



SOCIAL SECURITY

MEMORANDUM

Date: August 11, 2010

Refer To:

To: The Commissioner

From: Inspector General

Subject: Performance Indicator Audit: Environmental Management System (A-15-10-11072)

We contracted with KPMG to evaluate 10 of the Social Security Administration's (SSA) performance indicators established to comply with the *Government Performance and Results Act*. The attached final report presents the results for one of the performance indicators evaluated. For the performance indicator included in this audit, KPMG's objectives were to:

- Comprehend and document the sources of data that were collected to report on the performance indicator.
- Identify and test critical controls (both electronic data processing and manual) of systems from which the performance data were generated.
- Test the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the performance indicator.
- Recalculate the measure to ascertain its accuracy.
- Determine whether an alternate performance indicator may provide a more meaningful and/or complete measure of the program or process SSA is attempting to capture.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr." with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**PERFORMANCE INDICATOR AUDIT:
ENVIRONMENTAL MANAGEMENT SYSTEM**

August 2010 A-15-10-11072

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of Social Security Administration's (SSA) 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 (IG) 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.



MEMORANDUM

Date: July 28, 2010

To: Inspector General

From: KPMG, LLP

Subject: Performance Indicator Audit: Environmental Management System
(A-15-10-11072)

OBJECTIVE

The *Government Performance and Results Act of 1993* (GPRA)¹ requires that the Social Security Administration (SSA) develop performance indicators that assess the relevant service levels and outcomes of each program activity.² GPRA also calls for a description of the means employed to verify and validate the measured values used to report on program performance.³

Our audit was conducted in accordance with generally accepted government auditing standards for performance audits. 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.

For this audit of SSA performance indicator, *Develop and Implement an Agency Environmental Management System*, for Fiscal Year (FY) 2009, our objectives were to:

1. Comprehend and document the sources of data that were collected to report on the specified performance indicator.
2. Identify and test critical controls (both electronic data processing and manual) of systems from which the specified performance data were generated.
3. Test the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the specified performance indicator.

¹ Public Law Number 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 United States Code (U.S.C.), 31 U.S.C. and 39 U.S.C.).

² 31 U.S.C. § 1115(a)(4).

³ 31 U.S.C. § 1115(a)(6).



4. Recalculate each measure to ascertain its accuracy.
5. Determine whether an alternate performance indicator may provide a more meaningful and/or complete measure of the program or process SSA is attempting to capture.

This performance audit did not constitute an audit of financial statements in accordance with Government Auditing Standards. KPMG was not engaged to, and did not, render an opinion on SSA's internal controls over financial reporting or over financial management systems (for purposes of Office of Management and Budget [OMB] Circular No. A-127, *Financial Management Systems*, July 23, 1993, as revised). KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

BACKGROUND

We audited the following performance indicator, which was included in SSA's FY 2009 Performance and Accountability Report (PAR).⁴

<u>Performance Indicator</u>	<u>FY 2009 – Target</u>	<u>FY 2009 – Actual</u>
Develop and Implement an Agency Environmental Management System	Develop a High-Level Project Plan	High-Level Project Plan Completed

The strategic objective related to this performance indicator is *Use 'Green' Solutions to Improve Our Environment*. This indicator is intended to measure/report SSA's compliance with January 2007 Presidential Executive Order (EO) 13423, *Strengthening Federal Environmental, Energy, and Transportation Management*.⁵ EO 13423 requires that Federal agencies conduct their environmental, transportation, and energy-related activities in support of their mission. In addition, the EO requires that all agencies implement an Environmental Management System (EMS) as the primary management approach for addressing environmental aspects of internal agency operations and activities.

An EMS is a set of processes and practices that enable an organization to reduce its environmental impacts and increase its operating efficiency. It allows an organization to

⁴ SSA, FY 2009 PAR, p. 70.

⁵ Presidential EO 13423 of January 24, 2007, Federal Register, Vol. 72, No. 017, 72 Federal Register 3919, January 26, 2007.

systematically manage its environmental matters through a continual cycle of planning, implementing, reviewing, and improving the processes and actions that an organization undertakes to meet its business and environmental goals.

