



SOCIAL SECURITY

April 30, 2009

The Honorable John S. Tanner
Chairman, Subcommittee on
Social Security
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Tanner:

In a March 10, 2009 letter co-signed by Chairman Lewis, you requested our assistance in outlining potential management reforms for Social Security Administration (SSA) operations. I appreciate the opportunity to share our insights on these important matters, and am pleased to provide you the enclosed report, which addresses your specific questions.

Since November 2004, when I was appointed Inspector General for SSA, my office has issued over 450 audit and evaluation reports describing opportunities to improve SSA programs. We are keenly aware of SSA's enormous and vital mission, and applaud the Agency for its significant accomplishments. The enclosed report highlights opportunities and challenges the Agency continues to face, as well as some of its many success stories.

Thank you for the opportunity to provide the Committee with the requested information. To ensure that SSA is aware of the information provided to your office, we are forwarding a copy of this report to the Agency. I have also sent a similar response to Chairman Lewis. If you have additional questions, please call me, or have your staff contact Wade Walters, Assistant Inspector General for External Relations, at (202) 358-6319.

Sincerely,

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.
Inspector General

Enclosure

cc:
Michael J. Astrue



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Chairman, Subcommittee on
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Committee on Ways and Means
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CONGRESSIONAL RESPONSE REPORT

Opportunities and Challenges for the Social Security Administration

A-08-09-29152



April 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

The objective of our review was to address the requests of Congressmen John S. Tanner and John Lewis that we provide the Committee on Ways and Means, U.S. House of Representatives (Committee), with recommended management reforms for Social Security Administration (SSA) operations. Specifically, the Congressmen requested responses to seven questions related to SSA's challenges in meeting its core responsibilities and opportunities for Agency improvements.

BACKGROUND

In a March 10, 2009 letter co-signed by Congressmen Tanner and Lewis, they explained that the Committee had initiated a major oversight review to determine whether programs within its jurisdiction are achieving their policy objectives and being efficiently and effectively administered. The initiative is pursuant to the request of the Honorable Nancy Pelosi, Speaker, U.S. House of Representatives, that the Committee conduct rigorous oversight of all aspects of Federal spending and Government operations within its jurisdiction. In meeting this requirement, the Committee requested our input on recommended management reforms for SSA's operations. The Congressmen's specific questions were as follows:

- What programs or components are in need of management reforms to reduce the level of improper payments or other forms of waste, fraud, and abuse?
- To what extent does the Agency provide the public—including beneficiaries, claimants, and workers—with timely and accurate service? Are there deficiencies in particular areas?
- What programs or components exemplify efficient and effective operations?
- Describe the adequacy of funding and staffing levels for the Agency.
- What has been done to address high-risk areas or material weaknesses in the programs or components identified as needing improvement?
- Are the Agency's financial systems adequate?
- Does the Agency adequately oversee contracts, and are contract funds being spent effectively and efficiently?

Additional background and our scope and methodology are included in Appendix B of this report.

Results of Review

For an Agency that pays over half a trillion dollars each year, we believe strong attention to stewardship is imperative. While SSA is justifiably proud of its history of excellent service, our role as the SSA Office of the Inspector General (OIG) is to recommend prudent courses of action that balance the Agency's service and stewardship responsibilities. Additionally, we make recommendations to improve the effectiveness and efficiency of SSA operations. We believe these recommendations, once implemented, would result in billions of dollars in savings for the Agency and the U.S. taxpayer.

To its credit, and given the enormity and complexity of its mission, SSA generally provides accurate and responsive service to millions of customers and continually seeks improvements to its processes. We recognize that SSA's resources are limited. According to SSA, the Agency has been significantly under-funded for decades. Additionally, its workload has increased through new legislative mandates and a growing population of retiring and disabled constituents. As such, SSA has made difficult decisions as to which workloads were its highest priorities and which received less attention. Unfortunately, the aforementioned under-funding, increased workloads, and the current economic downturn have resulted in severe backlogs in some critical workloads—and, unacceptably long wait times for customers who seek SSA's assistance at some of the most challenging times in their lives.

This report will present a snapshot of what we believe to be SSA's most critical challenges, as well as some of its significant success stories. As the OIG, we recommend improvements aimed to help the Agency meet its mission effectively and efficiently, as well as to prevent fraud, waste, and abuse. We appreciate the opportunity to provide our perspective on SSA's operations and respond to the Committee's specific questions, and we hope our insight will assist the Committee in its oversight role.

Question 1

What programs or components are in need of management reforms to reduce the level of improper payments or other forms of waste, fraud, and abuse?

In our *Fiscal Year 2008 Inspector General Statement on the Social Security Administration's Major Management Challenges*,¹ we identified six areas that represent significant management and performance challenges for SSA. These areas were

- Social Security Number (SSN) Protection,
- Management of the Disability Process,
- Improper Payments and Recovery of Overpayments,
- Internal Control Environment and Performance Measures,
- Systems Security and Critical Infrastructure Protection, and
- Service Delivery and Electronic Government.

In response to Question 1, our main focus will be on the Management Challenge “Improper Payments and Recovery of Overpayments.” Additionally, we bring to your attention a few other management reforms we believe are needed to cut costs and ensure program goals are achieved. Our comments herein will echo many conclusions we included in the Fiscal Year (FY) 2008 Management Challenges report, as well as some new and important issues we believe warrant discussion.

At the Commissioner of Social Security's (Commissioner) request, we issued a report in FY 2007 recommending improvements to one SSA component, the former Office of Disability and Income Security Programs.² We are pleased to report that the Commissioner implemented many of our recommendations when restructuring this component. While the Commissioner has also reorganized other SSA components since his appointment in 2007, we have not reviewed these organizations in total. Therefore, we have no recommendations for other SSA components that may need reform. However, later in this report, we discuss longstanding inefficiencies in the Office of Disability Adjudication and Review, which we believe deserve continued and close scrutiny. Additionally, later in this report, we will discuss SSA's Office of the Chief Information Officer, which we believe needs additional resources and delegated responsibilities to support the Agency's security responsibilities (as defined by current Federal laws, regulations, and requirements) and to meet the needs of future challenges.

¹ See full report at <http://www.ssa.gov/oig/ADOBEPDF/A-02-09-19074.pdf>.

² *Organizational Review of the Office of Disability and Income Security Programs*, issued May 2007, <http://www.ssa.gov/oig/ADOBEPDF/A-12-07-27162.pdf>.

Improper Payments and Recovery of Overpayments

Work-Related Continuing Disability Reviews

In our April 2009 report, *Follow-Up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File*,³ we followed up on an earlier audit that examined SSA's treatment of Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries who had earnings reported to SSA, an event that is at least indicative that the individual may no longer be eligible for benefits. In a FY 2004 audit report, *Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File*,⁴ we found that \$1.37 billion in overpayments resulted from SSA's failure to identify about 63,000 disabled beneficiaries whose work activity resulted in earnings being posted to the Master Earnings File between 1996 and 2000. In 2004, SSA implemented an automated system called eWork to assist in controlling and processing work-related continuing disability reviews (CDR). Our current review revisits this issue, and assesses the success of SSA's efforts in this area over the past 5 years.

Even though SSA has made efforts to reduce these overpayments, unfortunately, we continue to find cause for concern. Based on the sample population we reviewed, we estimated that approximately \$3.1 billion was overpaid to about 173,000 beneficiaries who had earnings reported between 2001 and 2006. While SSA identified about \$1.8 billion and approximately 141,000 of these beneficiaries, the remainder (about \$1.3 billion to approximately 49,000 beneficiaries) went undetected. We estimated that about 24,000 of these approximately 49,000 beneficiaries were no longer entitled to benefits, and that SSA will pay about \$382 million to them over the 12 months following our audit period if corrective action is not taken. In response to our report, SSA agreed that, with the resources provided by the Recovery Act and the FY 2009 appropriations, field offices will be able to reduce the pending workload levels, including work CDRs.

Medical CDRs

Like work-related CDRs, medical CDRs help prevent improper payments to beneficiaries who are no longer disabled. However, fewer medical CDRs have been conducted in recent years as SSA re-prioritized its workload to deal with budget shortfalls and increasing initial claims.

For example, in our December 2006 report, *Childhood Continuing Disability Reviews and Age 18 Redeterminations*,⁵ we estimated SSA overpaid about \$194.7 million in Supplemental Security Income (SSI) payments to approximately 205,900 recipients under age 18 because the Agency did not complete CDRs timely. We also estimated that until these reviews were completed, the Agency would continue paying an additional \$96.9 million annually.

³ See full report at <http://www.ssa.gov/oig/ADOBEPDF/A-01-08-28075.pdf>.

⁴ See full report at <http://www.ssa.gov/oig/ADOBEPDF/A-01-03-13019.pdf>.

⁵ See full report at <http://www.ssa.gov/oig/ADOBEPDF/A-01-06-21093.pdf>.

Because SSA was not performing timely reviews, we recommended, and the Agency agreed, that it should conduct childhood CDRs at least every 3 years for children under age 18 whose impairments are likely to improve in accordance with the *Social Security Act* provisions⁶ and continue to seek special funding for CDR workloads. We also suggested that the Agency continue to publicly disclose facts to Congress when it chooses to use its budgetary resources for purposes other than conducting these reviews.

SSI Complexity and Reliance on Self-Reporting

Title XVI of the *Social Security Act* established the SSI program in 1972. SSI is a nationwide Federal cash assistance program administered by SSA that provides a minimum level of income to financially needy individuals who are aged, blind or disabled. The program's means-tested nature requires that individuals' income, resources, and living arrangements be assessed on a monthly basis for purposes of determining eligibility and payment amounts.

Additionally, since 1996, legislation has been passed that impacted eligibility for SSI payments—further complicating the program. For example, Congress enacted the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (Pub. L. No. 104-193), which prohibited SSI payments to fugitive felons and parole/probation violators. The *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) established additional eligibility requirements for SSI payments. For example, assets held in trusts are considered countable resources for SSI purposes. Further, individuals who dispose of resources for less than fair market value may be ineligible for SSI payments for a maximum period of 36 months.

