B-200554

SEP 3 0 1980

The Honorable Patricia Roberts Harris
The Secretary of Health and Human
   Services

114002

Dear Mrs. Harris:

   Subject: [Approval of the Social Security Administration
            Administrative Accounting System] (FGMSD-80-95)

   It is my pleasure to approve the design of the Social Security
Administration's Administrative Accounting System as you requested
on September 25, 1980. The design is adequate and in conformity
with your approved accounting principles and standards.

   The Administrative Accounting System has been designated by
the Administration as encompassing accounting processes of the
financial accounting system, cost analysis system and property
and supply systems. It does not include any of the processes
relating to payment of benefits under the Administration's
programs for retirement and survivors insurance, disability
insurance, supplemental security income, and black lung. These
have been designated for separate and subsequent review and
approval.

   In evaluating the system design, we looked at the automatic
data processing aspects primarily to determine their adequacy as
to internal controls, audit trails, data integrity and consistency
with the accounting specifications.

   The Administrative Accounting System does not provide data on
the full cost of operations for use in controlling resources. As
an alternative, operations of the Administration are managed using
(1) extensive work measurement techniques, (2) assignment of
operating expenses to work units, and (3) cost analysis. We feel
that these techniques are acceptable for use in lieu of reporting
on the full cost of operations.

   The Administrative Accounting System includes what has been
termed by the Administration a Cost Analysis System. In practice
it analyzes primarily obligation data rather than cost data. We
find analysis of obligation data an acceptable basis for the

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purposes which it serves. Rather than for management of operations, such analyses are used primarily for determining the amount to be provided by each of the trust funds and general funds to their common expense limitation authorization and for budgetary purposes. Periodically the Administration needs data on the cost of providing reimbursable services. Obligation data used in the normal analysis function will be adjusted to bring it in line with the actual cost of providing the services.

To maintain the approved status of the design, planned changes should be discussed with our representatives and, if deemed signif-icant, submitted formally for approval.

We suggest that the Department of Health and Human Services' internal auditors periodically review the system in operation to assure that it is implemented in accordance with the approved design. Particular audit attention should be given to assuring that cost analysis methods used in operation to determine the cost of reimbursable services is adequate and reasonable. At some future date we will examine selected aspects of the system and advise you as to whether it is functioning effectively and in accordance with this approval.

Messrs. Richard Cain and Kenneth Wease of the Social Security Administration contributed a great deal during this project to improving accountability in the system. Messrs. Guy Linza and Joseph Hribar of the Office of the Secretary provided valuable assistance by closely monitoring the progress of the project and seeing that issues were promptly resolved. The project could not have been successfully completed without their full cooperation and willing spirit. We appreciated the association with them and the hospitality extended during our review. We now look forward to the Administration's program benefit payment related systems being submitted and approved soon.

Sincerely yours,

Signed Elmer B. Steels

Comptroller General
of the United States

bc: Mr. Scantlebury - (FGMSD)
     Mr. Simonette - (FGMSD/SIO)
     Mr. Donlon - (FGMSD/FM)
     Mr. Pewanick - (FGMSD/FM)
     Mr. Fearns - (FGMSD/FM)
     Mr. Filler - (FGMSD/FM)
     Mr. Benoit - (FGMSD/FM)
     Index and Files
     Mr. Lowe, Inspector General - HHS