Performance Indicator Background

In September 2008, the Office of the Federal Environmental Executive (OFEE) began contacting Federal agencies that had not yet implemented an EMS to determine how EO 13423 may be applicable to them. OFEE believed that SSA would benefit from an organization-level EMS. SSA concurred and agreed to implement an EMS by FY 2012.

SSA's Environmental Management Team (EMT) began developing a "high-level project plan" to implement an EMS. The development of the project plan was accomplished through a collaborative effort of the EMT using a relatively informal and unstructured process where the EMT's thoughts were shared and documented.

The high-level project plan is the first step of the longer-term process of implementing an EMS, which will take place over several years. The project plan contains the following requirements from EO 13423.

- Designation of Senior Official
- Training Requirement
- Compliance Review and Audit Programs
- Energy and Waste Management
- Green Purchasing
- Waste Diversion and Recycling
- Sustainable Design/High Performance Buildings
- Fleet Management
- Electronics Stewardship
- Other Requirements

The project plan is subject to significant changes over time as the EMT provides additional thought and consideration as to what should be included in the project plan. There was no formal review and approval process in the development of SSA's project plan.

RESULTS OF REVIEW

Overall, we found that the performance indicator, *Develop and Implement an Agency Environmental Management System*, did not provide a meaningful and complete analysis of a specific SSA program or process that directly related to achieving SSA's mission to ". . . deliver Social Security services that meet the changing needs of the public."

In accordance with GPRA (Chapter 31, Section 1115 of the U.S.C.),⁶ agencies are required to establish performance indicators to measure or assess the relevant outputs, service levels, and outcomes of each program activity. SSA administers the Old-Age, Survivors Insurance, Disability Insurance, and Supplemental Security Income programs. Developing and implementing an EMS does not measure or assess any of SSA's programs. EO 13423, as it relates to the performance indicator, refers to an EMS as the primary management approach for addressing environmental aspects of internal agency operations and activities. We are not questioning the value of an EMS to the Government or the public, but the status of the EMS initiative would be better reported in another appropriate reporting vehicle and not in the context of program performance under GPRA.

Although a project plan has been developed, SSA had not implemented an EMS as of the end of FY 2009. The FY 2009 target, *Develop a High-level Project Plan*, did not determine whether an EMS was developed and implemented or whether there was any outcome in terms of *Green Solutions*.

The underlying data for the performance indicator are a high-level project plan. The high-level project plan was adequate, reasonable, and complete as it identified timeframes, specific responsibilities, and training for implementation of an EMS, which is the type of information called for in EO 13423 and the Environmental Protection Agency's (EPA) guidance on what components must be included in an EMS.⁷ However, the project plan had not been finalized, approved, or implemented as of the end of FY 2009. The project plan is constantly changing as more input is provided.

We did not recalculate the performance indicator to ascertain its accuracy because the target was to develop a high-level project plan and could not be recalculated.

Finally, the performance indicator data are not supported by any of SSA's systems. As a result, it was not necessary to assess the critical internal controls over systems.

⁶ This section of the U.S.C. pertains to performance plans and the requirements thereof.

⁷ EO 13423 does not spell out requirements for the pre-implementation phase of an EMS nor does it specify a deadline by which an EMS must be implemented. As such, the determination as to whether the project plan for an EMS was successfully completed is highly subjective.

CONCLUSION AND RECOMMENDATIONS

We found that the performance indicator did not provide a meaningful and complete analysis of a specific SSA program or process that directly relates to achieving SSA's mission to ". . . deliver Social Security services that meet the changing needs of the public."

It is premature to begin measuring the results of environmental initiatives, as the data are not being tracked. While we understand SSA's desire to demonstrate to the public that it is working toward the "use of green solutions," SSA has not implemented a plan in a measurable way or on a scale that is significant to the Agency as a whole.

We recommend that SSA:

1. Eliminate this performance indicator from inclusion in the performance section of the PAR since it does not measure or assess the relevant outputs, service levels, and outcomes of a specific SSA program or disclose that the performance indicator cannot be measured.
2. Report progress toward implementing an EMS in the Management's Discussion and Analysis section of the PAR or another appropriate reporting vehicle.
3. Report its "green" solutions when the EMS is implemented in FY 2012 (or sooner, as appropriate) and readily quantifiable (either in terms of dollars saved and/or units of pollution that have been eliminated). Such results could then be measured against Federal or comparable commercial benchmarks or Federal expectations for environmental compliance with EO 13423.