The amount of a recipient's SSI payment is based on many factors, including marital status, income and resource levels, living arrangements, fugitive and prisoner status, etc. Generally, SSA relies on SSI recipients to voluntarily report any changes. However, because reporting such events may result in ineligibility for SSI payments, there is little incentive for recipients to report them to SSA. Therefore, improper payments, fraud, waste, and abuse occur.

In SSA's FY 2008 *Improper Payments Information Act of 2002 Detailed Report (Improper Payments Report)*, the Agency disclosed that the SSI program resulted in almost \$4.6 billion in overpayments and underpayments in FY 2007, representing 10.6 percent of the \$42.6 billion in SSI payments made during that year. Our audits have highlighted many of the vulnerabilities in the SSI program, most resulting from the complexity of the governing laws and regulations and the reliance on self-disclosure by recipients who have a vested interest in maintaining the maximum amount of their payments.

Annually, SSA calculates rates of SSI payment accuracy by determining the percentage of SSI payments made that were overpaid or underpaid. Over the past several years,

⁶ The *Social Security Act* § 1614(a)(3)(H), 42 U.S.C. § 1382c(a)(3)(H).

this error rate has increased. In 1997, the error rate was 6.5 percent. As stated above, in 2007, the SSI error rate was 10.6 percent—actually higher than the error rate that existed in 1997 when the SSI program was placed on the Government Accountability Office’s high risk list.⁷ During this same period, the number of SSI redeterminations declined from 1.7 million to 692,000.

Examples of improper SSI payments detected through our audits include the following.

- In a May 2008 report, *Supplemental Security Income Recipient Marriages Not Reported to the Social Security Administration*,⁸ we estimated that about 2,088 recipients were overpaid approximately \$24.8 million because they did not report their marriages to SSA. By stopping these payments, the Agency could save an estimated \$7.1 million over the 12 months following our audit period.
- In an ongoing audit, *Supplemental Security Income Recipients with Unreported Vehicles*, which we will issue soon, we estimated that SSI recipients were overpaid hundreds of millions of dollars because of inaccuracies in SSA’s records on the recipients’ vehicle ownership.

As a result of our findings, we made several recommendations to address the specific issues identified. Additionally, as discussed in more detail later in this report, we encourage SSA to seek broader solutions to the overarching concerns of complex SSI laws and regulations and the Agency’s reliance on claimant attestations.

SSI Redeterminations

SSI redeterminations are a critical component of maintaining the integrity of the program. As with some other SSA stewardship activities, resource limitations and other factors have resulted in fewer redeterminations being conducted in recent years. Redeterminations review SSI recipients’ non-medical eligibility factors, such as income, resources, and living arrangements, to determine whether recipients are still eligible for and receiving the correct SSI payment. As such, by performing periodic redeterminations, the Agency may identify changes that have occurred since the SSI recipient was first awarded benefits, which may reduce (or increase) the payment amount.

The OIG recently initiated a review to evaluate the impact to the U.S. General fund as a result of SSA conducting fewer redeterminations. In this review, we will determine the lost savings for 2004 through 2009 resulting from SSA not conducting redeterminations at historic levels, which preliminarily appear to be several billion dollars. Additionally, our audits identified millions of dollars in SSI payments that SSA overpaid because recipients did not report changes in their circumstances to SSA. These and other audits detailed improper payments that may have been detected earlier through the redetermination process.

⁷ See full list at <http://www.gao.gov/archive/1997/hr97001.pdf>.

⁸ See full report at <http://www.ssa.gov/oig/ADOBEPDF/A-01-07-27109.pdf>.

Examples of SSI overpayments detected during our audits follow:

- In our April 2008 report, *Supplemental Security Income Recipients with Automated Teller Machine Withdrawals Indicating They Are Outside the United States*,⁹ we estimated that overpayments totaling approximately \$226.2 million to about 40,560 recipients went undetected because SSA was unaware the recipients were absent from the United States. Additionally, we estimated SSA will not detect approximately \$100.5 million in SSI payments each year following our audit period to recipients who are absent from the United States—unless the Agency takes action.
- In our July 2008 report, *Supplemental Security Income Recipients with Excess Income and/or Resources*,¹⁰ we estimated that overpayments totaling approximately \$408.9 million went undetected because SSI recipients did not inform SSA of changes in income and/or resources. Additionally, we estimated that SSA will not detect approximately \$169.2 million each year following our audit period if the Agency does not take action.

Workers' Compensation Offsets

Receipt of workers' compensation (WC) payments often results in a reduction (offset) of Disability Insurance benefits payable to a disabled worker and the worker's entitled family members. Congress enacted the reduction (WC offset provision) to prevent workers from receiving more in disability payments than they earned before becoming disabled. However, administering the WC offset provision is complex and prone to payment errors.

Many of the problems associated with this complex workload are due to human errors in determining the correct rates and dates for the WC computations. Since 1998, we have issued numerous audit reports on this subject, which have reported overpayments and underpayments exceeding \$1 billion.¹¹ SSA has taken corrective actions to "clean up" cases involving WC offsets. However, recent OIG audit reports, as well as SSA's FY 2008 *Improper Payments Report*, still find that the complexity of WC offset calculations is a major cause of improper payments in the OASDI program.

⁹ See full report at <http://www.ssa.gov/oig/ADOBEPDF/A-01-07-17036.pdf>.

¹⁰ See full report at <http://www.ssa.gov/oig/ADOBEPDF/A-01-08-18022.pdf>.

¹¹ *Effects of State Awarded Workers' Compensation Payments on Social Security Benefits*, issued September 1998, <http://www.ssa.gov/oig/ADOBEPDF/9661013.pdf>; *Workers' Compensation Unreported by Social Security Beneficiaries*, issued December 1999, <http://www.ssa.gov/oig/ADOBEPDF/A-04-98-64002.pdf>; *Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments*, issued June 2003, <http://www.ssa.gov/oig/ADOBEPDF/A-08-02-12064.pdf>; *Management Advisory Report: Title II Disability Insurance Benefits with Workers' Compensation Underpayment Errors Exceeding \$70,000*, issued July 2003, <http://www.ssa.gov/oig/ADOBEPDF/A-04-02-21054.pdf>; *Title II Disability Insurance Benefits with a Workers' Compensation Offset*, issued November 2006, <http://www.ssa.gov/oig/ADOBEPDF/A-04-05-15133.pdf>; *Accuracy of Title II Disability Insurance Benefits Processed with Workers' Compensation Settlements*, issued August 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-04-07-17059.pdf>; and *Accuracy of Title II Disability Insurance Benefit Triennial Redeterminations for 2006*, issued September 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-04-07-17078.pdf>.

In our audit reports, we recommended that SSA support legislation to simplify the WC offset calculation, work with States to standardize the format in which WC data is reported, and explore data exchanges with States that maintain automated WC databases. Included in the President's FY 2009 budget was a WC Offset simplification proposal. One element of the proposal would have changed the amount of the offset to a benefit reduction equal to the lesser of the worker's monthly WC benefit or a flat percentage (31 percent). By simplifying this offset calculation, we believe SSA can reduce millions of dollars in future improper payments. We encourage SSA to continue seeking legislation to reduce the complexity of WC offset calculations.

Windfall Elimination Provision and Government Pension Offset

The *Social Security Act* includes two provisions that reduce Social Security monthly benefits paid to individuals who receive a pension based on Federal, State or local government employment that was not covered by Social Security. The Windfall Elimination Provision (WEP) eliminates "windfall" Social Security benefits for retired and disabled workers receiving pensions from employment not covered by Social Security.¹² Under this provision, SSA uses a modified benefit formula to determine a wage earner's monthly Social Security benefit.¹³ The Government Pension Offset (GPO) provision reduces monthly Social Security benefits for spouses, divorced spouses, and surviving spouses who receive a pension based on their own work for a Federal, State or local government that was not covered by Social Security.¹⁴ The GPO reduction is generally equal to two-thirds of the government pension.¹⁵ Dually entitled beneficiaries¹⁶ are subject to both the WEP and GPO provisions.

WEP computations and GPO were major causes of improper payments in the OASDI program¹⁷ during FYs 2003 through 2007. For this 5-year period, according to SSA's FY 2008 *Improper Payments Report*, WEP calculations were one of the leading causes of computational-related underpayments and caused nearly 77 percent of computational-related overpayments. Additionally, during FYs 2003-2007, errors attributed to GPO accounted for 6 percent of all OASDI overpayments. In our September 2008 review, *Dually Entitled Beneficiaries Who are Subject to Government Pension Offset and the Windfall Elimination Provision*,¹⁸ we estimated that SSA overpaid about \$270 million in retirement benefits to 8,500 beneficiaries because WEP was not properly applied, and \$185 million in spousal benefits to 8,460 beneficiaries

¹² The *Social Security Act* § 215(a)(7)(A), (d)(3), and (f)(9), 42 U.S.C. § 415(a)(7)(A), (d)(3), and (f)(9); 20 C.F.R. §§ 404.213 and 404.243.

¹³ The *Social Security Act* § 215(a)(7)(B), 42 U.S.C. § 415(a)(7)(B); 20 C.F.R. § 404.213(c) and (d); SSA, Program Operations Manual System (POMS), RS 00605.360.

¹⁴ The *Social Security Act* § 202, 42 U.S.C. § 402; 20 C.F.R. § 404.408a.

¹⁵ The *Social Security Act* § 202(k)(5), 42 U.S.C. § 402(k)(5); 20 C.F.R. § 404.408a(d); SSA, POMS, GN 02608.100.

¹⁶ Dually entitled beneficiaries are individuals entitled to retirement benefits (based on their own earnings) and spousal benefits (based on another person's earnings) at the same time.

¹⁷ The *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

¹⁸ See full report at <http://www.ssa.gov/oig/ADOBEPDF/A-09-07-27010.pdf>.

because GPO was not properly imposed. Further, unless SSA takes action to identify and correct these payment errors, we estimate it will pay about \$53.2 million in overpayments annually.

