



## SOCIAL SECURITY

### MORANDUM

Date: December 22, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: Disability Determination Services' Staffing Under the American Recovery and Reinvestment Act (A-07-09-29156)

The attached final report presents the results of our review. Our objective was to assess the Social Security Administration's staffing plan associated with funds provided to disability determination services under the *American Recovery and Reinvestment Act of 2009*.

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 "Pat P. O'Carroll Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Attachment

# ***QUICK RESPONSE EVALUATION***



## ***Disability Determination Services' Staffing Under the American Recovery and Reinvestment Act***

**A-07-09-29156**



**December 2009**

## 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.

## OBJECTIVE

Our objective was to assess the Social Security Administration's (SSA) staffing plan<sup>1</sup> associated with funds provided to disability determination services (DDS)<sup>2</sup> under the *American Recovery and Reinvestment Act of 2009* (ARRA).<sup>3</sup>

## BACKGROUND

ARRA provided SSA an additional \$500 million to process retirement and disability workloads. ARRA funds should help SSA address increasing disability and retirement workloads caused by the combination of the economic downturn and the leading edge of the baby boomer retirements. In Fiscal Year (FY) 2009, SSA expected disability and retirement claims to increase by 600,000 over FY 2008.<sup>4</sup>

At the time of our review, \$87 million of SSA's ARRA funds for FYs 2009 and 2010 had been allocated for labor costs of DDS employees and additional overtime, including indirect costs. The labor costs included hiring 300 new DDS employees. The remaining \$413 million was allocated to the Offices of Operations and Disability Adjudication and Review, as well as for health information technology (IT) research and activities to facilitate the adoption of electronic medical records in disability claims.

The Office of Management and Budget (OMB) issued guidance on spending and accounting for ARRA funds.<sup>5</sup> Specifically, OMB requires agency-wide and program-specific plans regarding ARRA spending. These plans must include the program purpose, types of activities and projects that will be performed, and a funding table showing the agency funding listed by program, project, and activity categories. Funds returned to the program or any offsetting collections received as a result of recovery actions are to be specifically identified. The plans must also include major milestones with planned delivery dates, the agency's monitoring process, performance measures to test effectiveness, and a description of how the agency will make measured results available to the public.

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<sup>1</sup> For purposes of this report, "staffing plan" means SSA's planned use of ARRA funds for the labor costs of state employees and additional overtime (including indirect costs).

<sup>2</sup> Disability determinations under SSA's disability programs are performed by DDSs in each state or other responsible jurisdictions. Such determinations are required to be performed in accordance with Federal law and underlying regulations. 42 U.S.C. § 421; 20 C.F.R. §§ 404.1601 *et seq.* and 416.1001 *et seq.*

<sup>3</sup> Pub. L. No. 111-5, Division A, Title VIII (H.R. 1-71 to H.R. 1-72).

<sup>4</sup> See Appendix D for the *Disability and Retirement Workload Plan*.

<sup>5</sup> OMB M-09-10, *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, February 18, 2009, and OMB M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, April 3, 2009, Sections 2.7 and 2.8.

To carry out its responsibilities, SSA created an *Agency Wide ARRA Plan* and a program-specific *Disability and Retirement Workload Plan*. OMB approved these plans in May 2009. SSA has revised the *Disability and Retirement Workload Plan* since its May approval. Appendix D contains the *Disability and Retirement Workload Plan* as of November 2009.

## Results of Review

SSA developed an appropriate plan for the \$87 million in ARRA funds it was given to process disability workloads. At the time of our review, DDSs had hired all 300 of the ARRA-funded employees who will be trained to process disability workloads.<sup>6</sup> In addition, SSA planned to use \$23 million of the ARRA funds for DDS employees to work overtime processing disability workloads and \$10 million for DDS indirect costs. However, we identified the following matters for consideration to ensure ARRA funds are properly accounted for and efficiently used and their benefits are fully disclosed.

- SSA used a cost allocation methodology that charged ARRA funds based on the average workyear cost to process disability and retirement workloads instead of the actual cost. In our November 2009 report on ARRA funds allocated to SSA's Office of Operations, we recommended SSA disclose its cost allocation methodology, the cost of new hires, and any overtime for processing disability and retirement workloads funded from the ARRA appropriations.<sup>7</sup> In response to our recommendation, SSA revised its retirement and disability workload plan to make the recommended disclosures.
- The one performance measure for DDSs in the *Disability and Retirement Workload Plan* will not disclose all the anticipated benefits of the ARRA funds.

### PLANNED USE OF ARRA FUNDS FOR DDSs

According to SSA's Office of Budget, SSA planned to use \$87 million in ARRA funds for DDS salaries and benefits, overtime, and indirect costs<sup>8</sup> (see Table 1). This includes \$17 million in FY 2009 and \$70 million in FY 2010.

