their original budget request. However, SSA believes the GAO estimate is below its current estimate of need. The differences between the GAO and SSA estimates for fiscal year 1988 result in part from differing assessments for new office automation projects and modern telephone equipment. We have incorporated these comments in the report where appropriate. Appendix IV contains SSA's comments received from the Department of Health and Human Services.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from its issue date. At that time, we will send copies to the appropriate House and Senate Committees; the Secretary of Health and Human Services; the Commissioner, Social Security Administration; the Administrator, General Services Administration; the Director, Office of Management and Budget; and to other interested parties upon request.



Ralph V. Carlone  
Director

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## Abbreviations

|     |                                 |
|-----|---------------------------------|
| ADP | automatic data processing       |
| GAO | General Accounting Office       |
| GSA | General Services Administration |
| SSA | Social Security Administration  |



# GAO Analysis of SSA's Original Fiscal Year 1988 Information Technology Systems Budget Request

This section presents our analysis of the Social Security Administration's (SSA) fiscal year 1988 information systems funding requirements. SSA could not provide us with complete information regarding its reduced estimate at the time of our analysis. The proposed changes to the fiscal year 1988 budget affect the fiscal year 1989 budget, which is still under consideration. Therefore, details on the revised fiscal year 1988 budget are not available until release of the fiscal year 1989 President's Budget. We focused our analysis on the agency's original request while considering (1) the current status of information systems projects, (2) our understanding of the Commissioner's initiative to refocus the modernization effort, (3) new information SSA provided to us, (4) previous GAO reports, (5) discussions with agency officials, and (6) available supporting budget documents. Table I.1 presents a summary of the results of our analysis.

**Table I.1: GAO Summary Analysis of SSA's Fiscal Year 1988 Information Technology Systems Budget Request**

Dollars in thousands

| Information Technology Systems Components     | SSA Budget Request | GAO Analysis of SSA Budget Request | GAC Variance From SSA Budget Request |
|---|--------------------|------------------------------------|--------------------------------------|
| <b>Systems Modernization Plans:</b>           |                    |                                    |                                      |
| Software Engineering                          | \$11,853           | \$4,853                            | \$(7,000)                            |
| Data Base Integration                         | 625                | 625                                | —0                                   |
| Data Communications Utility                   | 25,623             | 14,800                             | (10,823)                             |
| Capacity Upgrade                              | 35,783             | 4,693                              | (31,090)                             |
| Systems Operations Management                 | 1,850              | 1,850                              | —0                                   |
| Management Initiatives                        | 6,450              | 4,200                              | (2,250)                              |
| Administrative Management                     | 38,168             | 4,742                              | (33,426)                             |
| <b>Systems Subtotal</b>                       | <b>\$120,352</b>   | <b>\$35,763</b>                    | <b>\$(84,589)</b>                    |
| <b>Other Automatic Data Processing Items:</b> |                    |                                    |                                      |
| Ongoing Operations and Maintenance            | \$59,440           | \$59,440                           | \$—0                                 |
| Other Systems Projects                        | 5,903              | 5,903                              | —0                                   |
| Other User Projects                           | 3,871              | 3,440                              | (431)                                |
| <b>Other Subtotal</b>                         | <b>\$69,214</b>    | <b>\$68,783</b>                    | <b>\$(431)</b>                       |
| <b>Telephone Systems:</b>                     |                    |                                    |                                      |
| Equipment Acquisitions                        | \$19,432           | \$9,914                            | \$(9,518)                            |
| Maintenance                                   | 4,989              | 3,301                              | (1,688)                              |
| Lease/Line Charges                            | 69,005             | 69,005                             | —0                                   |
| <b>Telephone Subtotal</b>                     | <b>\$93,426</b>    | <b>\$82,220</b>                    | <b>\$(11,206)</b>                    |
| <b>Total</b>                                  | <b>\$282,992</b>   | <b>\$186,766</b>                   | <b>\$(96,226)</b>                    |

As the table indicates, our analysis showed that SSA's original request continues to be justified for five programs, but we have concerns about the original request for the remaining nine programs. The following sections explain the basis of our analysis for each of the major information systems programs—Systems Modernization Plan projects, ongoing operations and other automatic data processing projects, and telephone systems.

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## Systems Modernization Plan Programs

Software Engineering Program: for the redesign and development of major software applications.