The President's FY 2009 Budget included a proposal that would have improved the administration of WEP and GPO by better coordinating reports of pension payments based on employment not covered by Social Security. This change would have allowed SSA to independently verify whether beneficiaries have pension income from employment not covered by SSA. When a person applies for Social Security benefits, SSA requires them to disclose whether they are receiving a pension based on non-covered employment. SSA then obtains verification of the pension and applies the WEP and/or GPO accordingly. However, SSA primarily relies on the applicant to correctly inform the Agency that he/she is entitled to a non-covered pension. We encourage SSA to continue seeking legislative improvements for the WEP and GPO provisions.

Medicare Part D

The *Medicare Prescription Drug, Improvement, and Modernization Act of 2003* (Pub. L. No. 108-173), also known as the *Medicare Modernization Act*, established a new, voluntary Part D Prescription Drug Program effective January 1, 2006. The *Medicare Modernization Act* provides for certain low-income individuals to receive Part D premium, deductible, and co-payment subsidies. SSA's primary role is to determine the applicant's income, resources, and eligibility for a full or partial subsidy.

SSA stated Congress' intent was for SSA to enroll, as quickly as possible, the maximum number of eligible citizens into the subsidy for the prescription drug program. To accomplish this, SSA developed a streamlined income and resource verification process that relied heavily on applicant attestations under the penalty of perjury. However, as with SSI, because reporting such information may result in ineligibility for Medicare Part D subsidies, there is little incentive for recipients to report some information to SSA. Therefore, improper payments, fraud, waste, and abuse occur.

In our February 2008 audit report, *The Social Security Administration's Income and Resource Verification Process for Individuals Applying for Help with Medicare Prescription Drug Plan Costs*,¹⁹ we determined that SSA income and resource verifications for individuals applying for help with Medicare prescription drug plan costs were not always effective. Specifically, we determined that SSA approved subsidies to about 276,000 individuals whose income and/or resources appeared to exceed eligibility limits, resulting in questionable Medicare Trust Fund Part D low-income subsidy expenditures of about \$473 million during a 12-month period. In addition, we found SSA's redetermination process is unlikely to be effective in terminating these questionable subsidy approvals, resulting in additional estimated improper Medicare Trust Fund expenditures of about \$224 million over the 12 months following our audit period. SSA agreed to evaluate its redetermination process and make any adjustments

¹⁹ See full report at <http://www.ssa.gov/oig/ADOBEPDF/A-06-06-16135.pdf>.

necessary to better identify individuals no longer eligible for the subsidy. We will monitor the status of these actions and may perform additional audit work to assess whether these measures have increased the accuracy of Medicare Part D low-income subsidy redeterminations.

Annual Earnings Test

In our August 2007 report, *Improper Payments Resulting From The Annual Earnings Test*,²⁰ we determined that SSA did not adjust the benefit payments for all beneficiaries who were subject to the annual earnings test.²¹ As such, we estimated that for Calendar Years 2002 through 2004, SSA overpaid about \$313 million to 89,300 beneficiaries and underpaid about \$35 million to 12,800 beneficiaries. These payment errors primarily occurred because SSA did not process all records identified by the Earnings Enforcement Operation (EEO).²² Unless SSA takes corrective action to process all future EEO selections, we estimated it will pay at least \$104 million in overpayments and \$11 million in underpayments annually. Finally, we found that SSA had a backlog of approximately 2 million unprocessed EEO selections for Calendar Years 1996 through 2004.

We have an ongoing follow-up audit that is assessing SSA's progress in resolving the backlog of cases and will quantify the amount of improper payments for the affected beneficiaries.

Payments After Death

Under both the OASDI and SSI programs, benefit payments to a beneficiary should terminate once the individual dies. However, benefit programs are vulnerable to payments after death due to the reliance on third parties for timely and accurate information. SSA depends on a variety of sources for death information such as friends and relatives of deceased individuals, funeral homes, financial institutions, and Federal and State agencies.

²⁰ See full report at <http://www.ssa.gov/oig/ADOBEPDF/A-09-07-17066.pdf>.

²¹ The *Social Security Act* § 203, 42 U.S.C. § 403 requires that SSA use an annual earnings test to measure the extent of beneficiaries' retirement and determine the amount to be deducted from their monthly benefits. A beneficiary whose total annual earnings are equal to or less than the annual exempt amount will receive full benefits for the year. According to SSA, POMS RS 02501.021, SSA is required to reduce the benefit payments of those beneficiaries under full retirement age who earn an amount, in wages or self-employment income or both, over the annual exempt amount.

²² This process is designed to detect potential over- and underpayments for beneficiaries subject to the annual earnings test.

Since June 2001, OIG has issued seven reports²³ addressing areas with weaknesses that could allow payments after death. These reports address the validity and timeliness of data from other Federal agencies and Organizational Representative Payees, as well as deficiencies in SSA's processing of data for benefits associated with death entries removed from the primary wage earner's record. These reports identified about \$77.5 million in improper payments made after the beneficiaries' deaths.

In addition to updating processing instructions to improve the current death information process, SSA is working with the U.S. Department of Health and Human Services (DHHS), State governments, and other jurisdictions to promote a State-sponsored Electronic Death Registration²⁴ (EDR) system. As of March 31, 2009, SSA receives death data via EDR from 25 States, New York City, and the District of Columbia. Five additional States plan to implement EDR by the end of FY 2010. A 2007 audit report²⁵ estimated that if SSA had realized the EDR implementation goals, the Agency could have prevented \$13.8 million in incorrect payments made after death to 12,173 recipients. While we acknowledge that the *Intelligence Reform and Terrorism Prevention Act of 2004* (Pub. L. No. 108-458) gave DHHS primary responsibility for awarding grants to States so they may "computerize their death and birth records," we encourage SSA to continue its efforts to assist DHHS and other States in adopting EDR.

However, even with EDR participation, our audits have noted other corrective actions that should be taken to detect payments after death in a more timely manner. For example, we urged SSA to process death alerts as expeditiously as possible, so that payments made after a beneficiary's death may be recovered quickly and future payments can be ceased. Additionally, we encouraged SSA to periodically reconcile death information posted to its Numerical Identification File (Numident) with beneficiary records—to resolve discrepancies and ensure benefit payments are terminated for deceased individuals or SSA's Numident records are corrected when incorrect death information is present.

²³ *Match of Veterans Affairs' Historical Death File Against the Social Security Administration's Benefit Rolls*, issued June 2006, <http://www.ssa.gov/oig/ADOBEPDF/A-01-05-35086.pdf>; *Organizational Representative Payees Reporting Beneficiaries' Deaths*, issued April 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-01-06-15068.pdf>; *Survivor Benefits Paid in Instances When the Social Security Administration Removed the Death Entry From a Primary Wage Earner's Record*, issued September 2006, <http://www.ssa.gov/oig/ADOBEPDF/A-06-06-26020.pdf>; *Benefit Payments in Instances Where the Social Security Administration Removed a Death Entry from the Beneficiary's Record*, issued June 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-06-07-27156.pdf>; *The Social Security Administration's Controls and Procedures Over Supplemental Security Income Death Alerts*, issued May 2007, <http://www.ssa.gov/oig/ADOBEPDF/A-09-06-16128.pdf>; *Old-Age, Survivors and Disability Insurance Benefits Paid to Deceased Auxiliary Beneficiaries*, issued June 2001, <http://www.ssa.gov/oig/ADOBEPDF/A-01-00-20043.pdf>; and *Follow-Up Review of Old-Age, Survivors and Disability Insurance Benefits Paid to Deceased Auxiliary Beneficiaries*, issued June 2003, <http://www.ssa.gov/oig/ADOBEPDF/A-01-03-13037.pdf>.

²⁴ EDR is a web-based automation of the death registration process with an online real-time SSN verification process.

²⁵ *The Social Security Administration's Controls and Procedures Over Supplemental Security Income Death Alerts*, issued May 2007, <http://www.ssa.gov/oig/ADOBEPDF/A-09-06-16128.pdf>.

Representative Payee Oversight

When SSA determines a beneficiary cannot manage his or her benefits, SSA selects a representative payee who must use the payments for the beneficiary's needs. SSA reports there are approximately 5.4 million representative payees who manage about \$54 billion in annual benefit payments for approximately 7.3 million beneficiaries. In July 2007, the National Academy of Sciences (NAS) reported that SSA should take steps to better prevent and detect misuse of beneficiary funds. NAS concluded that SSA's current methods to detect misuse of benefits are not reliable and identified several characteristics of representative payees that may be potential indicators of misuse or poor performance. Finally, NAS recommended that SSA conduct targeted reviews of those representative payees most likely to misuse benefits. Our office has an ongoing audit that will determine whether SSA should use the NAS characteristics to identify representative payees with an increased risk of benefit misuse.

In the past year, our audits have identified issues with representative payees such as deficiencies with accounting for benefit receipts and disbursements, lack of effective controls over the receipt and management of funds, improper retention of overpayments, poor monitoring and reporting to SSA of changes in beneficiary circumstances, and inappropriate handling of beneficiaries' conserved funds. Although the improper payments resulting from poor representative payee oversight may not rise to the levels of other SSA programs, our audits and investigations have shown that insufficient monitoring and control over beneficiary funds causes this to be a high-risk area—prone to fraud, waste, and abuse. As such, we remain concerned about the representative payee program and have focused significant audit resources to identify potential solutions for this sensitive area.

In recent audits, we made numerous recommendations to ensure representative payees meet their responsibilities to the beneficiaries in their care. These included recommendations to improve controls over reporting changes in beneficiary circumstances that cause benefit overpayments, return conserved funds to SSA for beneficiaries who are no longer in their care, and maintain accurate accounting records of benefit receipts and disbursements. SSA generally agreed with our recommendations and has initiated corrective actions. However, to help prevent future occurrences, we encourage SSA to increase its representative payee monitoring for poorly performing representative payees.

Collection of Overpayments

SSA overpayments generally comprise benefit payments exceeding amounts to which beneficiaries are entitled. With few exceptions, overpaid individuals are responsible for repaying the overpayments. In FY 2007, SSA reported overpaying beneficiaries \$5.1 billion, or about 0.8 percent of the approximately \$619 billion SSA paid to beneficiaries that year.