TABLE 1: SSA'S PLANNED USE OF ARRA FUNDS FOR DDS				
FY	Salaries/ Benefits (in millions)	Overtime (in millions)	Indirect Costs (in millions) <sup>9</sup>	Total (in millions)
2009	\$ 4	\$ 11	\$ 2	\$17
2010	50	12	8	70
<b>Total</b>	<b>\$54</b>	<b>\$23</b>	<b>\$10</b>	<b>\$87</b>

<sup>6</sup> In addition to the 300 hires under ARRA, the DDSs are budgeted to hire 2,389 additional employees in FYs 2009 and 2010 to help with the increasing disability workloads.

<sup>7</sup> SSA OIG, *The Office of Operations' Staffing Plans Under the American Recovery and Reinvestment Act of 2009* (A-09-09-29157), November 17, 2009.

<sup>8</sup> Indirect costs arise from activities common to multiple programs but not readily assignable to these programs without effort disproportionate to the results achieved (OMB Circular A-87, Attachment A, § F.1).

<sup>9</sup> The indirect costs that will be funded by ARRA were calculated as 13 percent of salaries, benefits, and overtime. The indirect cost rate of 13 percent was calculated by dividing the FY 2008 actual DDS indirect costs by the FY 2008 actual personnel costs.

The planned use of ARRA funds included hiring 300 DDS employees. SSA determined where the 300 new DDS employees would be placed based on several factors, including DDS staffing information provided by the regional offices. The DDS staffing information contained staffing levels, attrition rates, workload receipt projections, and hiring authority. Based on this information, SSA distributed DDS hiring authority and overtime to its regional offices as shown in Table 2.

<b>TABLE 2: ALLOCATION OF ARRA-FUNDED DDS NEW HIRES AND OVERTIME TO THE REGIONAL OFFICES FY 2009</b>		
<b>Regional Office</b>	<b>DDS New Hires</b>	<b>Overtime Workyears<sup>10</sup></b>
Boston	12	23.6
New York	29	6.8
Philadelphia	31	15.5
Atlanta	118	23.7
Chicago	41	25.6
Dallas	17	16.9
Kansas City	5	5.5
Denver	2	0.4
San Francisco	28	16.1
Seattle	17	6.1
<b>Total</b>	<b>300</b>	<b>140</b>

According to the Office of Disability Determinations (ODD), the regional offices determined where their share of the new hires would be placed based on where employees were most needed in their respective regions.<sup>11</sup> As of September 25, 2009, SSA reported that all 300 new DDS employees had been hired.

## **ARRA FUNDS NEEDED FOR NEW HIRES**

SSA's cost allocation methodology for the 300 new DDS employees will most likely result in ARRA funds being charged more than the actual salaries and benefits incurred for them. Specifically, SSA determined the labor costs to be charged to its ARRA funds for these 300 new DDS employees using average annual salaries and benefits for all DDS employees. The average annual salaries and benefits were \$78,950 and \$83,780 for FYs 2009 and 2010, respectively.<sup>12</sup> However, the average annual salaries for new DDS employees are most likely lower than the average for all DDS employees. We requested from SSA the average salaries and benefits for new DDS employees and

<sup>10</sup> Overtime workyears totaling 140.2 were provided by SSA's Office of Disability Determinations. ARRA funds will also be allocated to DDSs for 140 workyears of overtime in FY 2010.

<sup>11</sup> See Appendix C for the ARRA-funded employees by DDS location.

<sup>12</sup> The average annual salary and benefit amounts were provided by SSA's Office of Budget.

were informed it was unavailable because SSA did not collect or use that information. Therefore, we are unable to show the amount that ARRA funds will be charged over the actual salaries and benefits incurred for these new DDS employees.<sup>13</sup>

In addition, SSA's Office of Budget estimated that 13 percent of total salaries, benefits, and overtime would be charged to ARRA funds for indirect costs. This results in ARRA funds being charged \$10 million in indirect costs. Since the indirect costs were calculated based on average salaries and benefits instead of actual, ARRA funds will most likely be charged more than the actual amount of indirect costs incurred in DDS operations.

Prior to November 2009, SSA's *Disability and Retirement Workload Plan* did not disclose how it was allocating costs to the ARRA appropriation. Based on the recommendation from a prior OIG review,<sup>14</sup> SSA revised the plan to disclose its cost allocation methodology for ARRA funds (see Appendix D). SSA's workload plan can be found at <http://www.ssa.gov/recovery/> and <http://www.recovery.gov/>.

## PERFORMANCE MEASURES

The DDS employees funded by ARRA will process a wide range of disability workloads. However, SSA's *Disability and Retirement Workload Plan* has only one performance measure for DDSs—the number of initial disability claims processed. As a result, SSA does not plan to report to the public the full benefit of the ARRA funds provided to SSA.