SSA's 1988 Request: \$11,853,000 GAO's Analysis: \$4,853,000

Our analysis is based on the SSA Commissioner's decision to refocus the software program. As a result of the refocusing, several software development projects are now delayed until functional requirements are defined. Functional requirements are statements of system capabilities that must be defined prior to software development because they provide the basis for development. Another project—Software Improvement—was estimated to cost \$500,000 for contract support services in fiscal year 1988. However, according to SSA, the funding is no longer needed because the agency has decided to carry out this project using in-house resources.

Data Base Integration Program: for the development of a modern integrated data base necessary to permit an online environment at SSA.

SSA's 1988 Request: \$625,000 GAO's Analysis: \$625,000

We agreed with this request. However, agency officials indicated that they would be increasing funding in this area in the fiscal year 1988 operating budget.

Data Communications Utility Program: for the installation of a new data communications network and terminals.

SSA's 1988 Request: \$25,623,000 GAO's Analysis: \$14,800,000

Our estimate is based on SSA's revised Systems Modernization Plan status which indicated that optional quantities of terminals will not be purchased in fiscal year 1988. Also, our estimate includes \$9.1 million for data communications circuits that were not included in SSA's original fiscal year 1988 budget request.

Capacity Upgrade Program: for the purchase and installation of computer mainframes and peripherals.

SSA's 1988 Request: \$35,783,000 GAO's Analysis: \$4,693,000

SSA has revised priorities in this area by substantially reducing hardware procurement plans in fiscal year 1988. Our estimate of SSA's needs is based on these revised priorities.

Systems Operations Management Program: for the improvement of data center management.

SSA's 1988 Request: \$1,850,000 GAO's Analysis: \$1,850,000

We agreed with SSA's request. However, agency officials indicated that they would be increasing funding in this area in the fiscal year 1988 operating budget.

Management Initiatives: primarily includes obtaining contractor support for managing and integrating systems modernization tasks.

SSA's 1988 Request: \$6,450,000 GAO's Analysis: \$4,200,000

SSA believes that our estimate understates its need by \$1.5 million for funding an integration and management support contract. SSA's budget justification requested \$5.5 million to fund the annual contract amount. However, our analysis, based on a review of documents and discussions with the contract officer, shows the annual contract amount to be \$4 million, \$1.5 million less than the budget justification. SSA could not provide us with a justification for the higher estimate. Further, any increase in effort beyond the \$4 million annual contract amount would require additional delegations of procurement authority.

In addition to this item, SSA's 1988 budget request in this area included \$750,000 for a distributed data processing task force. SSA has canceled the task force project, eliminating the need for \$750,000 in their fiscal year 1988 requirements.

Administrative/Management Information Engineering Program: for the improvement of SSA's management information systems and support of office automation throughout the agency.

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SSA's 1988 Request: \$38,168,000 GAO's Analysis: \$4,742,000

SSA has also revised its priorities in this area and officials stated that they expect to reduce expenditures for fiscal year 1988 to about \$15,000,000—mostly for a number of new office automation projects—based on revisions in the Systems Modernization Plan's management information program. However, our analysis indicates SSA has adequately justified only \$4,742,000 for the operations and maintenance of its existing office automation and management information systems. On the basis of the documents reviewed and discussions with SSA officials, we question the new office automation projects for fiscal year 1988 because the projects are not consolidated in the justification. Such an approach may not be cost-effective because it can lead to the procurement of incompatible, stand-alone equipment. The Department of Health and Human Services, Office of the Inspector General review reported in November 1986<sup>1</sup> that SSA used less than cost-effective means when it made over 350 separate purchases of microcomputers and office automation equipment over the past 3 years. Because of this piecemeal approach, according to the Inspector General's letter, the agency has not taken advantage of quantity purchases of equipment or software and has incurred increased costs for training and maintenance. In official comments, the Department of Health and Human Services indicated that SSA plans to consolidate office automation projects.

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## Other Automatic Data Processing Items

Ongoing operations and maintenance: operating expenses for equipment leases, maintenance, supplies, and other services.

SSA's 1988 Request: \$59,440,000 GAO's Analysis: \$59,440,000  
We agreed with SSA's request for these funds.

Other systems projects: for miscellaneous Office of Systems projects.

SSA's 1988 Request: \$5,903,000 GAO's Analysis: \$5,903,000  
We agreed with SSA's request for these funds.

Other user projects: for miscellaneous projects managed by offices other than the Office of Systems.

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<sup>1</sup>Department of Health and Human Services, Office of the Inspector General, letter to the Commissioner, November 1986.