In FY 2008, SSA collected \$2.81 billion in program debt. Collection techniques included internal methods, such as benefit withholding, billing, and follow-up. SSA also used external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program (TOP), credit bureau reporting, administrative wage garnishment (AWG), and Federal Salary Offset.

In numerous audits, we found that the effectiveness of SSA's efforts to collect overpayments could be improved. While SSA generally followed its procedures for billing and contacting delinquent debtors, it did not pursue other recovery methods available for all eligible cases. We found that TOP and AWG were effective tools for collecting outstanding debt from delinquent debtors, but were not pursued for all eligible debtors. We also found that SSA had not fully implemented its cross-program authority as authorized under the *Social Security Protection Act of 2004* (Pub. L. No. 108-203). SSA also did not always adjust overpayment balances when it issued certain critical payments.

In response to a draft of this report, SSA stated that, in August 2008, it implemented a software change, which selects all eligible cases for referral to TOP. Further, SSA stated that additional enhancements to its automated debt collection tools are planned as information technology resources become available and are approved for development. We are currently performing several follow-up audits to determine whether corrective actions SSA agreed to implement have helped improve the effectiveness of the Agency's overpayment collection efforts.

Common Themes and Potential Management Reforms: Improper Payments and Collection of Overpayments

When examining SSA programs with significant improper payments or insufficient debt collection practices, we noted several overarching themes—or “causes”—for the vulnerabilities identified. Accordingly, the following sections outline management reforms we believe address these causes, but which may require SSA and/or congressional action.

Limited Resources, Increasing Workloads, and Prioritization of Work

As discussed further in response to Question 4, SSA reports that it has been significantly under-funded for a number of years. At the same time, its workloads have increased—through additional retirement and disability applications, as well as new congressional mandates (for example, processing millions of Medicare Part D subsidy applications and expanded participation in employee eligibility verification programs). Given the Agency's resource limitations, it made tough decisions in prioritizing its workload. However, in our opinion, such decisions have sacrificed stewardship activities and increased improper payments. To better balance the Agency's stewardship and service missions, we support a legislative proposal, which is being

reviewed within the Agency, to create a self-funding program integrity fund as described below. We believe this is an innovative and budget-neutral plan and strongly encourage the Agency and Congress to consider authorizing this initiative.

Self-Funding Program Integrity Fund

As part of its post-entitlement work, SSA engages in a number of program integrity activities. These activities are designed to ensure proper expenditure of trust fund and general fund resources for the OASDI and SSI programs. Two of the Agency's key program integrity activities are CDRs (both periodic medical reviews and those triggered by work activity) and redeterminations of nonmedical factors of eligibility in the SSI program. Through both of these activities, SSA periodically reassesses beneficiaries' continuing eligibility for benefits and, in the case of redeterminations, corrects monthly payment amounts for those whose eligibility continues.

Although the return on investment is high for this work, SSA resource limitations and its decision to give higher priority to other workloads have resulted in a drastic decrease in program integrity activities. The *Contract with America Advancement Act of 1996* (Pub. L. No. 104-121) provided funding for CDRs from 1996 to 2002. Since that funding expired, however, medical CDRs have decreased over 60 percent, from over 679,000 in 2003 to fewer than 250,000 in 2008. The backlog, as of the end of FY 2008, was reported at 1.4 million CDRs, and SSA estimates that the backlog will reach about 1.6 million by the end of this FY. Redeterminations decreased more than 50 percent during the period 2003 to 2008.

To help ensure SSA has the resources to perform this critical work, we support a legislative proposal to create a self-funding program integrity fund. This proposal was drafted by SSA and, as of June 2008, contained the following two elements.

- Provide authority for SSA to expend a portion of actual collections of erroneous payments on activities to prevent, detect, and collect erroneous payments. Specifically, the proposal would establish permanent indefinite appropriations, subject to Office of Management and Budget (OMB) apportionment, to make available to SSA up to 25 percent of the actual overpayments collected during the base FY and make available to OIG up to 2.5 percent of the same collected overpayments.
- Establish a revolving fund that would be financed from SSA's stewardship/program integrity activities' projected lifetime savings. That is, SSA would be permitted to deposit up to 50 percent of the estimated future lifetime program savings from processing program integrity activities such as (but not limited to) CDRs, SSI redeterminations, Cooperative Disability Investigation Units, and Special Office of the General Counsel prosecutions. The Commissioner would be authorized to fund initiatives that would yield at least a 150 percent return on investment within a 10-year time period. This proposal would link budgeting for cost-effective program integrity activities with their results.

Program Complexity

Many of the laws and regulations governing SSA programs include complex nuances that, when interpreted, result in payment inaccuracies. As discussed earlier, the SSI program, WC offsets, and WEP/GPO have a myriad of provisions that involve human interpretation and computation. We believe that the inherent subjectivity in interpreting complex rules, mixed with a degree of intrinsic human error, contributes to the significant payment errors in these workloads.

Although reforms aimed at simplifying SSA programs are undoubtedly difficult to implement, we believe reducing the complexity of these programs, without sacrificing their intent, would help reduce millions of dollars in improper payments that occur each year. Legislative proposals were included in the President's 2009 budget aimed at addressing the complexity of cases involving WC offset and WEP/GPO. We encourage SSA to continue forwarding and supporting such legislative proposals. Also, we believe future consideration should be given to seeking congressional support to simplify the SSI program.

Reliance on Claimant Self-Reporting and Obstacles to Obtaining Data Verifying Claimant Assertions

To ensure the accuracy of critical benefit determinations, SSA personnel need more and better information—in real time. We believe SSA bases too many decisions on applicant assertions, without the necessary data to support their claims. For example, many of SSA's decisions rely on information about a person's age, identity, citizenship status, marital status, earnings—and, even whether the claimant or beneficiary is actually alive. Although SSA reviews some documentation supporting applicants' assertions (for example, birth certificates, immigration documents, marriage licenses), to adequately verify the authenticity of the assertions and documentation, SSA must rely on other Federal, State, local and private entities for such information. However, all too often, such information is not available in a real-time, online basis.

Examples follow:

- Vital statistics information on births, deaths, marriages, and divorces are maintained at the State and local level. This information is especially important to ensure accuracy in SSI calculations and prevent payments after death. While SSA has been actively working for years to develop online automated access to State vital statistics information, the Agency stated that State progress in providing access to this information has been slow.
- Earnings data is generally made available to SSA annually. Because of this delay, timely earnings information is not available for determining initial or continued benefit eligibility. All of the benefit programs SSA administers rely on workers' earnings. As such, improvements in the timeliness of such information would improve the accuracy of SSA's decisions and decrease improper payments.

- Information from other Federal agencies (the Department of Veterans Affairs, the Department of Homeland Security, etc.) often impact SSA benefit determinations. However, the current processes for sharing this information, which generally are governed by the *Computer Matching and Privacy Protection Act of 1988* (Pub. L. No. 100-503) and the *Privacy Act of 1974* (Pub. L. No. 93-579), often make these exchanges cumbersome and difficult. We believe the Federal Government should exchange critical information with more ease to prevent improper payments—while still ensuring the protection and privacy of our constituents.
- Information from third-party sources may also provide valuable information for benefit eligibility determinations. Currently, SSA allows its field offices Internet access to a global service that provides information to Government, corporate, legal, and academic markets. The database is an optional tool for SSA field offices, which can be used to obtain resource information for SSI applicants and recipients. While information obtained from this database may not be used to deny or suspend benefits, it may be used as a “lead” for further claimant discussion and review. SSA field offices may only use this database when they suspect certain circumstances exist that may impact a claimant’s eligibility for benefit payments.²⁶ However, we believe, with proper controls, such technology shows promise in preventing and reducing SSA improper payments. In fact, in an audit report we plan to issue soon, we noted that the use of this database may help determine the accuracy of SSI recipients’ allegations about vehicle ownership. In the report, we plan to recommend that SSA assess the costs and benefits of requiring use of this database for SSI applicants and recipients who may be less likely to report vehicle ownership.

The potential for success in using third-party sources to provide relevant and timely data was also recognized in an SSA study using a web application to obtain electronic asset verification from financial institutions.²⁷ The study findings indicated that using bank information could assist the Agency in identifying and verifying assets of SSI applicants and thereby prevent payments to individuals who exceed the asset limits. The project is expected to have a \$10 to \$1 return on investment but, so far, the Agency has not attempted to implement this project on a national basis because of resource limitations. Although we cannot currently substantiate the study finding, we plan to review the study results and evaluate the related cost/benefit of expanding the pilot nationwide. We plan to issue a report by the end of FY 2010.

²⁶ SSA POMS SI 01140.105, *Electronic Resource Information*.

²⁷ SSA Office of Quality Performance report, *Evaluation of the New York Bank Account Study and Access to Financial Institutions*, November 2006.

OTHER MANAGEMENT REFORMS NEEDED

Ticket to Work

In our August 2008 report, *Ticket to Work and Self-Sufficiency Program Cost Effectiveness*,²⁸ we concluded that the Ticket to Work program, which was established to promote the economic self-sufficiency of disabled beneficiaries, did not appear to significantly increase the percentage of disabled beneficiaries who returned to work. The Congressional Budget Office (CBO) projected that the Ticket to Work Program would reduce annual payments to beneficiaries by \$7 million, \$27 million, and \$60 million in FYs 2004, 2005, and 2006, respectively. In FY 2009, the reduction in outlays due to the Ticket Program was projected to be \$110 million.

Based on our analysis of savings for the Program participants we reviewed and the additional costs incurred due to the Ticket Program, it does not appear that SSA realized the savings projected by CBO. Our study found that the Ticket Program has not significantly increased the rate at which disabled beneficiaries return to work—remaining at about one-half of 1 percent through 2006. Therefore, while the Ticket to Work Program cost SSA \$138 million annually, it has not realized the outcomes and savings envisioned by Congress. As such, we believe SSA and Congress should evaluate the continued viability of this program. And, more broadly, SSA and Congress should work together to develop strategies to help more disabled beneficiaries return to work.