AGENCY COMMENTS

SSA disagreed with one of our recommendations (number one) and agreed with two of our recommendations (numbers two and three). With regard to recommendation number one, SSA stated that since the performance indicator is included in the agency's Annual Performance Plan (APP), they must include it in the FY 2010 PAR. SSA agreed to consider the recommendation as they develop their new strategic plan.

In addition, SSA disagreed with one of the statements in the report. SSA believes that the performance indicator provides a meaningful and complete analysis of SSA programs or processes that directly relate to achieving its mission and that the internal agency operations and activities that the EMS addresses are necessary to achieve its mission.

The full text of SSA's comments can be found in Appendix D.

KPMG RESPONSE

We appreciate the Agency's comments and consideration of our recommendations and statements. Management noted disagreement with our first recommendation as discussed above and included in their full comments in Appendix D. While compliance with applicable EOs is expected of all agencies, this specific EO does not directly address SSA's core mission and its strategic plan, which is the overall intent of GPRA. Achievement of SSA's mission would occur regardless of SSA implementing green solutions.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Process Flowchart

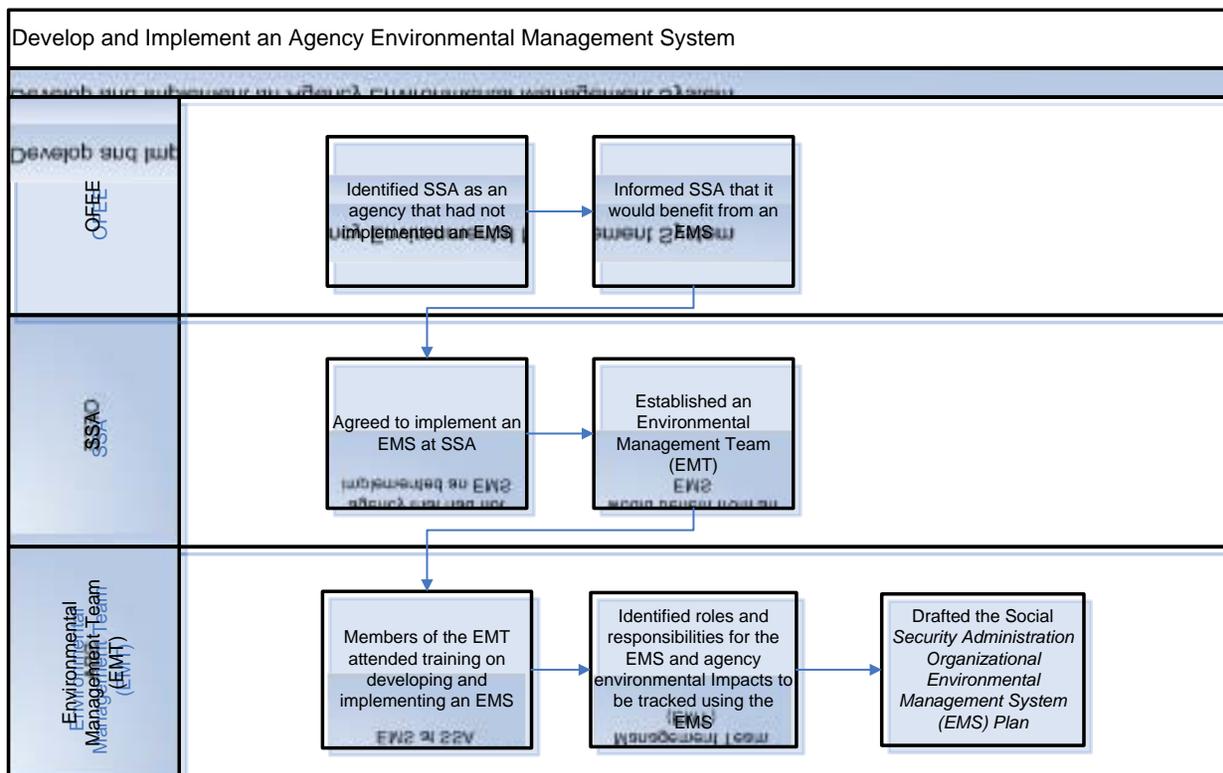
APPENDIX C – Scope and Methodology

APPENDIX D – Agency Comments

Acronyms

APP	Annual Performance Plan
EMS	Environmental Management System
EMT	Environmental Management Team
EO	Executive Order
EPA	Environmental Protection Agency
FY	Fiscal Year
GPRA	<i>Government Performance and Results Act</i>
OFEE	Office of the Federal Environmental Executive
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
SSA	Social Security Administration
U.S.C.	United States Code

Process Flowchart



Scope and Methodology

Our audit scope was limited to reviewing the performance indicator, *Develop and Implement an Agency Environmental Management System*, for Fiscal Year 2009. We obtained an understanding of the Social Security Administration's (SSA) *Government Performance and Results Act* (GPRA) processes. This was completed through research and interviewing key personnel responsible for the performance indicator. The primary SSA components responsible for this measure are The Office of Vision and Strategy within the Office of the Chief Information Officer and The Office of Budget, Finance and Management.

Through inquiry and observation, we

- reviewed applicable laws, regulations, and SSA policy;
- interviewed appropriate SSA personnel to confirm our understanding of the performance indicator; and
- assessed the reasonableness of the data to determine their reliability as they pertained to the objectives of the audit and intended use of the data.

We documented our understanding, as conveyed to us by Agency personnel, of the alignment of the Agency's mission, goals, objectives, processes, and related performance indicators and used that understanding to determine whether the performance indicator appeared to be valid and appropriate.

