
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**UNIVERSITY OF
MICHIGAN RETIREMENT
RESEARCH CENTER**

September 2009

A-02-09-19081

AUDIT REPORT



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

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- 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.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: September 30, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: University of Michigan Retirement Research Center (A-02-09-19081)

OBJECTIVE

Our objectives were to (1) ensure the Social Security Administration (SSA) had appropriate oversight and adequate internal controls over the cooperative agreement awarded to the Regents of the University of Michigan (University) Retirement Research Center (MRRC), (2) determine whether MRRC complied with the requirements of the cooperative agreement, and (3) determine whether the Agency received the services prescribed in the cooperative agreement in Fiscal Year (FY) 2008. We also assessed the usefulness to SSA of the services provided under the cooperative agreement.

BACKGROUND

SSA's Office of Acquisition and Grants (OAG) awards discretionary research grants and cooperative agreements¹ to fund projects that lead to the improvement of the Old-Age, Survivors and Disability Insurance and Supplemental Security Income programs. A discretionary research grant allows SSA to exercise discretion in selecting the project, applicant/recipient organization, and amount of the award through a competitive grant process. Cooperative agreements are granted with the expectation that SSA will collaborate and/or participate with the grantee in managing the award. In FY 2008, OAG awarded \$34.1 million to 100 grantees. In FY 2009, OAG had awarded \$29.1 million to 188 grantees through September 21, 2009.

The Retirement Research Consortium

In September 2003, OAG awarded the Retirement Research Consortium (RRC) a 5-year cooperative agreement that could be noncompetitively renewed each year during the 5-year term of the agreement. In September 2008, the RRC was awarded another cooperative agreement for an additional 5-year period, which started on September 30, 2008. Per the first agreement, the RRC received \$5 million or more each year. Under the subsequent agreement, the RRC will receive approximately \$7.5 million per year.

¹ SSA defines cooperative agreements as a type of grant.

The RRC's three main goals are to (1) conduct research and evaluation; (2) disseminate information on retirement research; and (3) train scholars and practitioners. The RRC comprises three main entities: MRRC, Boston College, and the National Bureau of Economic Research.

MRRC

MRRC is a part of the University's Institute for Social Research, Survey Research Center. To help meet the RRC's goals, MRRC conducts research on retirement and Social Security policy. As part of the RRC, the MRRC participates in the Annual RRC Conference in Washington, DC. The conference serves as a medium for RRC researchers to disseminate their research projects to SSA, the press, and other Federal agencies, such as the Government Accountability Office, Office of Management and Budget, and Department of the Treasury.

MRRC received \$2.6 million from SSA (under grant number 10-P-98362-5-05) to complete 27 research projects from September 30, 2007 to September 29, 2008. (This was the fifth and final year of the cooperative agreement initially awarded in September 2003).

While MRRC oversees all the research projects funded by SSA, many of the projects are completed by subcontracted researchers at other universities and/or research organizations. Of the 27 projects funded in the fifth grant year, 3 were conducted at the University, and 24 were completed by subcontractors. Generally, MRRC enters into a procurement service agreement (subcontract) with the outside researcher's primary institution.² The subcontractor completes the terms of the service agreement following the rules and regulations that apply to the MRRC grant.

The University's Office of Financial Operations manages MRRC's financial account. The University makes payments on behalf of the MRRC for allowable expenses and then requests reimbursement of the expenditures from SSA's Office of Finance.

SSA's Role

OAG's Grants Management Team (GMT) is responsible for processing grant applications and monitoring grants once they are awarded. GMT's monitoring duties are listed in SSA's Grants Administration Manual and include reviewing quarterly performance reports, reviewing quarterly and final Financial Status Reports (FSR), making determinations on rebudgeting grant funds, reviewing requests for carryover funds, conducting necessary site visits, and closing out the grant at the end of an award period.

Once a grant is awarded, OAG requests that SSA's Office of Finance allocate funds to an account to fund grant activities. The Office of Finance sets up an account in which all grant funds for a grantee are allocated by FY. When the Office of Finance receives

² A few researchers worked independent of any institution and were paid by the MRRC as consultants.

monthly reimbursement requests (Form SF-270, *Request for Advance or Reimbursement*) from a grantee, it processes the requests and makes payments to the grantee.