OMB's guidance requires that agency Recovery Program Plans include performance measures that reflect expected quantifiable outcomes that are consistent with the intent and requirements of the legislation.<sup>15</sup> The OMB guidance also states that the measures used to report an Agency's program performance in relation to the ARRA goals should be retained (in terms of incremental change against present level of performance of

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<sup>13</sup> SSA budgeted 600 workyears to ARRA for DDS labor costs in FY 2010. The 600 workyears totals about \$50 million (600 workyears times \$83,780 average salary). According to SSA's Office of Budget, the 600 workyears are for the ongoing DDS effort to address the Agency's increased disability claims workload. The Office of Budget further stated that, conceptually, 300 of these 600 workyears (or about \$25 million) will be used for the salaries and benefits of the 300 ARRA-funded new DDS employees. The remaining 300 workyears will support the salaries and benefits of other DDS employees. However, the use of these ARRA workyear resources will be indistinguishable from other workyear resources provided to DDSs.

<sup>14</sup> *The Office of Operations' Staffing Plans Under the American Recovery and Reinvestment Act* (A-09-09-29157), November 17, 2009. We reported that SSA's cost allocation methodology for the new employees hired in Operations will result in ARRA funds being charged approximately \$94 million over the estimated salaries and benefits expected to be incurred for these new employees.

<sup>15</sup> OMB M-09-15, *supra*, Section 2.8g.



related agency programs or projects/activities specified in the plan).<sup>16</sup> Finally, one of the accountability objectives in the OMB guidance is that the use of all funds are to be transparent to the public, and the public benefits of these funds are to be reported clearly, accurately, and timely.<sup>17</sup>

SSA has 25 performance measures that track its progress in meeting its goals and objectives.<sup>18</sup> The following two performance measures specifically relate to DDS' processing of disability workloads and we believe, would be beneficial performance measures to report in SSA's *Disability and Retirement Workload Plan*.

- Minimize the average processing time for initial disability claims to provide timely decisions.
- Number of periodic continuing disability reviews processed to determine continuing entitlement based on disability to help ensure payment accuracy.

In addition, SSA is facing a considerable increase in initial claims receipts due to the declining economy. As of October 2009, initial claims pending have grown to about 784,000 cases. SSA now expects 350,000 more initial disability claims than first projected for FY 2010 and estimates that the pending level could reach over 1 million by FY 2010. We believe performance measures in the *Disability and Retirement Workload Plan* related to initial claims pending would be beneficial since several million dollars in ARRA funds are being used for DDS labor costs associated with processing such critical workloads as reducing initial pending claims.

We also believe SSA should report the overall processing time for disability claims, from the date of application until the date SSA denied or awarded the claim. In response to a 2008 OIG report, SSA agreed this performance measure would be useful to the Agency, Congress, the public, and disability claimants.<sup>19</sup> A Department of Veterans Affairs program-specific plan includes two measures that assess the impact of ARRA funds on the timeliness of processing disability claims, from the date the claim is received to the date of completion.<sup>20</sup>

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<sup>16</sup> Id. According to the OMB guidance, in addition to reducing the burden on grant recipients and contractors, use of existing measures will allow the public to see the marginal performance impact of ARRA investments.

<sup>17</sup> OMB M-09-15, *supra*, Section 1.2.

<sup>18</sup> SSA's Annual Performance Plan for FY 2010 and Revised Final Annual Performance Plan for FY 2009.

<sup>19</sup> SSA OIG, *Disability Claims Overall Processing Times* (A-01-08-18011), December 2008. SSA agreed with the intent of the report's recommendation that it develop and publish a measure that shows the overall disability processing time from the claimant's perspective. However, SSA expressed several concerns about implementing the recommendation.

<sup>20</sup> Department of Veterans Affairs, Recovery Act Program-Specific Plan, Veterans Benefits Administration, Hiring Temporary Claims Processors, May 2009.

DDS new hires may use ARRA funds that impact these performance measures. However, the performance measures may not initially reflect the impact of the 300 new DDS employees on the disability programs since they require extensive training. In fact, each DDS conducts its own training and mentoring of new hires, and it generally takes 2 years for a disability examiner to become fully productive. In addition, experienced DDS employees provide the training that takes them away from processing disability claims. However, SSA should realize substantial benefits from the 300 employees after their training is completed, especially in FY 2010. Accordingly, SSA should disclose the impact of training on the performance measures.

In response to our draft report, SSA stated that it considered our observation on using additional performance measures. However, SSA believes the measures in the *Disability and Retirement Workload Plan* have the greatest impact on and visibility to the American public.

## Matters for Consideration

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ARRA provided SSA with \$500 million to address the increasing disability and retirement workloads. SSA allocated \$87 million of these funds to DDSs for labor costs, overtime, and indirect costs. These funds allowed DDSs to hire 300 additional employees and pay the labor costs of processing critical workloads. To ensure SSA fully complies with OMB's guidance for establishing adequate performance measures and tracking the impact of the ARRA funding, we believe SSA should consider the following.