We conducted our performance 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Agency Comments

Appendix D



SOCIAL SECURITY

MEMORANDUM

Date: July 9, 2010 **Refer To:** S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: James A. Winn/s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, Performance Indicator Audit:
Environmental Management System (A-15-10-11072)--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
AUDIT REPORT “PERFORMANCE INDICATOR AUDIT: ENVIRONMENTAL
MANAGEMENT SYSTEM” (A-15-10-11072)**

Thank you for the opportunity to comment on the draft report. We offer the following comments:

COMMENTS ON RECOMMENDATIONS

Recommendation 1

Eliminate this [environmental management system (EMS)] performance indicator from inclusion in the performance section of the Performance and Accountability Report (PAR) since it does not measure or assess the relevant outputs, service levels, and outcomes of a specific SSA program or disclose that the performance indicator cannot be measured.

Comment

We disagree. Office of Management and Budget (OMB) Circular A-11 requires the PAR to state the performance for every performance indicator in the agency’s Annual Performance Plan (APP). Since we present this indicator in the fiscal year (FY) 2011 and Revised Final FY 2010 APP, we must include it in the FY 2010 PAR. However, we will consider this recommendation as we develop our new agency strategic plan in accordance with recently issued OMB guidelines (Memorandum 10-24 Performance Improvement Guidance: Management Responsibilities and Government Performance and Results Act Documents).

Further, we disagree with the statement on page 4 that “...an EMS does not measure or assess any of SSA’s programs.” While you define our programs as the Old-Age, Survivors Insurance, Disability Insurance, and Supplemental Security Income programs, the *Government Performance and Results Act of 1993* (GPRA) more broadly defines a “program” as follows:

A “program” shall be designated to include any organized set of activities directed toward a common purpose or goal that an agency undertakes. The term may describe an agency’s mission, functions, activities, services, projects, and processes, and is defined as an organized set of activities directed toward a common purpose or goal that an entity undertakes or proposes to carry out its responsibilities.

Although GPRA does require agencies to establish performance indicators that measure or assess the outcomes of agency program activities, the law does not limit performance indicators to measure only our benefit programs. In fact, we have numerous performance indicators that meet the GPRA requirements to measure our programs as defined in this report. Specifically, this performance indicator aligns with Strategic Goal 4, Objective 4.6, *Use “green” solutions to improve our environment.*

Finally, OMB reviewed and approved our APP and its performance indicators before we published the document. OMB did not suggest that the indicator did not coincide with GPRA requirements.