To meet our objectives, we reviewed relevant Federal regulations on grant management, SSA’s policies, and SSA’s grant solicitation and award. We sampled MRRC’s direct costs, payroll, indirect costs, and matching cost transactions for the last year of its 5-year grant to determine whether SSA had appropriate oversight of the grant and MRRC complied with the terms of the grant. We also surveyed SSA senior management and staff on their knowledge and use of the services provided by MRRC. See Appendix B for details of our scope and methodology.

RESULTS OF REVIEW

SSA generally met its oversight responsibilities, and the University generally complied with the grant requirements. For example, the University provided SSA with the required performance and financial reports, and SSA reported it reviewed these documents. However, we identified a few areas where SSA’s oversight and the University’s compliance with grant requirements could be improved. SSA paid \$196,420 more than the amount awarded to the University for the fifth grant year. The University was unable to distinctly account for each grant years’ transactions in its accounting system, leading to an inability to reconcile grant funding to expenses incurred for projects in each of the grant years. Regarding services provided under the grant, MRRC completed all the research projects funded in the fifth grant year, and we determined the research was used by multiple SSA staffs.

SSA OVERSIGHT

SSA reimbursed the University for more than was awarded to MRRC in the fifth grant year. The 5-year cooperative agreement SSA had with MRRC was noncompetitively renewed each year during the 5-year term of the agreement. Each year, SSA provided MRRC with an award letter that detailed the total amount of funds awarded for that year. MRRC was awarded \$3,271,764³ in the fifth grant year, but SSA made payments totaling \$3,468,184 to the University—a difference of \$196,420.

Time Period	Amount Awarded ⁴	Amount SSA Paid	Difference
Fifth Grant Year	\$3,271,764	\$3,468,184	\$196,420

³ The amount from the fourth amendment of the Notice of Cooperative Agreement Award signed April 22, 2008 was \$3,271,764. The award amount included approved carry-over funds from the previous grant year.

⁴ This data were obtained from the last amendment for each budget year.

At the time of our audit, SSA could not explain why it paid more than it awarded in the fifth grant year. While it is the University's responsibility to properly account for grant-related expenses, SSA is responsible for ensuring grant funds are released appropriately.

Because we determined SSA expended more than was allocated to MRRC in the fifth grant year, we reviewed the funds awarded to MRRC over the 5-year grant period to determine whether MRRC received more than it was awarded. According to SSA's financial records, SSA paid more to the University than was awarded for the full 5-year grant period. Per its records, SSA paid the University \$11,868,873⁵ over the 5-year grant period, while it had only awarded MRRC \$11,617,593⁶—a difference of \$251,280.

Time Period	Amount Awarded ⁷	Amount SSA Paid	Difference
5-Year Grant Period	\$11,617,593	\$11,868,873	\$251,280

The difference in the awarded and paid amounts for the 5-year grant appears to be based on an accounting error by SSA. We identified in SSA's records a duplicate record of a payment in the third grant year. We informed SSA's Office of Finance of the error, and it agreed that it recorded a single payment twice in its records. If this amount is removed from the total SSA's records showed were paid to the University, SSA's records will then show that the University received \$11,454,280, which is under the awarded amount for the 5-year grant period. Per our review of the Forms SF-270 submitted by the University, the University requested \$11,454,280 for reimbursement over the 5-year grant period. (See Appendix C for an analysis of the grant awards received by the University and Appendix D for an analysis of payments requested by the University.)

UNIVERSITY COMPLIANCE

The University is required to submit to SSA quarterly and final annual FSRs for each grant year funded by SSA. The FSRs document MRRC's previous outlays, current outlays, and cumulative outlays for a grant year. The final FSR for a grant year should match the total amount requested throughout the grant year, which is reflected in the Forms SF-270 the University submitted to SSA for reimbursement.

While the University provided the required FSRs to SSA in a timely manner for the fifth grant year, the final FSR submitted by the University did not reconcile to the amount of funds the University requested for reimbursement in Forms SF-270. The final FSR

⁵ The figure is based on data received from SSA's Office of Finance of payments made for the 5-year award period.

⁶ The figure is based on a calculation of the latest amendment awarded notices for the 5-year award. Awarded notices take into account carryover funds.

