



Highlights of [GAO-07-986](#), a report to the Committee on Finance, U.S. Senate

# SOCIAL SECURITY ADMINISTRATION

## Policies and Procedures Were in Place over MMA Spending, but Some Instances of Noncompliance Occurred

### Why GAO Did This Study

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) created a voluntary outpatient prescription drug benefit as part of the Medicare program, and appropriated up to \$500 million for the Social Security Administration (SSA) to fund the start-up administrative costs in meeting its responsibilities to implement MMA. SSA was given a great deal of discretion in how to use the funds and the act provided little detail on how the funds were to be spent. You asked us to review SSA's costs for implementing MMA to determine (1) how the MMA funds were expended, (2) what procedures SSA has in place over the use of those funds, and (3) how SSA complied with those procedures related to contractor and vendor payments.

### What GAO Recommends

GAO made three recommendations to help ensure SSA's (1) ability to track costs of program activities, including those paid with special appropriation funds, (2) controls over its review and approval process for purchase card payments, and (3) tracking of its accountable assets. SSA generally agreed with two of our recommendations and disagreed with the one recommendation. GAO reaffirms its position on all of its findings and recommendations.

### What GAO Found

SSA spent the \$500 million in MMA funds from December 2003 through January 2006 to implement activities outlined in MMA. The majority of costs paid with MMA funds consisted of personnel-related expenses, contractors, and indirect costs. More than half of the funds were spent on payroll for staff hours used on MMA activities in SSA headquarters and field offices (see table). Once the \$500 million was spent, SSA began to use its general appropriation to fund the remaining costs of implementing MMA activities. SSA used its cost analysis system to track the total costs of its implementation of MMA activities. As of February 20, 2007, SSA had completed implementation of 16 of the 22 tasks for the six provisions under the act.

SSA had agencywide policies and procedures in place for its cost tracking and allocation, asset accountability, and invoice review processes. It also established specific guidance to assign and better allocate SSA's costs in implementing MMA. There were some instances though where SSA did not comply with these policies and procedures. SSA did not effectively communicate the specific MMA-related guidance to all affected staff. SSA subsequently identified and corrected at least \$4.6 million of costs that initially were incorrectly allocated to MMA, but had not corrected approximately \$313,000 misallocated credit card purchase transactions. In addition, GAO found instances where accountable assets purchased with MMA funds, such as electronic and computer equipment, were not being properly tracked by SSA in accordance with its policies and instances where purchase card transactions were not properly supported. Although purchase card transactions and accountable asset purchases represented a small percentage of total MMA costs, proper approval and support for these types of transactions is essential to reduce the risk of improper payments.

**Breakdown of SSA's Reported Costs Paid with MMA Funds by Category**

Expense category	Amount (in thousands)	Percentage
Personnel-related expenses	\$261,160	52.2
Indirect allocated costs	116,733	23.4
Contractors	91,692	18.3
Government agencies	27,898	5.6
Purchase card payments	2,517	0.5
<b>Total</b>	<b>\$500,000</b>	<b>100%</b>

Source: SSA, Cost Analysis System reports; Fiscal years 2004 through 2006.

[www.gao.gov/cgi-bin/getrpt?GAO-07-986](http://www.gao.gov/cgi-bin/getrpt?GAO-07-986).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jeanette Franzel at (202) 512-9471 or [FranzelJ@gao.gov](mailto:FranzelJ@gao.gov).