- Including additional performance measures in its *Disability and Retirement Workload Plan* related to minimizing the average processing time for initial disability claims, the number of periodic continuing disability reviews processed, initial claims pending, and overall processing time for disability claims.
- Tracking and reporting how ARRA funds used for new hires and overtime in DDSs will impact the Agency's performance measures related to processing disability workloads.

# Appendices

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Fiscal Year 2009 *American Recovery and Reinvestment Act* Hiring

APPENDIX D – *Disability and Retirement Workload Plan*

APPENDIX E – OIG Contacts and Staff Acknowledgments

### Acronyms

ARRA	<i>American Recovery and Reinvestment Act of 2009</i>
C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
FY	Fiscal Year
GAO	Government Accountability Office
IT	Information Technology
ODD	Office of Disability Determinations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
Pub. L. No.	Public Law Number
SSA	Social Security Administration
U.S.C.	United States Code

### Scope and Methodology

To accomplish our objective, we:

- Reviewed the *American Recovery and Reinvestment Act of 2009* (ARRA).
- Reviewed Office of Management and Budget (OMB) Memorandums.
  - M-09-10 *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*
  - M-09-15 *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*
- Reviewed the Social Security Administration's Agency-wide ARRA Plan and the *Disability and Retirement Workload Plan* approved by OMB.
- Interviewed staff from the Offices of Disability Determinations (ODD) and Budget, Finance and Management.

We performed our review in Kansas City, Missouri, from April through October 2009. The entity reviewed was the ODD under the Deputy Commissioner for Operations. We conducted our review in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.<sup>1</sup>

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<sup>1</sup> In January 2009, the President's Council on Integrity and Efficiency was superseded by the Council of the Inspectors General on Integrity and Efficiency *Inspector General Reform Act of 2008*, Pub. L. No. 110-409 § 7, 5 U.S.C. App. 3 § 11.

## Appendix C

### Fiscal Year 2009 American Recovery and Reinvestment Act (ARRA) Hiring

Region/State	Budgeted ARRA Hires	Actual ARRA Hires as of October 2009
<b>Boston</b>	<b>12</b>	<b>12</b>
Connecticut		1
Maine		2
Massachusetts		5
New Hampshire		0
Rhode Island		4
Vermont		0
<b>New York</b>	<b>29</b>	<b>29</b>
New Jersey		25
New York		4
Puerto Rico		0
<b>Philadelphia</b>	<b>31</b>	<b>31</b>
Delaware		0
District of Columbia		10
Maryland		0
Pennsylvania		0
Virginia		19
West Virginia		2
<b>Atlanta</b>	<b>118</b>	<b>118</b>
Alabama		1
Florida		42
Georgia		2
Kentucky		0
Mississippi		0
North Carolina		36
South Carolina		17
Tennessee		20
<b>Chicago</b>	<b>41</b>	<b>41</b>
Illinois		2
Indiana		2
Michigan		1
Minnesota		8
Ohio		28
Wisconsin		0

Region/State	Budgeted ARRA Hires	Actual ARRA Hires as of October 2009
<b>Dallas</b>	<b>17</b>	<b>17</b>
Arkansas		0
Louisiana		0
New Mexico		0
Oklahoma		0
Texas		17
<b>Kansas City</b>	<b>5</b>	<b>5</b>
Iowa		0
Kansas		5
Missouri		0
Nebraska		0
<b>Denver</b>	<b>2</b>	<b>2</b>
Colorado		1
Montana		0
North Dakota		0
South Dakota		0
Utah		1
Wyoming		0
<b>San Francisco</b>	<b>28</b>	<b>28</b>
Arizona		6
California		22
Hawaii		0
Nevada		0
<b>Seattle</b>	<b>17</b>	<b>17</b>
Alaska		3
Idaho		0
Oregon		13
Washington		1
<b>Total</b>	<b>300</b>	<b>300</b>

### Disability and Retirement Workload Plan (Updated November 2009)

#### Disability and Retirement Workload Plan

**A. FUNDING TABLE:**

Agency funding listed by program, project, and activity categories, as possible. Funds returned to the program or any offsetting collections received as a result of carrying out recovery actions are to be specifically identified.

Funding Table by Fiscal Year (Dollars in Millions)		
	FY 2009	FY 2010
<b>Total Obligations</b>	<b>\$151<sup>1*</sup></b>	<b>\$349<sup>2*</sup></b>
Labor costs of Federal employees and additional overtime	\$118	\$255
Labor costs of state employees and additional overtime (including indirect costs)	\$17	\$70
Video-Teleconferencing equipment, additional bandwidth to support the hearings process and workstations needed to accommodate new federal employees	\$16	\$0
Health Information Technology	\$0	\$24
* These planning estimates may change as specifics regarding health information technology spending are further developed.		