⁷ The amount awarded was obtained from the last amendment for each budget year.

submitted by the University stated it received \$2,995,556 from SSA and had an unused balance of \$276,208—for a total of \$3,271,764. This figure, \$3,271,764,⁸ matches the amount SSA allocated to MRRC in the fifth grant year. However, the University⁹ requested reimbursements via Forms SF-270 totaling \$3,468,204 for fifth-grant-year projects.

The inaccuracies in the requested reimbursements and the final FSR appear to have been caused by the University's inability to distinguish projects from different grant years in its accounting system. As part of our audit, we requested detailed information on all the expenditures attributed to MRRC for projects funded by the fifth-grant-year funds, which ran from September 30, 2007 to September 29, 2008. The University provided a list of 1,160 transactions for that time period. In reviewing a sample of the transactions, we determined that the population contained expenses related to projects funded from the third and fourth years of the 5-year grant.

While MRRC is expected to complete all grant activities within a grant year, a few projects—and their related expenses—flowed into the following grant year. In these situations, MRRC requested to carry over funds from one grant year to the next to complete the delayed projects. While carrying over funds was permissible with SSA approval, the University was still required to distinctly account for each grant year's projects and related funds. However, the University's accounting system did not distinguish projects and related expenses by grant year. Hence, in requesting reimbursements in the fifth grant year, it appears the University requested payment for any SSA-funded project expense incurred from September 30, 2007 to September 29, 2008, regardless of the grant year that funded the project.

Since the accounting system did not distinguish between grant years, it appears the University was unable to reconcile the grant award amounts to expenses for projects in the fifth grant year, as illustrated in the final FSR. We discussed this issue with University staff. The staff was aware of the changes needed in its accounting of grant funds and stated it would ensure different grant year transactions are distinguishable in the accounting system in the future.

Subcontractor Cost Sharing

As part of the grant agreement, MRRC is required to provide SSA 5 percent in cost-sharing from the total funds expended for the 5-year grant award. Cost-sharing is a portion of allowable grant costs not borne by the Government.¹⁰ Grantee cost-sharing is deducted from the total projected grant expenses before SSA makes its award. Both the University and its subcontractors had a share in meeting the 5-percent cost-sharing

⁸ This amount is from the fourth amendment of SSA's Notice of Cooperative Agreement Award signed April 22, 2008. The Award amount includes carry-over funds from the previous budget year.

⁹ The University makes payments on behalf of MRRC for allowable expenses. The University then requests reimbursement of the expenditures from SSA's Office of Finance.

¹⁰ SSA Grant Administration Manual Section 1-02-20, August 22, 2007, page 9.

requirement over the 5-year grant period. By the fifth year of the grant, the University had met its cost-sharing obligation. However, not all the University's subcontractors had met their cost-sharing obligations and were still responsible for providing cost-sharing during the fifth year.

In the fifth grant year, subcontractors were to provide \$73,684 in cost-sharing. We determined that five of the nine subcontracts we reviewed did not meet their cost-sharing obligations. As such, SSA did not receive \$8,774¹¹ in cost-sharing that it should have in the fifth grant year.

Competition

Grantee procurement transactions must be conducted in a manner that provides, to the maximum extent practical, open and free competition.¹² We found that MRRC did not competitively seek a venue for the RRC conference.

Each year, SSA provides one RRC entity additional funding to plan and pay for an RRC conference. MRRC was provided funding to organize the conference in the fifth grant year, which we reviewed. The conference was held at the National Press Club in Washington, DC that year, as it had been for the prior 10 years. The National Press Club charged approximately \$33,500¹³ for the services provided to host the RRC conference. Neither MRRC nor the University sought bids from any other vendors when determining the conference site.

SERVICES RECEIVED

MRRC received funding to complete 27 research projects from September 30, 2007 to September 29, 2008. As of September 29, 2008, MRRC had completed 25 of the projects. The remaining two projects were completed in December 2008 and March 2009, respectively. SSA was aware of the delayed projects and allowed extensions. To assess the usefulness of the research completed through the grant, we issued a survey to determine how SSA used MRRC reports. We sent the survey to 127 SSA senior managers and staff. The survey questioned their familiarity with MRRC products. Of those queried, 77 (61 percent) completed the survey:

- 62 (81 percent) had heard of the MRRC before the survey,
- 47 (61 percent) had read MRRC reports, and
- 27 (35 percent) reported they had used MRRC research to directly support their work.