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SSA's 1988 Request: \$3,871,000 GAO's Analysis: \$3,440,000

We agreed with all projects in this area except the Computer Based Training project that is budgeted for \$431,000. SSA has indicated that it plans to reduce funding for this project, but did not provide us with the revised justification. Our analysis of the fiscal year 1988 budget justification found that this project will include the purchase of additional microcomputers and telecommunications equipment. Since the Administrative/Management Information Engineering Program includes microcomputers and telecommunications networks, we question the need for separate purchase of this type of equipment. Based on our analysis, this requirement presents a potential opportunity for consolidation with other Systems Modernization Plan initiatives, notably the microcomputer purchases and data communications projects, and thus, the sharing of terminal and network resources.

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## Telephone Systems

Equipment acquisitions: for the purchase of telephone systems and associated equipment.

SSA's 1988 Request: \$19,432,000 GAO's Analysis: \$9,914,000

We found that approximately half of the request for acquisitions was not supported. SSA believes our analysis of its 1988 request understates its needs. This difference is comprised of four telephone acquisitions that we question. Specifically, GSA has denied SSA a delegation of procurement authority for three projects totaling \$5.5 million because GSA offers the services SSA sought to procure. SSA officials indicated that they were in the process of resubmitting these requests for delegations of procurement authority because they believed the services offered by GSA would be insufficient to meet the agency's needs. In addition, GSA has not yet issued a delegation of procurement authority for another project budgeted for \$2.6 million. Our analysis indicated that there may not be sufficient lead time to expect an award before fiscal year 1989. Finally, we were unable to associate the remaining difference of \$1.4 million to any of the various telephone acquisition justifications provided to us by SSA.

When we discussed our analysis of SSA's fiscal year 1988 justifications for telephone acquisitions and maintenance with agency officials, they indicated that they would be significantly increasing the request in the fiscal year 1988 operating budget based on additional projects and increased functional requirements. They stated that the increases were necessary to be responsive to congressional interest and a previous GAO

report<sup>2</sup> on telephone service. However, we examined the basis for this revised estimate and have several concerns, including:

- Estimates for teleservice initiatives were not supported by specific acquisition plans for equipment or services.
- Increases in cost estimates for planned purchases for a new service observation function.<sup>3</sup> were not supported with a list of specific equipment that needs to be replaced or modified to support the new function:
- Estimates for telephone equipment exceeded the limit imposed by the GSA delegation of procurement authority by \$2.6 million.
- Plans to replace recently purchased telephone equipment did not include an explanation to justify the need to replace equipment.

Because of these concerns and the fact that SSA's new telephone estimate may represent a significant change from its fiscal year 1988 budget request currently before the Congress, we did not include the additional requirements in our determination of fiscal year 1988 needs.

Maintenance: contractor maintenance services for SSA-owned telephone systems.

SSA's 1988 Request: \$4,989,000 GAO's Analysis: \$3,301,000  
SSA believes our estimate understates its needs by \$572,000. The difference is based on two items. First, we found that the procurement of the headquarters telephone switch has been delayed. According to our review of the contract, this delay will lower the maintenance costs by \$387,000 because the warranty will cover maintenance for 8 months of fiscal year 1988. Second, since the telephone acquisitions will be lower than expected in fiscal year 1987, associated maintenance costs for fiscal year 1988 will be approximately \$185,000 lower.

Telephone lease/line charges: for the Federal Telecommunications System, commercial lease line charges, and data transmission costs.

<sup>2</sup>Social Security: Improved Telephone Accessibility Would Better Serve the Public (GAO HRD-86-85, August 29, 1986).

<sup>3</sup>Service observation allows supervisors to silently monitor conversations to ensure that their staff provides adequate service to the public. According to the Federal Information Resources Management Regulation, call monitoring is permitted only after a determination by the agency head that monitoring is required to effectively perform the agency mission. Agencies must also submit call monitoring requirements to GSA for review to prevent any possible abuse of the authority. SSA has not submitted requirements for call monitoring to the Department of Health and Human Services and GSA.

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**Appendix I**  
**GAO Analysis of SSA's Original Fiscal Year**  
**1988 Information Technology Systems**  
**Budget Request**

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SSA's 1988 Request: \$69,005,000 GAO's Analysis: \$69,005,000  
We agreed with SSA's request for these funds.