**B. OBJECTIVES:**

A general Recovery Act description of the program's Recovery Act objectives and relationships with corresponding goals and objectives through on-going agency programs/activities. Expected public benefits should demonstrate cost-effectiveness and be clearly stated in concise, clear and plain language targeted to an audience with no in-depth knowledge of the program. To the extent possible, Recovery Act goals should be expressed in the same terms as programs' goals in departmental Government Performance Results Act strategic plans.

*The American Recovery and Reinvestment Act* (Recovery Act) of 2009 provides SSA with an additional \$500 million to help address our increasing disability and retirement

<sup>1</sup> These planning estimates may change as specifics regarding health information technology spending are further developed.

<sup>2</sup> These planning estimates may change as specifics regarding health information technology spending are further developed.



workloads caused by the combination of the economic downturn and the leading edge of the baby boomer retirement wave. SSA will use Recovery Act resources to fund additional workyears, both regular and overtime. These additional workyears will improve our ability to process additional requests for hearings, continue to reduce the number of pending hearings, and help address our increasing disability and retirement workloads.

**General Policy on SSA use of Recovery Act funds:**

- The American Recovery and Reinvestment (ARRA) Act of 2009 provided SSA \$500 million to process disability and retirement workloads, cover related IT costs and make investments in health information technology.
- Individuals working in our workload components perform a wide variety of functions in addition to the processing of retirement and disability claims and hearings workloads. SSA's systems do not track work processed by individuals, but instead associate an overall level-of-effort (termed workyears) with the volumes of work processed.
- When processing workloads, SSA will manage and account for ARRA spending using workyears. However, during the new employee-training period, SSA will track the training costs separately. SSA will calculate these costs using the training time multiplied by the new employees' average salary. The agency will attribute these costs to the Recovery Act in FY 2009.
- Once an employee is trained they become part of the overall SSA workforce, and their level-of-effort is indistinguishable from any other employee. SSA will report the cost of doing additional disability and retirement claims and hearings workloads based on the cost of the level of effort (current and new employees) associated with the workload.

The Recovery Act resources, because they enhance our ability to handle core mission workloads, directly support all four of our strategic goals:

- Eliminate Our Hearings Backlog and Prevent Its Recurrence;
- Improve the Speed and Quality of Our Disability Process;
- Improve Our Retiree and Other Core Services; and
- Preserve the Public's Trust in Our Programs.

Our strategic plan can be found at <http://www.ssa.gov/asp/index.htm>.

**C. ACTIVITIES:**

**Kinds and scope of activities to be performed (e.g. construction, provision of services, conduct of research and development, assistance to governmental units or individuals, etc.)**

SSA believes we have a moral imperative to provide quality, timely services to the public.

It is a challenge to meet this objective because of the significant growth in our workloads, due in part to the economic downturn and the beginning of the baby boomer retirement wave. This fiscal year (FY), we expect to receive over 300,000 more retirement claims, about a 9 percent increase, and 300,000 more disability claims, about a 12 percent increase, over last year. The Recovery Act funding will help SSA begin to lay the foundation for addressing this challenge.

Although we manage by workyears (see general policy description in Section B), we will attribute a portion of the employees the Agency hired in FY 2009 to the Recovery Act to increase our workforce capacity to process disability and retirement workloads. Consistent with the Agency's long established cost accounting practice we will charge ARRA funds using the actual cost of the additional work processed based on the average salary and benefits of all employees (current and new hires) involved in processing the additional workloads.<sup>3</sup> Specifically:

- Our disability and retirement operations will hire 1,530 new employees in local field offices, teleservice centers, and processing centers and 300 new employees in the State Disability Determination Service centers (approximately \$105 million, including overtime in FY 2009 – note: the agency includes training costs for the new hires by using an average of their actual salaries against the total number of training workyears used in that component, estimated at \$30.2 million);<sup>4</sup>
- Hearings offices will hire 550 support staff as well as 35 additional administrative law judges. This staff will be spread across the country to provide relief to those offices most in need (approximately \$30 million, including overtime in FY 2009 – note: the agency includes

<sup>3</sup> Based on the Agency's long established cost accounting practices, we will charge the average cost of processing the additional disability and retirement workloads to the Recovery Act. This cost, based on the workloads processed, will be approximately \$361 million in FY 2009 and FY 2010. The equivalent cost of new hires would be \$193 million in FY 2009 and FY 2010.

<sup>4</sup> The average cost of a new hire is \$50,400. The average cost of one workyear processing claims is \$82,200.

training costs for the new hires by using an average of their actual salaries against the total number of training workyears used in that component, estimated at \$1.4 million.);<sup>5</sup> and

- We will invest approximately \$16 million in information technology that directly supports our workload processing.

For FY 2010, the Recovery Act funding will enable us to sustain higher staff and overtime levels. As a result, the Recovery Act resources will help facilitate workload processing in terms of case preparation and completion as well as the processing of additional claims. We intend to spend \$24 million to contract with the health care community to provide us with electronic health records to improve the speed and accuracy of our disability determination process.