¹¹ The University submitted an amended FSR dated December 23, 2008 that showed subcontractor cost sharing for the year as \$29,891. The University amended the cost sharing by submitting a new FSR dated February 9, 2009.

¹² 20 Code of Federal Regulations § 435.43.

¹³ This amount does not include the travel costs for the RRC participants. The RRC entities estimated travel costs at \$93,700. Travel costs for SSA personnel were not included.

Respondents reported that MRRC research was used to develop equations in SSA's microsimulation models, such as Modeling Income in the Near Future, Social Security and Accounts Simulator and Policy Simulator. The microsimulation models help policymakers understand the potential effect of policy changes over the next 75 years.

External Use of MRRC Projects

The RRC was created to help inform the public and policymakers about Social Security issues. To help disseminate its research, MRRC took part in the annual RRC conferences, which were attended by representatives of SSA, the press and other Federal agencies, such as the Government Accountability Office, Office of Management and Budget, and Department of the Treasury. MRRC also had annual exhibits at meetings of the *Gerontological Society of America* and *American Economic Association*.

MRRC maintains an Internet Website on which it makes available its research papers, newsletters, policy briefs, working papers, key findings by topic, research briefs, and conference papers. From 2001 through 2008, MRRC reported that its Website had 73,433 unique hits. The largest numbers of original hits in the United States were from educational institutions, followed by nonprofit organizations and individuals. MRRC also made its working papers available on research sites, such as *Research Papers in Economics* and the *Social Science Research Network*. *Research Papers in Economics* tracked the number of abstract views and file downloads related to MRRC research papers. During the fifth grant year, MRRC abstracts were viewed 1,909 times, and its files were downloaded 8,630 times. For the 5-year grant award period, MRRC abstracts were viewed 7,999 times, and its files were downloaded 31,926 times. While SSA reported it was aware of the Internet traffic related to MRRC projects, it was not able to provide an indication of how well the MRRC's work informed the public and/or policymakers beyond SSA.

CONCLUSION AND RECOMMENDATIONS

SSA generally met its oversight responsibilities outlined in its Grants Administration Manual, and the University generally complied with the grant requirements, though SSA paid the University \$196,420 more than was awarded for the fifth grant year. The University was unable to distinctly account for each grant years' transactions in its accounting system, leaving the University unable to reconcile grant funding to expenses incurred for grant-related projects. Also, five of the nine MRRC subcontracts we reviewed did not meet their cost-sharing obligations, and MRRC did not competitively bid for a site to host the annual RRC conference. Still, MRRC completed all the research projects funded in the fifth grant year, and the research was used by multiple staff in SSA. Although SSA is aware of other users of MRRC's reports, it did not determine the impact of MRRC's research beyond SSA.

Accordingly, we recommend that SSA:

1. Ensure it has proper controls over payments to its grantees that limit payments to the grant award amount.
2. Reconcile the \$196,420 paid to the University above the fifth grant year award amount.
3. Reconcile the \$251,280 paid to the University above the amount awarded for the 5-year grant period.
4. Work with the University to ensure its accounting system can distinguish and distinctly report each grant year's transactions and expenses.
5. Ensure MRRC's subcontractors report their full cost-sharing before final payment is made by MRRC.
6. Ensure competitive practices are used when selecting a site for the RRC conference.
7. Determine the impact MRRC's research has had beyond SSA to ensure its work is informing the public and policymakers about Social Security issues.