Information Systems Planning, Development, and Oversight

Information systems are a key factor in the Agency's ability to carry out its initiatives. As such, the planning, management, and oversight of information technology (IT) development has become increasingly important. In lean times, resources must be directed to projects that yield optimal efficiency and effectiveness.

Within the past 2 years, we conducted audits of SSA's Information Resources Management (IRM) Strategic Planning²⁹ and Exhibit 300 report processes.³⁰ We also determined whether SSA obtained the intended value from its IT projects.³¹ Overall, we found that SSA had made reasonable efforts to manage its major IT projects; however, there are areas the Agency needs to improve.

²⁸ See full report at <http://www.ssa.gov/oig/ADOBEPDF/A-02-07-17048.pdf>.

²⁹ *The Social Security Administration's Information Resources Management Strategic Plan*, issued September 2007, <http://www.ssa.gov/oig/ADOBEPDF/A-14-07-27133.pdf>.

³⁰ *Reliability and Accuracy of the Social Security Administration's Exhibit 300 Submissions to the Office of Management and Budget*, issued September 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-14-08-18018.pdf>.

³¹ *Social Security Administration's Management of Information Technology Projects*, issued July 2007, <http://www.ssa.gov/oig/ADOBEPDF/A-14-07-17099.pdf>.

SSA needs to establish a long-range IRM strategic planning process that covers a period consistent with the Agency's Strategic Plan. An improved plan would help SSA better direct its IT resources and ensure IRM decisions are integrated with organizational planning, budget, procurement, financial management, human resources management, and program decisions. According to OMB, an IRM Plan should support the Agency's Strategic Plan, which must cover a minimum of 5 years. Currently, SSA's IT planning process and performance goals cover only 2 years—even though some IT projects approved by SSA management have life spans beyond that period. However, in response to a draft of this report, SSA reported that the Agency has developed an IRM Strategic Plan for FYs 2009 through 2014, which is in the review process.

Other Federal agencies, such as the Farm Credit Administration and the Bureau of Land Management, have IRM Plans that include long-term planning for their system development projects. Although these are smaller agencies, we believe a similar practice would be beneficial to SSA.

SSA needs to ensure IT investments are properly evaluated for costs and benefits; and that these results influence IT budget decisions. SSA and OMB use the Exhibit 300 reporting process to plan and monitor IT project investments. These reports include estimated costs and projected benefits. SSA's IT planning needs to ensure the best available data are used to estimate project costs and anticipated benefits. Our work found that SSA did not use the most accurate data and estimates available to prepare its Exhibits 300. Furthermore, the Exhibit 300 reporting process did not ensure that budget estimates were free of error and supported with complete documentation. In response to a draft of this report, SSA reported that the Agency has added reviews to help ensure it discovers and corrects errors in a timely manner.

SSA needs to develop an effective process to complete post-implementation reviews (PIR). These reviews would independently verify IT investment results after a project is completed to ensure the functionality and cost savings were ultimately achieved. At SSA, the Information Technology Advisory Board (ITAB) is the governing body for its IT planning process and is responsible for the development of the Agency IT Systems Plan. SSA's ITAB evaluates functionality, return on investment, and cost savings information to formulate its decisions during the IT planning process. However, IT investment results have not been independently verified after project completion to ensure that the functionality and cost savings were ultimately achieved.

As a part of the Agency's ITAB process, SSA typically estimates the potential number of full time equivalents (FTE) and related dollar savings that will result by implementing IT projects. As indicated in the chart below, in FYs 2007 through 2009, SSA reported that between 58 and 84 new and continued projects would save at least 68,650 FTEs over a 7-year period. The projected dollar savings for these projects were significant—ranging from about \$10 to \$20 billion over a 7-year period.

SSA's Return on Investment Summary				
Savings Reflect the Total Savings Over a 7-Year Span				
Fiscal Year Cost Savings Estimated	Total Projects (New and Continued)	Number of Projects (New and Continued) with FTE Savings over 100	Total FTE Savings for Projects (New and Continued) With FTE Savings over 100	Net Dollar Savings for the Total Projects (in Millions)
2007	195	58	70,121	\$12,444
2008	196	84	80,516	\$20,771
2009	189	67	68,650	\$10,591

While the projected FTE and dollar savings are impressive, we are concerned that these estimates are not realistic and do not reconcile to SSA's annual productivity statistics. For example, if SSA saves almost 70,000 FTEs over a 7-year period, the Agency ostensibly could use 10,000 FTEs each year to increase productivity in other SSA workloads. Using 10,000 of the Agency's approximately 60,000 FTEs (or 17 percent) for other workloads should result in significant productivity increases in areas that may have been previously neglected because of a lack of resources. Yet, in FY 2007, SSA recorded a productivity increase of only about 2 percent. While this may be a simplistic example of a far more complex process, the disparity between the projected FTE savings and actual productivity increases is marked.

Accordingly, we believe PIRs would enable the ITAB to determine whether many of the IT projects it assessed and approved resulted in SSA achieving the projects' functionality and cost savings. Furthermore, without verification of this information, the ITAB cannot demonstrate that the Agency is receiving value for its IT investments. In response to a draft of this report, SSA stated that, beginning in April 2009, it will have a process in place to ensure PIRs are performed on incremental releases of larger projects.

SSA needs to carefully plan its eServices to meet the needs of its customers, while maintaining strong security measures. Although SSA has had a longstanding history of providing face-to-face service, given budget constraints, opportunities provided by technology, and changing service expectations of the public, it is realistic and desirable that SSA continues to expand its provision of electronic services. At the end of FY 2007, SSA was offering 17 eServices to the public. One of these services, the Internet retirement application, has been available for about 8 years. As of March 28, 2008, only 13.6 percent of SSA's FY 2008 retirement applications were filed online. In response to a draft of this report, SSA stated that the Agency has realized major increases in the use of eServices since that time. Specifically, retirement and disability claims filed online increased to 34.3 percent and 22.8 percent, respectively. And, by mid-April 2009, the number of Internet claims surpassed the total number filed online during all of FY 2008. SSA attributed this increase to its new streamlined Internet application released in December 2008 (iClaim) and an aggressive public information campaign.

Studies have shown that the public wants to conduct more business via the Internet and the *E-Government Act of 2002* (Pub. L. No. 107-347) requires that Federal agencies provide more Internet services when practicable. SSA has plans to increase the use of its Internet retirement application and expand its online services. However, SSA must overcome several challenges to meet its Internet services goals, including increasing its use, implementing planned enhancements, and addressing critical issues related to security.

To that end, we support the Agency in its efforts to take advantage of technology to make work processes more efficient and provide the responsive service the public expects. In an August 2008 report,³² we highlighted authentication expansion and improved system infrastructure as two critical issues that SSA must address to successfully expand and increase the use of eServices. First, given the future enhancements and the nature and sensitivity of information maintained in SSA's systems, it is imperative that Agency employees know with whom they are doing business, regardless of contact method (in-person, on the telephone or online). This is increasingly important in an online environment because authentication plays a key role in any expansion of eServices. Successful expansion of electronic authentication is essential for the Agency to completely automate processes, such as enumeration, disability, and SSI claims.

Second, use of SSA's eServices has been negatively impacted in the past by unexpected system outages. After an outage, it is difficult for an organization to regain the confidence of its users, resulting in lower usage and negative publicity. Although SSA indicated it has made changes to improve the availability and stability of its Internet applications, we believe a continued focus on preventing such outages is important as SSA expands its eServices. To that end, we believe it is important for SSA to remain vigilant and ensure that all systems related to eServices as well as those that could impact them (other processes that can consume computer resources or network capacity) are tested to ensure they do not unexpectedly terminate and prove they can handle additional workload as more of the public begins to use the new eServices provided. All systems should be closely monitored after implementation to identify and correct anomalies as soon as possible so system outages do not occur.

³² *Quick Response Evaluation: The Social Security Administration's Electronic Government Services*, issued August 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-14-08-28113.pdf>.

Question 2

To what extent does the Agency provide the public—including beneficiaries, claimants, and workers—with timely and accurate service? Are there deficiencies in particular areas?

SSA and its employees touch the lives of almost every U.S. citizen. For many, this interaction occurs at critical times, such as the death of a loved one, a disabling illness or a desire to retire. Despite daunting challenges, SSA provides timely and accurate services for many individuals seeking SSA assistance. Annually, SSA pays over half a trillion dollars to its beneficiaries, who in FY 2008 totaled almost 60 million. In FY 2008, SSA accomplished other significant workloads. Examples of approximate workloads are as follows.

- 4.2 million retirement and survivor's insurance applications;
- 2.6 million initial disability claims;
- 900,000 Medicare Part D, Low-Income Subsidy applications;
- 320,000 SSI-aged applications;
- 18 million Social Security number (SSN) card applications;
- 270 million employer and self-employment earnings reports;
- 1 billion SSN verifications for third parties;
- 60 million callers to its National 800 number; and
- 44 million visitors to its field offices.

Nevertheless, the Agency faces unacceptable processing times and backlogs in the disability area. Additionally, weaknesses exist in the Agency's National 800 number service, which impact SSA's ability to provide timely and accurate service. Further, the Commissioner recently stated that, even with all available field office employees and managers devoted to servicing visitors, waits are long.

We generally addressed the *accuracy* of SSA's services in response to Question 1. Accordingly, the remainder of our response to this question will focus on the timeliness of SSA's services.