As mentioned, Recovery Act funding will allow for additional overtime resources in FY 2009 and FY 2010. In FY 2009 approximately 37% of these funds will be used to provide overtime to process additional work. In FY 2010 approximately 16% of these funds will be used to provide overtime.

#### **D. CHARACTERISTICS:**

**Types of financial awards to be used (with estimated amount of funding for each), targeted type of recipients, beneficiaries and estimated dollar amounts of total Recovery Act funding for Federal in-house activity, non-federal recipients and methodology for award selection.**

The majority of SSA's Recovery Act funding will be used for Federal in-house activities. We will be paying for employee salaries and using overtime to provide service to individuals filing for disability and retirement benefits. We will invest approximately \$16 million in information technology that directly supports our workload processing. SSA plans to use fully competed existing contract vehicles to acquire the majority of the video-teleconferencing services, additional bandwidth, and personal computers required to accommodate new employees.

Although we manage by workyears (see general policy description in Section B), we have attributed a portion of the employees the Agency hired in FY 2009 to the Recovery Act. Specifically:

- Our disability and retirement operations will hire 1,530 new employees in local field offices, teleservice centers, and processing centers and 300 new employees in the State disability determination service centers (DDSs) (approximately \$105 million, including overtime); and
- Hearings offices will hire 550 support staff as well as 35 additional administrative law judges. This staff will be spread across the country

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<sup>5</sup> The average cost of a new hire is \$59,400. The average cost of one workyear processing hearings is \$106,800.

to provide relief to those offices most in need (approximately \$30 million, including overtime).

For FY 2010, the Recovery Act funding will enable us to sustain higher staff and overtime levels. As a result, the Recovery Act resources will help facilitate workload processing in terms of case preparation and completion as well as the processing of additional claims. We intend to spend \$24 million to contract with the health care community to provide us with electronic health records to improve the speed and accuracy of our disability determination process.

As mentioned, Recovery Act funding will allow for additional overtime resources in FY 2009 and FY 2010. In FY 2009 approximately 37% of these funds will be used to provide overtime to process additional work. In FY 2010 approximately 16% of these funds will be used to provide overtime.



**E. DELIVERY SCHEDULE:**

Schedule with milestones for major phases of the program's activities (e.g. the procurement phase, planning phase, project execution phase, etc., or comparable) with planned delivery date(s).

FY 2009	
April - June 3rd Quarter \$67,500,000	Although we manage by workyears (see general policy description in Section B), we have attributed a portion of the employees the Agency hired in FY 2009 to the Recovery Act. With Recovery Act funds, SSA plans to hire approximately 2,115 Federal employees by the end of June 2009 and provide state funding for 300 additional employees. Additional overtime will be available to process increased workloads. Approximately 37% of these funds will be used to provide overtime to process additional workloads.
July - September 4th Quarter \$83,500,000	Pay SSA and DDS labor costs associated with processing critical workloads. Approximately 37% of these funds will be used to provide overtime to process additional workloads. Spend \$16 million on video-teleconferencing equipment and additional bandwidth to support the hearings process, as well as workstations needed to accommodate new federal employees. Continue hiring as needed to planned level (2,115 hires).
FY 2010	
October - December 1st Quarter \$81,300,000	Pay SSA and DDS labor costs associated with processing critical workloads. Approximately 16% of these funds will be used to provide overtime to process these workloads.
January - March 2nd Quarter \$105,300,000	Pay SSA and DDS labor costs associated with processing critical workloads. Approximately 16% of these funds will be used to provide overtime to process these workloads. Spend \$24 million on Health Information Technology.
April - June 3rd Quarter \$81,300,000	Pay SSA and DDS labor costs associated with processing critical workloads. Approximately 16% of these funds will be used to provide overtime to process these workloads.
July - September 4th Quarter \$81,300,000	Pay SSA and DDS labor costs associated with processing critical workloads. Approximately 16% of these funds will be used to provide overtime to process these workloads.

**F. ENVIRONMENTAL REVIEW COMPLIANCE:**

Description of the status of compliance with *National Environmental Policy Act*, *National Historic Preservation Act*, and related statutes.

The Recovery Act funding will be used for SSA and DDS labor costs which has no identifiable issues with the *National Environmental Policy Act*, the *National Historic Preservation Act*, or related statutes.

**G. SAVINGS OR COSTS:**

Expected increases or reductions in future operational costs (e.g., savings due to energy efficient facilities or increased operational costs as a result of having more buildings to manage and maintain).

SSA is using Recovery Act funding to sustain increased staffing levels and fund additional overtime. We will have to pay salaries and benefits for these employees beyond the FY 2010 timeframe for which the Recovery Act provides funding. Normal attrition of the SSA workforce will assist in funding the cost of these employees beyond FY 2010; however, decisions will need to be made to determine how to fund the remaining costs.