AGENCY COMMENTS

SSA agreed with all our recommendations. See Appendix E for the text of SSA's comments.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Award Notices Calculation

APPENDIX D – University of Michigan Payments Requested for the 5-Year Award

APPENDIX E – Agency Comments

APPENDIX F – OIG Contacts and Staff Acknowledgments

Acronyms

Form SF-0270	<i>Request for Advance or Reimbursement</i>
FSR	Financial Status Report
FY	Fiscal Year
GMT	Grants Management Team
HHS	Department of Health and Human Services
MRRC	The University of Michigan Retirement Research Center
OAG	Office of Acquisition and Grants
OIG	Office of the Inspector General
RRC	Retirement Research Consortium
SSA	Social Security Administration
University	The University of Michigan

Scope and Methodology

We reviewed the cooperative agreement awarded to the University of Michigan (University) Retirement Research Center (MRRC) by the Social Security Administration (SSA) for September 30, 2007 through September 29, 2008. To accomplish our objectives, we:

- Reviewed SSA's policies and procedures on grant management, including SSA's Grants Policy Handbook and Grants Administration Manual.
- Reviewed applicable Federal laws and regulations regarding grant awards, as well as Office of Management and Budget Circulars A-21 (*Cost Principles for Educational Institutions*) and A-133 (*Audits of States, Local Governments, and Non-Profit Organizations*).
- Reviewed the terms and conditions of the grant set forth in the grant solicitation and grant award.
- Reviewed the MRRC application, the Budget Narrative, the Financial Status Reports, the Quarterly Progress Reports, SSA's correspondence with MRRC, and SSA's budget analysis of MRRC.
- Reviewed the University's Single Audits for the prior 3 years.
- Reviewed the final Quarterly Progress Report MRRC submitted to determine its completeness and the status in achieving its goals.
- Contacted the current and previous grant management specialists assigned to the grant.
- Determined there was no accountable property purchased for the fifth grant year and reviewed a list of accountable property for the 5-year award.
- Verified the grant did not produce income.
- Reviewed and verified the indirect cost agreements for the 22 MRRC subcontracts.
- Submitted a survey to SSA staff on the MRRC email list, SSA senior management and other SSA staff to determine whether they were aware of the MRRC's research and used MRRC reports.
- Tested a sample of MRRC's direct costs, payroll, indirect costs, and matching costs.

We were unable to compare the proposed fifth year budget to the actual expenditures the University made using the grant funds because the University's accounting system at the time of our audit work did not distinguish expenditures from different grant years. Instead, we compared the total expenses for the 5-year award to SSA payments for the 5-year award.

We performed our audit in the New York Audit Division and at the University of Michigan in Ann Arbor, Michigan, between October 2008 and July 2009. We determined the data provided by the University of Michigan used in our audit were sufficiently reliable to achieve our audit objectives. We assessed the reliability of the data by reconciling the sampled invoices to the selected transactions. We also conducted detailed audit testing on the selected transactions as identified above. We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sample Testing

Direct Costs

We tested 42 (15 percent) of the 278 fifth grant year transactions.¹ We selected 21 of the highest transactions. For the remaining 21 transactions selected, we chose 1 or 2 transactions in each MRRC budget category. The expenditure categories were Consultants, Data Processing, General Supplies, Hosting, Contracts over \$25,000, Contracts under \$25,000, Postage Research, Travel Domestic, and Travel Foreign. We determined whether the transactions were properly authorized and charged to the appropriate account, the invoices were complete, and the goods or services were an allowable cost.

Indirect Costs

We selected a sample of 10 of 93 indirect cost transactions to determine whether the indirect costs charged to the grant were correct. From October 2007 through September 2008, we chose one transaction per month excluding January and June 2008. For these months, we chose seven of the highest transactions and randomly selected the other three transactions. We determined whether the indirect costs charged to the grant were in accordance with the grant agreement and the Department of Health and Human Services' (HHS) indirect cost rate agreement. HHS has responsibility for oversight of the University's indirect cost agreements as the cognizant Federal agency. HHS certifies that the indirect costs charged by the University are in accordance with Office of Management and Budget Circular A-21.

¹ We tested personnel and fringe benefits separately.

Payroll

To determine whether employees paid by MRRC were listed in the Budget Narrative and paid correctly, we selected two of the highest non-consecutive pay periods to review—June 30, 2008 and August 29, 2008. We selected all employees from the June 30, 2008 pay period.² For the August 29, 2008 pay period, we selected five employees paid during the June 30, 2008 pay period and five employees not paid during the June 30, 2008 pay period. Per our calculations, no issues were noted in the payment of employees.

We were unable to compare the budgeted fringe benefits to the actual amount charged because MRRC did not list the fringe benefits by employee or by grant. MRRC did not provide a list of the individual fringe benefit items with amounts and percentages. However, we obtained a breakdown of the University's fringe benefits and determined that they were allowable according to Federal cost principles for grants.