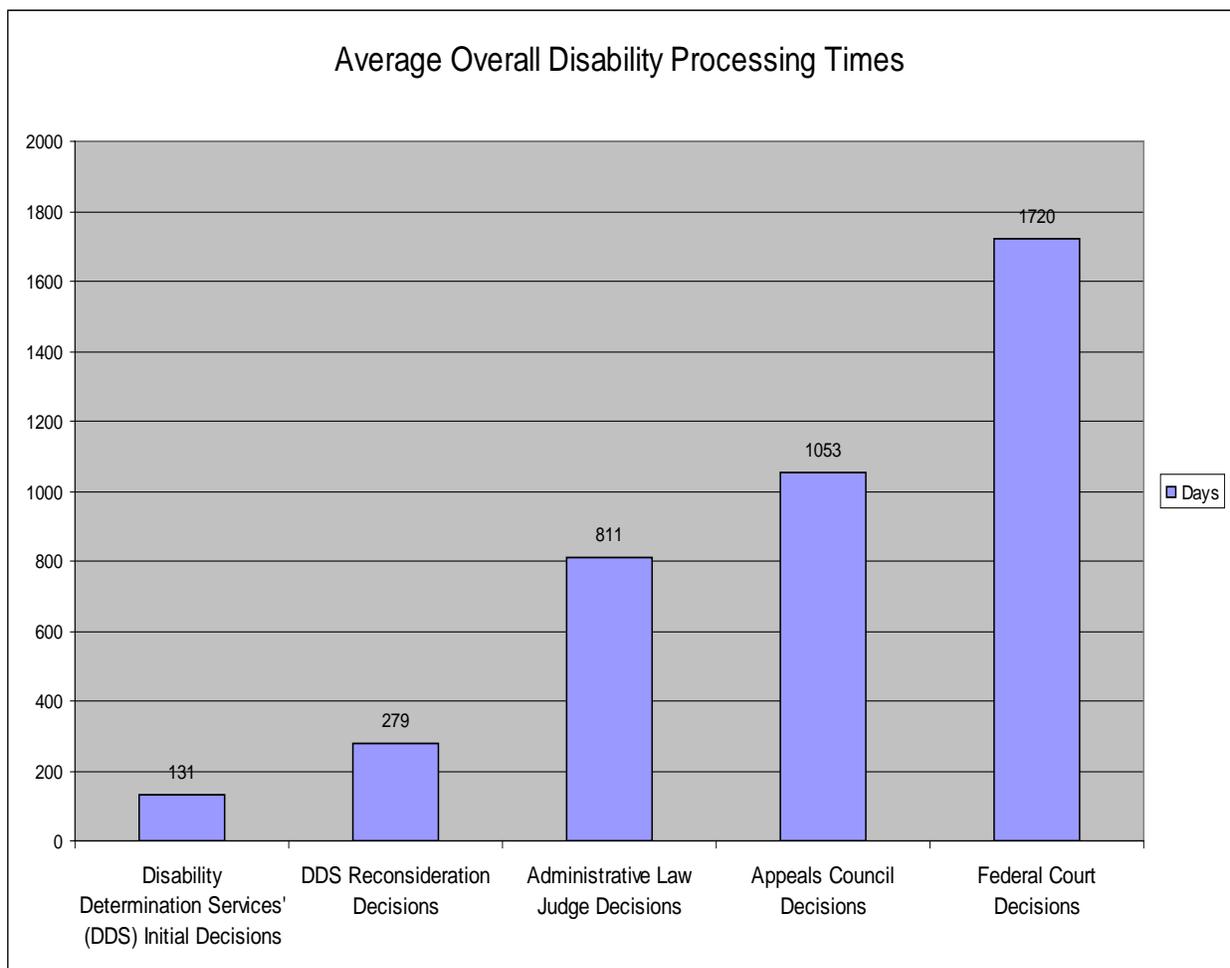
Timeliness of Disability Claims Processing

In a December 2008 audit, *Disability Claims Overall Processing Times*,³³ we determined how long it took, on average, for a claimant to go through the entire disability process—in Calendar Year 2006—from the date he or she filed an application until the date SSA denied the claim or awarded the claim and issued the benefits due. This processing time, based on the claimant's perspective, may amount to years, during which a claimant's condition may worsen or additional evidence may become available. As a

³³ For full report see <http://www.ssa.gov/oig/ADOBEPDF/A-01-08-18011.pdf>.

result, he or she may be denied benefits at one adjudicative level and later allowed at another adjudicative level.

While our measure tracks the time it takes a person to go through the entire process, SSA's measures track the time it takes a person to go through specific segments of the disability process for the purpose of managing workloads within each component. Our overall average disability processing times are illustrated in the following chart (these processing times are cumulative—not incremental.) Additionally, it should be noted that only a small number of cases are subject to every level of adjudication. For example, in Calendar Year 2006, over 2.6 million cases were decided at the Disability Determination Services (DDS) level (initial and reconsideration decisions). However, only about 8,100 cases were decided at the Federal Court level.³⁴



We believe that the processing times determined in this review may assist SSA and the Congress in making decisions about the disability programs—which is especially

³⁴ For the purposes of our report, the average processing time for “Federal Court Decisions” includes decisions made by Federal District Courts, Circuit Courts of Appeals, and the Supreme Court of the United States.

important in light of the increasing number of baby-boomers entering their disability-prone years.

According to SSA's Strategic Plan, "[the Agency's] effectiveness will be determined by how well [SSA] meets the needs and expectations of the American people. Its success will also be measured by how we manage resources to provide services and benefits in a way that is responsive to the American public."

We recommended SSA develop and publish a measure that shows the overall disability processing time from the claimant's perspective. In response to the recommendation, SSA stated the following.

We agree that there would be a benefit to the agency, Congress, the public, and prospective disability claimants. However, we have concerns about implementing this additional performance measure. For example, an overall processing time measure portrays a "worst case scenario" where the claimant proceeds through all levels of appeal, which occurs in a relatively small handful of cases, but some observers may cite the measure as applying to all cases. An additional complication is that multiple components have different pieces of the overall processing time; these components use different systems to collect and report disability process-related data. It would also be difficult to define the reporting period because claims that go deep into the appeals process often are pending for extremely long periods of time, and much of this time is not within our control. While we agree with the intent of this recommendation, we must fully consider and address these issues before adopting an overall processing time measure.

The OIG will most likely conduct this type of review again in a few years to calculate Disability Insurance processing times from the claimants' perspectives.

Disability Hearings Backlog

The Office of Disability Adjudication and Review (ODAR) is responsible for holding hearings and issuing decisions as part of SSA's process for determining whether a person may receive benefits. ODAR directs a nationwide field organization staffed with about 1,200 Administrative Law Judges (ALJ), who conduct impartial hearings and make decisions on appealed determinations involving retirement, survivors, disability, and SSI. ALJs are supported by hearing office staff who conduct initial case screening and preparation; maintain a control system for all cases in the hearing office; conduct prehearing case analyses; develop additional evidence; schedule hearings; and write, type, and send notices and decisions to claimants. With over 500,000 decisions issued each year, ODAR is considered one of the largest administrative judicial systems in the world.

SSA's disability programs have grown significantly over the last 5 years and will continue to do so at an increasing rate as (1) aging baby boomers reach their most disability-prone years and (2) the struggling economy has increased the disability claims caseload by about 10 percent more than SSA had projected and budgeted. As a result, the backlog of cases awaiting a decision from an ALJ has risen from over 463,000 at

the end of FY 2002 to approximately 765,000 currently. This also results in individuals waiting on average about 500 days to receive a disability decision—an increase of about 200 days in the last 7 years.

Eliminating the hearings backlog is one of SSA's top priorities. Consequently, the Commissioner recently testified that the Agency hired 190 ALJs and support staff using FY 2008 funds and will hire more in FY 2009. In addition, SSA established a goal that all ALJs process 500 to 700 cases each year and plans to eliminate the backlog by 2013. However, the overall average in FY 2007 was 474 dispositions per ALJ. In fact, 57 percent of the ALJs issued 500 or fewer dispositions. Unless SSA is able to increase the number of hearing dispositions, the backlog of cases will increase, rather than decrease, over the next several years.

SSA's success in reducing the backlog of cases depends on many factors, including its ability to hire additional ALJs and support staff and the successful implementation of numerous backlog-reducing initiatives. SSA has undertaken 37 initiatives to eliminate the backlog and prevent its recurrence. In a prior OIG review,³⁵ we identified factors impacting ALJ productivity. These factors related to adjudicatory capacity, hiring additional ALJs and staff, new automation, remanding cases to DDSs, and quality assurance improvements.

Although significant changes have been made to SSA's hearings and appeals component, given long-standing issues, SSA's progress in reducing the backlog should be closely monitored. Inaction or ineffective action by SSA could significantly hinder its ability to reduce the backlog of disability cases and, in fact, could result in an increase in the backlog and longer waiting times for potential beneficiaries.

SSA's National 800 Number

SSA has approximately 6,500 employees across the country trained to answer National 800 Network calls. In FY 2006, SSA reported that there were about 59.5 million transactions handled by the network. However, in 2007,³⁶ we identified opportunities for improvement. We established that management needs a system to identify callers with unsuccessful outcomes in the automated system, determine if and why its automated options have low completion rates and take necessary steps to improve the service provided. We also recommended that SSA develop quantitative performance measures and goals to measure the effectiveness of the automated service system. Improvements in the automated service provided on SSA's National 800 number service may reduce the number of callers requiring assistance from a live teleservice center agent.

³⁵ *Congressional Response Report: Administrative Law Judge and Hearing Office Performance*, issued August 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-07-08-28094.pdf>.

³⁶ *The Effectiveness of the Social Security Administration's 800-Number Automation Service*, issued October 2007, <http://www.ssa.gov/oig/ADOBEPDF/A-02-07-17049.pdf>.

The Commissioner recently testified that the Agency's inability to hire staff has contributed to teleservice centers' deterioration in service. The Commissioner indicated nearly 15 percent of callers to SSA's National 800 number receive a busy signal. As a result, many of the customers who were unable to conduct their business over the National 800 number chose to go to their local field office, which contributed to the higher field office waiting time.

In response to a draft of this report, SSA stated that it will soon conduct an analysis of how to measure unsuccessful outcomes in the automated system. The analysis will be part of a broader study reviewing automated services as a whole, how to best measure their effectiveness, and how to improve the services the Agency provides to the public.

Field Office Wait Times

Between FYs 2005 and 2007, SSA's customer satisfaction rating dropped. Reduced field office staffing may have contributed to the continued increase in customers' waiting times in field offices. According to the Commissioner, the Agency's online filing percentages will need to increase to 50 percent within the next 5 years "to keep field offices from being totally overwhelmed."