**H. MEASURES:**

Expected quantifiable outcomes consistent with the intent and requirements of the legislation and the risk management requirements of Section 3.5, with each outcome supported by a corresponding quantifiable output(s) (in terms of incremental change against present level of performance of related agency programs or projects/activities specified in the plan) – agencies must specify the length of the period between measurements (e.g., monthly, quarterly), the measurement methodology, and how the results will be made readily accessible to the public. The measures currently used to report programs' performance in relationship to these goals (consistent with Administration policy) should be retained. In addition to reducing burden on grant recipients and contractors, use of existing measures will allow the public to see the marginal performance impact of Recovery Act investments.

SSA developed the following measures to assess the impact of the Recovery Act funding provided to process disability and retirement workloads:

**1. Number of Initial Disability Claims Processed**

FY 2009 Target: 50,000

FY 2010 Target: 183,000

Data definition: The number of Social Security and Supplemental Security Income initial disability claims processed in the Disability Determination Services and other agency components in the current fiscal year up to the budgeted number.

Data source: *National Disability Determination Services System and Disability Operational Data Store*

Methodology:

**Overtime:** The Recovery Act funded overtime workyears used for each month is determined based

on the ratio of available Recovery Act funded overtime workyears to the total

available overtime workyears. The resulting ratio is applied to the overtime workyears used for each month to determine the number of Recovery Act overtime workyears used during that month. The resulting workyears are used in determining the amount of work processed attributable to the Recovery Act funds.

**Regular Time:**

Recovery Act productive workyears for each targeted workload are multiplied by the corresponding production per workyear to calculate the number of Recovery Act processed counts. SSA does not associate any additional work to the Recovery Act funds until new hire training is completed.

Frequency reported: Monthly

**1. Number of Retirement Claims Processed**

FY 2009 Target: 243,000

FY 2010 Target: 869,000

Data definition: The number of retirement and survivors claims processed in the current fiscal year up to the budgeted number.

Data source: *Work Measurement Transitional Database*

Methodology:

**Overtime:** The Recovery Act funded overtime workyears used for each month is determined based

on the ratio of available Recovery Act funded overtime workyears to the total available overtime workyears. The resulting ratio is applied to the overtime workyears used for each month to determine the number of Recovery Act overtime workyears used during that month. The resulting workyears are used in determining the amount of work processed attributable to the Recovery Act funds.

**Regular Time:**

Recovery Act productive workyears for each targeted workload are multiplied by the corresponding production per workyear to calculate the number of Recovery Act processed counts. SSA does not associate any additional work to the Recovery Act funds until new hire training is completed.

Frequency reported: Monthly

### 3. Number of Hearings Processed

FY 2009 Target: 37,000

FY 2010 Target: 88,000

Data definition: The number of hearing requests processed in the current fiscal year up to the number budgeted.

Data source: *Case Processing and Management System*

Methodology

**Overtime:** The Recovery Act funded overtime workyears used for each month is determined based

on the ratio of available Recovery Act funded overtime workyears to the total available overtime workyears. The resulting ratio is applied to the overtime workyears used for each month to determine the number of Recovery Act overtime workyears used during that month. The resulting workyears are used in determining the amount of work processed attributable to the Recovery Act funds.

**Regular Time:**

Recovery Act productive workyears for each targeted workload are multiplied by the corresponding production per workyear to calculate the number of Recovery Act processed counts. SSA does not associate any additional work to the Recovery Act funds until new hire training is completed.

Frequency reported: Monthly

### 4. Number of Staff Hired

FY 2009 Target: 2,115 SSA and 300 State Disability Determination Service employees hired

Data definition: Number of new employees hired as a result of Recovery Act funding in SSA and the State Disability Determination Service centers

Data source: The FPPS DataMart for SSA hires and the FD-15 Disability Determination Service Staffing and Workload Analysis Report for State Disability Determination Service hires

Frequency Reported: Monthly until all hiring is completed

The first three measures are very similar to performance measures contained in our *Annual Performance Plan for FY 2010 and Revised Final Annual Performance Plan for FY 2009*. SSA has developed a methodology for estimating the extent current workloads are processed with the additional Recovery Act funding received. The fourth measure will track the exact number of staff hired.



SSA will report actual performance for these measures on a monthly basis through our periodic reports posted on SSA's Recovery Act website <http://www.ssa.gov/recovery/>.