Matching Costs

We reviewed 10 matching cost transactions to determine whether the transactions were in accordance with the award agreement. We selected the University and nine subcontractors to review. For the subcontractors, we selected the five highest dollar transactions and the other four from a subcontractor not already selected.

Because the University did not report any cost sharing for the fifth grant year and had fulfilled its share during the first 4 budget years, we reviewed invoices of the nine selected subcontractors. We determined whether the University and the nine selected subcontractors reported paying their cost-sharing portion. We verified the University did not report cost sharing for the fifth grant year. We found some of the subcontractors did not report any cost sharing and others only reported a portion of their share.

² Eight employees were paid during the June 30, 2008 pay period.

Award Notices Calculation

The following table shows the calculation of award notices for the University of Michigan Retirement Research Center. The notices take into account carryover funds.

Award Notices

Grant Year	Budget Award for Period*	Unobligated Balance from Prior Budget Period(s)	Federal Funds Available with Unobligated Balance Added**	Total Federal Funds Awarded
1	\$ 2,181,680	-	\$ 2,181,680	\$ 2,181,680
2	\$ 2,198,165	\$ 1,456,350	\$ 3,654,515	\$ 4,379,845
3	\$ 2,274,632	\$ 1,306,015	\$ 3,580,647	\$ 6,654,477
4	\$ 2,339,116	\$ 1,170,238	\$ 3,509,354	\$ 8,993,593
5	\$ 2,624,000	\$ 647,764	\$ 3,271,764	\$ 11,617,593
Total	\$ 11,617,593	-	-	-

*Data is from the last amendment if any of the award notices were amended. Award notices were provided by the Social Security Administration's Grants Management Team.

**Funds available per year with carry-over funds added.

University of Michigan Payments Requested for the 5-Year Award

The following table lists the reimbursement requests the University of Michigan sent to the Social Security Administration's Office of Finance.

Payments Requested by the University of Michigan

Grant Year	Fiscal Year	Amount Requested
1	2003	\$ 1,062,451.71
2	2004	\$ 2,124,273.72
3	2005	\$ 2,410,408.49
4	2006	\$ 2,388,941.75
5	2007	\$ 3,468,203.83
Total		\$11,454,279.50¹

¹ The University reports receiving \$11,454,279.50 as requested for the 5-year grant.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date:	September 18, 2009	Refer To: S1J-3
To:	Patrick P. O'Carroll, Jr. Inspector General	
From:	Margaret J. Tittel /s/ Acting Chief of Staff	
Subject:	Office of the Inspector General (OIG) Draft Report, "University of Michigan Retirement Research Center" (A-02-09-19081)—INFORMATION	

Thank you for the opportunity to review and comment on the draft report. We appreciate OIG's efforts in conducting this review. Attached is our response to the report findings and recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "UNIVERSITY OF MICHIGAN RETIREMENT RESEARCH CENTER" A-02-09-19081

Below are our responses to the specific recommendations.

Recommendation 1

Ensure it has proper controls over payments to its grantees that limit payments to the grant award amount.

Response

We agree. We have policies in place to ensure that funding is available before we issue payments. Our controls include review by an accountant and supervisor, system edits, and reconciliations. Our accounting system does not allow payments in excess of obligated amounts. In addition, we perform reconciliations against the grant documents to search for potential problems. We believe that our current controls are effective. In fact, our reconciliation process identified the overpayment mentioned in recommendation 3, which we recovered in February 2007.

Recommendation 2

Reconcile the \$196,420 paid to the University above the fifth grant year award amount.

Response

We agree. We reconciled the \$196,420 and determined that while we paid \$3.5 million during fiscal year (FY) 2007, the fifth grant year, the payments were for grant award years FY 2007, FY 2006 and FY 2005. Our payments for FY 2007 did not exceed the fifth grant year award amount.

Recommendation 3

Reconcile the \$251,280 paid to the University above the amount awarded for the five-year grant period.

Response

We agree. We reconciled the \$251,280 and determined that we processed a payment twice, resulting in an overpayment to the University for the five-year grant period. We discovered the error during a routine review of our grant activity and recovered the payment in February 2007. The payments we issued to the University net the amount recovered, equals the amount awarded for the five-year grant period.