The Commissioner recently testified that field offices have steadily experienced an increase in the number of visitors. In FY 2008, field office visitors averaged 854,000 per week. However, in February 2009 alone, field offices helped an average of over 940,000 visitors per week, and SSA expects this upward trend to continue throughout FY 2009. According to SSA, this upward trend is due, in part, to the current economic downturn, which is leading many individuals to apply for retirement or disability payments. The Commissioner testified that even with all available field office employees and managers serving the visitors, waits are long.

Question 3

What programs or components exemplify efficient and effective operations?

To its credit, every month, SSA correctly and timely pays billions of dollars to millions of entitled beneficiaries. While improvements are needed in some critical areas, we readily acknowledge that this is an enormous feat. Additionally, the following programs or components are examples of efficient and effective SSA operations.

Cooperative Disability Investigations Program

SSA's Cooperative Disability Investigations (CDI) program, created in FY 1998, is a joint anti-fraud initiative that identifies and prevents fraud in the Agency's disability programs and related Federal and State programs. This initiative relies on the combined skills and specialized knowledge of SSA's OIG, SSA, State DDSs, and State or local law enforcement personnel. Since its inception, the CDI units³⁷ are responsible for over \$1 billion in projected savings to SSA's disability programs and approximately \$665 million in projected savings to non-SSA programs.

Enumeration Program

SSA continues to make enhancements to its enumeration process to help ensure the Agency is properly assigning SSNs. Some of SSA's more notable enumeration improvements include the following.

- Verifying most immigration documents before assigning SSNs to noncitizens.
- Establishing Social Security Card Centers,³⁸ which focus exclusively on assigning SSNs and issuing SSN cards.
- Requiring that field office personnel who process SSN applications use the Agency's *SS-5 Assistant*, a Microsoft Access-based application intended to increase control over the SSN application process. This program provides field office personnel processing SSN applications structured interview questions and requires certain data to complete the application process. Additionally, SSA plans to implement a web-based enumeration system known as the SSN Application Process. According to SSA, the phased-in release of this process is scheduled for August 2009.

³⁷ As of FY 2009, there are 20 CDI Units.

³⁸ SSA's SSN Card Centers are located in Phoenix, Arizona (Downtown and North); Orlando, Florida; Las Vegas, Nevada; Sacramento, California; and Brooklyn and Queens, New York.

The Office of the Chief Actuary

The Office of the Chief Actuary (OACT) performs financial evaluations of the Social Security program and makes proposals to change the program. OACT studies both the immediate and long-range problems of financing program costs, estimates future workloads, and evaluates operations of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund. Over the years, data, assumptions, and methodologies used in these financial evaluations have been provided to experts both inside and outside Government for their use and review. The work of OACT has been reviewed on a regular basis by outside panels. These experts and panels have found OACT's work sound and its staff highly competent.

Agency Responses to Natural Disasters and Terrorist Attacks

SSA has consistently taken proactive steps to ensure continued service delivery to affected individuals while implementing controls and measures designed to detect duplicate payments and identify possible instances of fraud, waste, and abuse. For example, SSA moved quickly to ensure that Hurricanes Katrina and Rita victims continued to receive their monthly payments and other vital services. In addition, SSA responded to the September 11th terrorist attacks by activating special emergency procedures to give the fastest possible service to families of the victims.

Financial Statements

In FY 2008, SSA received its 15th consecutive unqualified financial statement audit opinion. The unqualified opinion attests to the fair presentation of SSA's financial statements and demonstrates SSA's discipline and accountability as stewards of Social Security funds. Additionally, SSA's *FY 2008 Performance and Accountability Report* received the Certificate of Excellence in Accountability Reporting from the Association of Government Accountants for the 11th time. SSA is the only Agency to have received this prestigious award each year since its inception.

Old-Age and Survivors Insurance Claims

According to SSA's FY 2008 *Improper Payments Report*, the Agency achieves a very high accuracy rate in processing Old-Age and Survivors Insurance (OASI) claims. In FY 2007, the Agency reported that 99.8 percent and 99.9 percent of OASI payments are free of overpayment and underpayment errors, respectively. Additionally, to improve the efficiency of processing retirement claims, SSA recently implemented the iClaim application to allow claimants to complete and submit applications for retirement via the Internet. This process, known as *Ready Retirement*, is part of an innovative initiative to enhance customer service through improved policies, processes, and systems to prepare the Agency for the 80 million baby boomers who will file for retirement over the next 20 years. While we have not audited these processes, we

applaud the concepts. We will monitor the use and processing of iClaims to ensure the accuracy of OASI claims remains high, while improving the efficiency of the application process.

Question 4

Describe the adequacy of funding and staffing levels for the Agency.

While SSA has a strong commitment to serving the public and administering its programs, the Agency has stated that carrying out its primary responsibilities is greatly hampered by insufficient funding, which has impacted staffing levels. SSA and the Social Security Advisory Board have indicated that chronic under-funding has contributed to the Agency's current crisis—hearing case backlogs, deferred program integrity actions, increased field office wait times, and increased unanswered calls to the National 800 number. Because of insufficient funding, SSA's staffing levels are at their lowest since 1972—before the SSI program began. In addition, according to SSA, its workloads will experience a tremendous growth over the next 5 years as the wave of baby boomers reach retirement age. For example, SSA's *Strategic Plan, Fiscal Years 2008 - 2013*,³⁹ projects that OASI and Medicare workloads will increase by 28 percent, SSI aged applications by 23 percent, and SSN applications (new and replacement) by 9 percent.

In addition to its core workloads, SSA is also tasked with responsibilities related to the Medicare Prescription Drug program, verification of employment eligibility, and Medicaid and Food Stamp programs. Moreover, SSA manages an extensive repository of information, requiring the Agency to post 270 million earnings items annually to workers' records, maintain over 60 million SSI records, and store 250 million medical records, which SSA has indicated is increasing at the rate of 2 million per week. SSA estimates over 53 percent of its current employees will be eligible for retirement by FY 2017, resulting in a loss of institutional knowledge. This, combined with the expected workload increases, will impact SSA's ability to meet the public's expectation of quality service.

Although SSA's current budget increased, the Agency will need to use the additional funding to achieve its most critical workloads. We believe SSA needs to implement meaningful measures and tools for tracking its progress in achieving the goals for which this funding was provided.

The OIG has not performed any audit work to confirm whether funding shortfalls and diminished staffing levels have impacted SSA's ability to operate effectively. However, we have identified and reported to SSA what we determined were its most serious management and performance challenges, such as the management of its disability process, improper payments, and recovery of overpayments. In addition, we have recommended courses of action the Agency should take to improve its service and stewardship activities. Nevertheless, at times, SSA has agreed with our recommendations to improve certain programs and operations, but noted that the

³⁹ See full report at http://mwww.ba.ssa.gov/asp/ASP2008-2013_Final.pdf.

implementation of the recommendations would be delayed until needed resources were available.

ODAR

As mentioned earlier, SSA's disability programs have grown significantly and will continue to grow. The current case backlog is about 765,000, which has resulted in individuals waiting on average about 500 days to receive a disability decision. As such, wait times for a decision have increased by about 200 days in the last 7 years. SSA's success in reducing the backlog of cases depends on many factors, including its ability to (1) hire and train additional ALJs and support staff, (2) provide improved automation and other tools to enhance hearing office performance, and (3) work with ALJs and support staff to increase productivity and timeliness. With additional funding provided in FY 2009, SSA plans to hire up to 157 ALJs in FY 2009 to help address the backlog and influx of new disability claims. SSA also plans to hire additional support staff—expecting to increase the current staff-to-judge ratio.

Possible DDS Furloughs

Another issue impacting SSA's disability workload concerns States who may furlough employees, including DDS employees. In a recent review of this issue, we determined that five States were furloughing DDS employees—California, Connecticut, Maryland, Massachusetts, and Oregon. These five States comprise over 15 percent of the national DDS workload each year.⁴⁰ For California, we estimated that this would delay over 2,300 applications from being processed, of which we estimated 776 would result in allowances. Because of the furlough, we estimated that some newly disabled claimants in California would receive delayed benefit payments totaling \$648,000. Further, since January 1, 2009, California's initial claims pending have increased by 9.7 percent and its reconsideration claims pending have increased by 16.1 percent as a result of increased applications and the State furloughs. The Commissioner sent a letter to each of the relevant Governors, reminding them that SSA, not the States, pays 100 percent of the costs of processing these workloads.

CDRs and Redeterminations

SSA indicated that continual under-funding contributed to the Agency's reduction in the number of CDRs and redeterminations that staff performs. The Agency chose this plan of action to maintain its frontline services, such as processing initial claims and issuing SSN cards.

As mentioned previously, our audits have shown that medical CDRs and redeterminations are effective in reducing improper payments. However, between FYs 2003 and 2008, SSA decreased the number of medical CDRs and redeterminations it conducted by about 60 percent and 50 percent, respectively. In an

⁴⁰ *Impact of State Employee Furloughs on the Social Security Administration's Disability Program*, issued March 2009, <http://www.ssa.gov/oig/ADOBEPDF/A-01-09-29137.pdf>.

April 2009 audit,⁴¹ we determined that SSA performed benefit recalculations and increased beneficiaries' payments without performing a work-related CDR. As such, SSA missed a savings opportunity. Overall, we estimated that SSA could save \$15 for every \$1 it spent on work-related CDRs. Therefore, we recommended—and SSA agreed—to develop and implement a plan to allocate more resources to timely perform work-related CDRs. SSA stated that resources provided by the *American Recovery and Reinvestment Act* and the Agency's FY 2009 appropriations will help reduce the pending workload levels, including work-related CDRs.