# GAO's Analysis of SSA's Fiscal Year 1987 Carry-Over

In January 1987, SSA estimated that the unobligated (carry-over) balance at the end of fiscal year 1987 would be \$116 million and officially deferred this amount to fiscal year 1988 in a report to the Congress dated March 1987. On the basis of our analysis of the current status of information systems projects, we project that the balance will be approximately \$65 million greater than SSA's January 1987 estimate, for a total carry-over balance of \$181 million at the start of fiscal year 1988.

When discussing this analysis with SSA officials, they generally agreed that the carry-over would be larger than their original estimate of \$116 million. However, they stated that two items affect our estimate and should be considered. First, according to the SSA Deputy Commissioner for Management and Assessment, who is responsible for the agency's budget preparation, \$8.2 million in additional telephone acquisitions will be made during fiscal year 1987, and thus should be removed from our carry-over estimate. However, both the responsible contracting officer and the Director of the Automatic Data Processing and Telecommunications Contract Division, which is responsible for these acquisitions, told us that the additional acquisitions would not be made until fiscal year 1988. Second, SSA estimates approximately \$2 million more for contracts associated with ongoing automatic data processing maintenance. SSA's estimate was based on fiscal year 1987 budget estimates, while our estimates were prorated for the remainder of fiscal year 1987, based on actual obligations through May 1987. Our estimate of SSA's fiscal year 1988 budget requirements of \$187 million includes funding for these two items.

We recently reported<sup>1</sup> that SSA's obligations for information systems have been consistently below requested budget amounts for fiscal years 1984, 1985, and 1986. Although SSA officials are not in total agreement with our estimate of the fiscal year 1987 year-end carry-over balance, they have acknowledged that the large recurring carry-over balances in the information systems account are an indication that SSA's planning, execution, and management of its information systems need improvement. SSA is currently taking steps to improve this situation and has stated that there will be no carry-over of funds into fiscal year 1989.

<sup>1</sup>ADP Budget, SSA's Information Technology Systems Budget Requests and Obligations (GAO IMTEC-87-15FS, March 10, 1987).

# Objectives, Scope, and Methodology

In December 1986, the Chairman of the Senate Committee on the Budget asked us to perform a comprehensive review of SSA's management of its information systems budget. The Chairman requested the review because of the Committee's concern over continuing increases in SSA's no-year authorization and in SSA's annual automatic data processing budget requests. Specifically, we were requested to review (1) all automatic data processing procurements and expenses related to Systems Modernization Plan accomplishments and (2) SSA estimates of future costs to complete the Systems Modernization Plan program. In addition, the Committee requested that we provide an outline of the history of SSA's information systems budget requests and obligations since fiscal year 1983. Our March 1987 fact sheet<sup>1</sup> addressed this portion of the request.

Subsequently, both the House and Senate Budget Committees requested information on SSA's proposed fiscal year 1988 automatic data processing funding levels. Specifically, they requested our analysis of (1) the carry-over balance from fiscal year 1987 and (2) the fiscal year 1988 information systems funding requirements, taking into consideration our recommendations in our April 1987 report on SSA's modernization effort. The report recommended that SSA redirect the modernization plan, reduce its scope, and address critical system deficiencies.

To assess SSA's carry-over balance for fiscal year 1987, we reviewed

- Information Technology Systems reports on the status of funds to identify the agency's uncommitted and unobligated funds balance for fiscal year 1987,
- bulk estimates<sup>2</sup> and Procurement Requisition Management Information System reports to estimate the remaining fiscal year 1987 ongoing expenses, and
- Procurement Request Inventory reports to determine SSA's remaining telephone charges and the status of commitments for fiscal year 1987.

To assess SSA's fiscal year 1988 automatic data processing funding requirements for systems modernization projects, telephone acquisitions, and ongoing operations, we reviewed and analyzed

<sup>1</sup>ADP Budget: SSA's Information Technology Systems Budget Requests and Obligations (GAO/IMTEC-87-15FS, March 10, 1987).

<sup>2</sup>A bulk estimate is a year-to-date figure of obligations adjusted on a monthly basis to actual charges incurred.