Recommendation 4

Work with the University to ensure its accounting system can distinguish and distinctly report each grant year's transactions and expenses.

Response

We agree. We are working with the University to ensure its accounting system can distinguish and distinctly report each grant year's transactions and expenses. In July 2009, the University informed us that for each grant, it will establish separate accounts in its accounting system. We will verify that the University can cross-reference sub-grantee invoices to the payment requests it submits to us. In addition, the University has established fiscal year distinctions for invoices received from sub-grantees.

Recommendation 5

Ensure the University of Michigan Retirement Research Center's (MRRC) subcontractors report their full cost-sharing before final payment is made by MRRC.

Response

We agree. We will work with the University to ensure MRRC has the correct cost-sharing contribution before it makes final payment.

Recommendation 6

Ensure competitive practices are used when selecting a site for the Retirement Research Consortium (RRC) conference.

Response

We agree. We are preparing new conference planning guidance to clarify the competition process for conference needs, including site selection.

Recommendation 7

Determine the impact MRRC's research has had beyond SSA to ensure its work is informing the public and policymakers about Social Security issues.

Response

We agree. We are developing a brief survey for the August 2010 RRC conference. We expect to survey conference attendees to gather their opinions on the Social Security and retirement research provided by the MRRC.

Below are examples of how we currently evaluate the impact of MRRC's research to the public and policymakers outside of the agency.

- Each of the MRRC centers has an independent external group of scholars (academic and non-SSA government) that provides qualitative feedback on the center's performance, and feedback on how the center is or is not meeting the public's needs with respect to research on Social Security and retirement issues. The outside scholars respond to proposed projects in the center's renewal application for the subsequent fiscal year. They also address dissemination vehicles, training initiatives, and data dissemination opportunities of each center.
- Over the years, MRRC researchers received many types of recognition for their contributions to Social Security, retirement, and aging research. Examples of recognition include citations in the Senate Special Committee on Aging's report, "Recognition of Excellence in Aging Research." This report identifies federally-funded research projects that address the well-being of older adults. Two MRRC researchers received the 2007 Fidelity Research Institute Pyramid Prize for their paper, "Baby Boomer Retirement Security: The Roles of Planning, Financial Literacy, and Housing Wealth." The Institute presents this prize to authors of published applied research that addresses the goal of improving lifelong financial well-being for Americans. Three MRRC researchers received the 2007 Teachers Insurance and Annuity Association - College Retirement Equities Fund - Paul A. Samuelson Award for Outstanding Scholarly Writing on Lifelong Financial Security for their paper, "Are Americans Saving 'Optimally' for Retirement?" This award is given in recognition of an outstanding research publication containing ideas that the public and private sectors can use to maintain and improve America's lifelong financial well being.
- Several MRRC researchers have moved between the policymaking community and the research community, which expands the reach of their MRRC funded research and enhances their ability to conduct policy-relevant research. Examples of policymaking positions currently or recently occupied by MRRC researchers include: member of the President's Commission to Strengthen Social Security, senior economist with the Council of Economic Advisors, Director of the Office of Management and Budget, Director of the Congressional Budget Office, member of the Social Security Advisory Board, and the Deputy Assistant Secretary of Economic Policy at the Department of Treasury.
- Individuals from the academic community, the private research community (think tanks, non-profits, etc.), Congress (Congressional Budget Office, Congressional Research Service, House Budget Committee staff, House Ways and Means Committee staff, Senate Finance Committee staff), and the financial services industry attend the RRC conference.
- One of the great retirement policy achievements in recent years was the enactment of the Pension Protection Act of 2006. Upon its enactment employers with defined contribution pension plans have the authority to enroll their employees in such plans by default, with an opt-out provision. This policy is the direct result of path-breaking research by MRRC and the impact of 401(k) plan features, including automatic enrollment and employer matching provisions, on savings behavior.

- Several notable government executives and researchers including the Director of the National Economic Council, and the President of the National Bureau of Economic Research, have publicly commented on the importance of research conducted by the MRRC to our understanding of Social Security and retirement, and the development of public policy in support of older Americans.

OIG Contacts and Staff Acknowledgments

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The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

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OA conducts 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 reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

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

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OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

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OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.