**I. MONITORING/EVALUATION:**

**Description of the agency process for periodic review of program's progress to identify areas of high risk, high and low performance, and any plans for longer term impact evaluation.**

As SSA builds on existing processes to implement the activities in this plan, we will utilize established review and evaluation programs to assess risks and ensure adequate controls have been effectively implemented. Three of the major monitoring programs are the Financial Management System (FMS) Review Program, the Management Control Review (MCR) Program, and the internal control testing required by OMB Circular A-123, Appendix A. The FMS Review Program identifies risks to SSA's programmatic and financial systems and tests the controls in place to mitigate these risks. The MCR Program ensures SSA's front line operations comply with SSA's operational, security and administrative policies. The OMB Circular A-123, Appendix A program ensures the controls supporting SSA's financial reporting processes are working properly. All three of these review programs will provide periodic recommendations and evaluations that determine if controls can be improved and the agency's Senior Accountable Official will monitor these programs to ensure corrective action is taken.

Although SSA will develop mechanisms to separately track the spending of Recovery Act dollars, these workloads will be processed in the same manner as other disability and retirement workloads. Therefore, SSA can leverage the risk assessments and control testing programs discussed above to ensure these funds are accounted for appropriately.

SSA also will monitor the overall progress in achieving the objectives of this program plan through the oversight and leadership of our Senior Accountable Official. The Senior Accountable Official will work with the SSA executives who have the lead responsibility for the planning and execution of the program plan. We have set up an infrastructure of periodic status meetings at both the executive and staff levels to discuss the status of implementation efforts to date and future issues that may arise. We will monitor the progress in achieving the performance targets discussed above (*Section H. Measures*) in these status meetings.

**J. TRANSPARENCY:**

**Description of agency program plans to organize program cost and performance information available at applicable recipient levels.**

The Recovery Act funding will be used primarily for labor costs and therefore, recipient level data is not applicable.

**K. ACCOUNTABILITY:**

**Description of agency program plans for holding managers accountable for achieving Recovery Act program goals and improvement actions identified.**

SSA has taken many steps to hold executives and staff accountable for achieving the goals of this project. First, SSA's Executive Internal Control Committee (EIC) will oversee Recovery Act performance across SSA. The Deputy Commissioner of Social Security chairs the EIC, which also includes the Inspector General and Deputy Commissioner for Budget, Finance and Management (DCBFM). Most other Deputy Commissioners also participate in EIC meetings. This level of oversight provides a strong message throughout SSA that accomplishment of Recovery Act objectives is a top priority.

The DCBFM will serve as SSA's Senior Accountable Official. The performance expectations of our Senior Accountable Official were modified to specifically address the monitoring of this initiative as well as all of SSA's responsibilities under the Recovery Act. In addition, SSA's components such as our Office of Operations; Office of Disability Adjudication and Review; Office of Systems; Office of Communications; and Office of Budget, Finance and Management have taken measures such as ongoing status meetings to make sure they fulfill their responsibilities under the Recovery Act. Management within these organizations monitor progress in meeting their organizations' responsibilities associated with successful implementation of the Recovery Act. They will reallocate resources as needed as issues arise.

These same components are also represented on oversight groups at both the executive and staff level to assist SSA in properly coordinating our efforts across components to execute the requirements of the Recovery Act as well as the requirements of OMB Memorandum M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*.

The Commissioner named a Special Advisor for Health IT to provide leadership and oversight for all of SSA's Health IT initiatives, including those funded through the Recovery Act. The Special Advisor established an executive group, which meets bi-monthly, to consult on external and strategic issues; a program group, which meets bi-weekly, to provide governance for cross-component Health IT initiatives; and a procurement group to oversee Health IT acquisitions funded through the Recovery Act. The Inspector General is a non-voting member of the executive group and consultations with the Office of the Inspector General on the program governance and procurement will take place regularly.

Finally, all of our front-line employees are accountable through their Performance and Communications System (PACS) plans and appraisals. PACS allows all of SSA's employees to understand their expectations and how their job is directly aligned with the agency's core mission.

**L. BARRIERS TO EFFECTIVE IMPLEMENTATION:**

A list and description of statutory and regulatory requirements, or other known matters, which may impede effective implementation of Recovery Act activities and proposed solutions to resolve by a certain date.

One potential barrier to effective implementation that exists would be if SSA's front line employees choose not to use the overtime funded by the Recovery Act. To mitigate the risk of this happening, SSA will monitor overtime usage through our regional and area offices and redistribute overtime if necessary.

**M. FEDERAL INFRASTRUCTURE INVESTMENTS:**

A description of agency plans to spend funds effectively to comply with energy efficiency and green building requirements and to demonstrate Federal leadership in sustainability, energy efficiency and reducing the agency's environmental impact.

The funding is being used for labor costs. These funds are not related to Federal infrastructure investments.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Mark Bailey, Director, Kansas City Audit Division

Tonya Eickman, Audit Manager, Kansas City Audit Division

### ***Acknowledgments***

In addition to those named above:

Karis Crane, Auditor

For additional copies of this report, please visit our web site at [www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-07-09-29156.

## **DISTRIBUTION SCHEDULE**

Commissioner of Social Security

Office of Management and Budget, Income Maintenance Branch

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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.