- SSA's fiscal year 1988 President's Budget submission and the information technology systems Special Expense Item Cost Summary<sup>3</sup> ;
- a letter<sup>4</sup> from the Department of Health and Human Services, Office of the Inspector General to the Commissioner of the Social Security Administration that discussed SSA's planned office automation projects;
- previous GAO reports on SSA that identified areas of concern with the agency's planning and execution of the Systems Modernization Plan;
- SSA Deferral of Budget Authority, which provides the amount of carry-over funds the agency has deferred to fiscal year 1988;
- automatic data processing and telephone contracts; and
- SSA's June 15, 1987, Systems Modernization Plan status briefing and the Commissioner's letter to the Chairman, Senate Committee on the Budget, dated June 16, 1987, discussing Systems Modernization Plan project status.

In addition, we interviewed SSA project officers within the Office of Systems to determine cancellations, changes in scope, and methods used in determining project costs for fiscal year 1988. We also interviewed contracting officers within SSA's Office of Acquisitions and Grants in order to identify projected contract award dates, validate project requirements and estimates, and identify lead times for future procurements. In determining SSA's telephone requirements, we interviewed the director of the Division of Communications and Records Management within the Office of Material Resources. We also interviewed officials from GSA and the Department of Health and Human Services to determine the status of SSA's Delegation of Procurement Authority for planned telephone purchases.

We performed our review at SSA headquarters in Baltimore, Maryland, and Washington, D.C., between January 1987 and July 1987. Our review was performed in accordance with generally accepted government auditing standards.

<sup>3</sup>The Special Expense Item Cost Summary lists SSA's planned information systems projects and their estimated costs.

<sup>4</sup>Health and Human Services, Office of the Inspector General, letter to the SSA Commissioner, November 1986.

# Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

AUG 4 1988

Mr. Richard L. Fogel  
Assistant Comptroller General  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Fogel:

The Secretary asked that I respond to your request for the Department's comments on your draft report, "ADP Budget: Analysis of SSA's Fiscal Year 1988 Information Technology Systems Request." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "R. Kusserow", written in a cursive style.

Richard P. Kusserow  
Inspector General

Enclosure

**Appendix IV  
Comments From the Department of Health  
and Human Services**

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES  
ON THE GENERAL ACCOUNTING OFFICE DRAFT REPORT  
"ADP BUDGET: ANALYSIS OF SSA'S FISCAL YEAR 1988  
INFORMATION TECHNOLOGY SYSTEMS REQUEST

We appreciate the opportunity to review the draft GAO report on the fiscal year (FY) 1988 Information Technology Systems (ITS) budget of the Social Security Administration (SSA). SSA generally agrees with GAO on the potential amount of carryover from FY 1987 and the procurements in process that would impact on the carryover level as of September 30, 1987. SSA agrees with GAO that their FY 1988 ADP requirements are below those projected in their original budget request but projects FY 1988 ITS requirements and needs at a higher level than estimated.

With regard to the estimates of the amount of funds to be carried over from FY 1987 to FY 1988, SSA staff have worked closely with GAO staff to identify the remaining FY 1987 procurements in process, and assess the probability of each procurement being made before September 30. SSA's current best estimate of carryover into FY 1988 is approximately the same as GAO's.

With regard to the estimates of FY 1988 ITS budget requirements, the GAO estimate is below SSA's current estimate of need. SSA's estimated needs do represent a significant reduction from the \$283 million originally projected in the FY 1988 budget request. This proposed change from the original budget request level reflects primarily a reduction in computer hardware purchases. The differences between GAO and SSA estimates of FY 1988 needs result in part from differing assessments of the need for technological improvements such as office automation and modern telephone equipment. SSA plans to consolidate office automation projects as the Office of Inspector General has recommended.

In addition, initiatives are being proposed to address previous GAO concerns and to carry out the Commissioner's commitment to refocus SSA's modernization effort. However, those initiatives are being proposed within the Administration as part of the FY 1989 budget formulation process. Inasmuch as the proposed policy changes also affect the FY 1989 budget and are still under consideration, details on revised FY 1988 policy are not available until release of the FY 1989 President's Budget. For example, SSA expects to accelerate the modernization of telephone capability to provide the public greater access and better service, and increased costs are associated with this. The Commissioner has emphasized improved telephone capability as a priority, and recent hearings have indicated congressional concern and support for improved telephone service.

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**Appendix IV  
Comments From the Department of Health  
and Human Services**

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With regard to the specific components of the FY 1988 budget GAO analyzed, SSA cannot agree or disagree with the levels GAO has recommended while these levels are still being considered within the budget development process.

We appreciate your understanding that we are precluded from discussing budget-sensitive information of this type in greater detail at this time. SSA staff will share this information with GAO fully when the budget is released.

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