Recommendation 2

Report progress toward implementing an environmental management system (EMS) in the Management's Discussion and Analysis section of the PAR or another appropriate reporting vehicle.

Comment

We agree. We will consider this recommendation when preparing the Management's Discussion and Analysis section of the FY 2010 PAR.

Recommendation 3

Report its "green" solutions when the EMS is implemented in FY 2012 (or sooner, as appropriate) and readily quantifiable (either in terms of dollars saved and/or units of pollution that have been eliminated). Such results could then be measured against Federal or comparable commercial benchmarks or Federal expectations for environmental compliance with EO 13423.

Comment

We agree. Once we implement the plan, we will evaluate and determine appropriate "green" solution measures related to this goal.

PARAGRAPH/SENTENCE SPECIFIC COMMENTS

Page 4, 1st sentence under "Results of Review" reads in part:

"the performance indicator...did not provide a meaningful and complete analysis of a specific SSA program or process that directly related to achieving SSA's mission..."

Comment

We disagree with this statement. We created the performance indicator to comply with Executive Order (EO) 13423, *Strengthening Federal Environmental, Energy, and Transportation Management*. The EO requires that Federal agencies conduct their environmental, transportation, and energy-related activities in support of their mission. All agencies must implement an EMS as the primary management approach for addressing environmental aspects of internal agency operations and activities. The internal agency operations and activities the EMS addresses are necessary operations and activities that influence our ability to achieve our mission and as such is a stewardship function.

Page 4, 3rd paragraph under “Results of Review” reads in part:

“SSA had not implemented an EMS as of the end of FY 2009. The FY 2009 target, *Develop a High-level Project Plan*, did not determine whether an EMS was developed and implemented or whether there was any outcome in terms of Green Solutions.”

Comment

The FY 2009 target for this performance measure was to develop a high-level project plan. Implementation is not required until FY 2012. We provide this information in the *Data Definition* and the *Discussion* for the performance indicator on page 70 of the FY 2009 PAR. Additionally, this was a new performance measure for FY 2009. Therefore, reporting any significant “green solution” outcomes would be premature. However, we will take this particular suggestion under advisement for future reporting.

Page 5, 1st paragraph under “Conclusions and Recommendations” reads:

“We found that the performance indicator did not provide a meaningful and complete analysis of a specific SSA program or process that directly relates to achieving SSA’s mission to “. . . deliver Social Security services that meet the changing needs of the public.”

Comment

We disagree with this statement because it implies that all performance indicators must relate directly to achieving the agency’s mission. As noted in our response to recommendation 1, performance indicators are not restricted to these criteria.

Page 5, 2nd paragraph under “Conclusions and Recommendations” reads:

“It is premature to begin measuring the results of environmental initiatives, as the data are not being tracked. While we understand SSA’s desire to demonstrate to the public that it is working toward the “use of green solutions,” SSA has not implemented a plan in a measurable way or on a scale that is significant to the Agency as a whole.”

Comment

We agree it is premature to measure the results of environmental initiatives. However, we disagree that we have not implemented a plan in a measurable way or on a scale that is significant to us as a whole. We are on target to implement the EMS plan in FY 2012. The fiscal year targets for this indicator are milestones that lead to EMS full implementation by 2012. We explain the overall target on page 70 of the FY 2009 PAR, under *Data Definition*. While the milestones to implement this plan may seem insignificant, we view the final target to implement the EMS in FY 2012 to be significant to the President and us.

DISTRIBUTION SCHEDULE

Commissioner of Social Security

Chairman and Ranking Member, Committee on Ways and Means

Chief of Staff, Committee on Ways and Means

Chairman and Ranking Minority Member, Subcommittee on Social Security

Majority and Minority Staff Director, Subcommittee on Social Security

Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives

Chairman and Ranking Minority Member, Committee on Oversight and Government Reform

Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

Overview of the Office of the Inspector General

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.

Office of Audit

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.

Office of Investigations

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.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

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.

Office of Technology and Resource Management

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.