Information Security Management Structure and Staff

In an ongoing audit, which will be released shortly, we determined SSA's security management structure and current level of responsibility and resources provided to the Chief Information Officer (CIO) and the Chief Information Security Officer (CISO) are not sufficient to support the security responsibilities as defined by current Federal laws, regulations, and requirements and to meet the needs of the future challenges. Our review found the following issues with SSA's security management structure:

- SSA's CIO and CISO do not have sufficient delegated authorities and resources. For example, they do not
 - manage, direct, or monitor SSA's agencywide security program as a whole;
 - have authority over personnel security, physical security, and security of SSA's data exchange program; or
 - lead SSA's Continuity of Operations program.
- SSA has a decentralized security program structure without a single management focal point. The CISO's delegated authority is limited to security policy making and does not include responsibility for SSA's agencywide compliance with the *Federal Information Security Management Act of 2002* (FISMA), Pub. L. No. 107-347, and other security standards and requirements.
- SSA should consider a security structure that will enable the Agency to meet future security requirements. The *FISMA Act of 2008*,⁴² which was proposed but not enacted, would have made the CISO the primary senior officer for information security and systems. The proposed legislation would have placed the CIO's current FISMA responsibilities under the CISO. The legislation also would have required the Agency's incident reporting capability to be housed in the office of the CISO and would have required the CISO to perform continuous monitoring of malicious activities on Agency networks. Although the legislation was not enacted, similar legislation may be introduced in the future. We believe these provisions are sound practices that SSA should consider adopting, even in the absence of legislation.

⁴¹ *Follow-Up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File*, issued April 2009, <http://www.ssa.gov/oig/ADOBEPDF/A-01-08-28075.pdf>.

⁴² U.S. Senate Bill Number 3474, *Federal Information Security Management Act of 2008*, was introduced in the 110th Congress in September 2008.

Doing so would demonstrate SSA's commitment to ensuring the security of the vast amount of personal information stored in its systems.

Field Office Wait Times

As mentioned in response to Question 2, the Commissioner recently testified that SSA field offices have steadily experienced an increase in the number of visitors. In February 2009, field offices averaged over 940,000 visitors per week—representing a 10 percent increase over last year. Additionally, in FY 2008, over 3 million visitors waited more than 1 hour before field office personnel could assist them. Eventually, field office visits may decrease as more eServices are provided by the Agency and used by the public. However, to achieve SSA's service goals in the interim, the Agency may require additional funding and staff for its approximately 1,300 field offices.

National 800 Number Staffing

The Commissioner recently testified that the Agency's inability to hire teleservice center staff has contributed to a deterioration in service by the National 800 number. The Commissioner indicated nearly 15 percent of callers who call SSA's National 800 number receive a busy signal. As a result, many of the customers who were unable to conduct their business over the telephone chose to visit their local field office, which contributed to the higher field office waiting time. As with field office visits, eventually, calls to the National 800 number may decrease as more eServices are provided by the Agency and used by the public. However, to achieve SSA's service goals in the interim, the Agency may require additional funding and staff for its teleservice centers.

Question 5

What has been done to address high-risk areas or material weaknesses in the programs or components identified as needing improvement?

To their credit, SSA leadership and personnel endeavor to address weaknesses identified in Agency programs or components. The following response is not all-inclusive, but provides information on some of the Agency's more notable initiatives.

Disability Initiatives and ODAR Backlog Reduction Plan

The Commissioner's plan to eliminate the disability backlog of hearing requests and prevent its recurrence focuses on (1) compassionate allowances, (2) improving hearing office procedures, (3) increasing adjudicatory capacity, and (4) increasing efficiency with automation and improved business processes. The compassionate allowances initiative builds on the success of the Quick Disability Determination process, which identifies and allows benefits to applicants who are obviously disabled. SSA has developed and expanded the use of automated screening tools to identify types of cases that fall under the compassionate allowances initiative. SSA has improved hearing office procedures by focusing on eliminating the backlog of aged cases, currently those that are over 850 days old. SSA has increased adjudicatory capacity by filling dockets to capacity, working with ALJs to increase dispositions per year, and establishing National Hearing Centers. Finally, the Agency increased efficiency with automation and improved business processes by having all DDS and ODAR offices transition from processing disability claims using paper folders to using electronic folders.

Enumeration Controls

As mentioned in response to Question 3, over the past decade, SSA has implemented numerous improvements to its enumeration process. We recognize that with these new procedures, the enumeration workload has increased in complexity for SSA personnel and resulted in some difficulties or delays for SSN applicants. Despite these challenges, we believe SSA's improved procedures help ensure the Agency is properly assigning these very important numbers.

Electronic Death Registration

SSA is currently working with State governments and other jurisdictions on a streamlined death registration process, known as Electronic Death Registration (EDR). EDR will replace the States' more labor-intensive process through which SSA currently receives death information. This streamlined electronic process allows States to transmit to SSA more accurate and timely death reports. EDR allows SSA to receive verified death reports within 5 days of the individual's death and within 24 hours after the State receives it. SSA can take immediate action to terminate benefits on these

cases. According to SSA, EDR transactions are virtually error free, and SSA systems automatically stop benefits without employee intervention. Yet, according to SSA, many States lag so far behind with respect to the technology needed that a grant from DHHS (the Agency with primary responsibility for this initiative) would not be sufficient to enable the States to participate. As such, EDR has slowly expanded on a State-by-State basis. As of March 31, 2009, 25 States, New York City, and the District of Columbia participate in this initiative. Five additional States plan to implement EDR by the end of 2010.

Human Capital Planning

As of June 30, 2008, SSA received a “green” assessment on the President’s Management Agenda scorecard under human capital initiatives. This scorecard tracks how well the departments and major agencies were executing certain governmentwide management initiatives. However, SSA, like many other Federal agencies, is being challenged to address its human capital shortfalls. The Agency projects over 53 percent of its employees will be eligible to retire by FY 2017. It is expected this will result in a loss of institutional knowledge that will affect SSA’s ability to deliver quality service to the public. The Agency’s service and staffing challenges must be addressed by leadership and succession planning, strong recruitment and retention strategies, and competency development and increased training. SSA has implemented various strategies to address its human capital challenges, such as filling positions before key vacancies occur, using understudies in targeted positions, conducting leadership symposiums to strengthen knowledge and skills of mid-level managers, and developing plans to minimize competency gaps in mission-critical occupations.

The Agency reported that it also redirected and established new priorities to address its service delivery challenges. One of its priorities was to increase efficiency through technology. SSA reported using speech technology for the National 800 number to reduce call handle-time, increase overall accuracy, and improve efficiency by reducing the time callers spend navigating through menu prompts. The Agency also released a newly redesigned *Social Security Online* homepage to make the website more user-friendly and help reduce the number of unnecessary trips customers would make to their local Social Security office.

The U.S. Government Accountability Office reported SSA field offices largely met work demands between FYs 2005 and 2007, despite operating with fewer staff and an increased demand for services. To manage the workload, field offices shared work among offices and redirected staff to meet critical needs. The Agency also encouraged customers to make greater use of Internet and other eServices.

Studies have shown that the public wants to conduct more business via the Internet, and SSA has taken steps to address the challenges of offering eServices to the public. Since the Agency publicized that the first baby boomer filed for retirement using the Internet, it has seen a 43-percent increase in the number of retirement applications filed online. SSA’s Internet retirement application is one of the highest rated Internet

applications in the Government, and the Agency estimates that Internet retirement claims have saved adjudicators an average of 13 minutes, up from 9 minutes in 2006. Furthermore, SSA has been successful in familiarizing field office staff with the Internet application, with almost two-thirds of the staff saying it was very easy to assist the public when asked questions regarding the application. SSA plans to implement a redesigned Internet retirement application that features easier navigation and simple on-screen help and will only ask questions pertinent to an individual's personal situation based on information already housed in SSA's electronic records.

Question 6

Are the Agency's financial accounting systems adequate?

SSA's FY 2008 consolidated financial statements, including the Statement of Social Insurance, received the 15th consecutive unqualified financial statement audit opinion. The unqualified opinion attests to the fair presentation of SSA's financial statements and demonstrates SSA's discipline and accountability as stewards of Social Security funds. Additionally, SSA's *FY 2008 Performance and Accountability Report* received the Certificate of Excellence in Accountability Reporting from the Association of Government Accountants for the 11th time. SSA is the only Agency to have received this prestigious award each year since its inception.

Further, SSA opted to receive an opinion on its assertion that internal controls over financial reporting are operating effectively. SSA has obtained an unqualified opinion on this assertion each year since 1997, when it began contracting with an independent public accounting firm to complete the audit and provide an opinion on internal controls. SSA elected to receive an opinion on internal controls as evidence of its financial management leadership role in promoting accountability throughout the Agency.

In FY 2008, SSA maintained "green" scores for both status and progress on the President's Management Agenda Improved Financial Performance initiative. Building on past accomplishments, SSA integrated additional financial systems with its existing accounting system, the Social Security Online Accounting and Reporting system. The integration of these systems allowed SSA to validate data and check funding from source applications in real-time, thus eliminating errors, increasing the integrity of accounting data, and providing more timely information to managers.

Question 7

Does the Agency adequately oversee contracts, and are contract funds being spent effectively and efficiently?

SSA spent \$881 million for contract payments in FY 2008, which represents about 9 percent of the Agency's administrative expenditures (\$9.9 billion). Contract oversight is inherently a major management challenge for SSA because (1) the total amount of contracts awarded is significant and (2) without proper oversight, there is a risk that contractors may not adequately deliver services and meet contract objectives. In recent audits, we concluded that generally the costs claimed for services provided by the contractors involved were reasonable and allowable, but found room for improvement.

Specifically, recent audits identified three major areas needing improvement to ensure effective and efficient contract management. These are contractor suitability,⁴³ post-implementation reviews for systems contracts and monitoring of contractor performance. Four audits⁴⁴ identified various contractor suitability determination issues including: (1) a contractor failed to obtain suitability determinations for individuals working on the project; (2) a contractor obtained suitability determinations for other contracts, but not for the contract reviewed; (3) a contractor permitted an employee with an "unsuitable" determination to access personally identifiable information (PII); and (4) SSA's files did not document the current working status of contract employees.⁴⁵

One audit⁴⁶ identified a need for a post-implementation review for system contracts. The audit concluded that approximately \$5.3 million, or half of the total costs, could have been put to better use had the contract been better monitored and evaluated.

⁴³ 5 C.F.R. § 731.104(a) states that to establish a person's suitability for employment, appointments to positions in the competitive service require the person to undergo an investigation by the Office of Personnel Management (OPM) or by an agency with delegated authority from OPM to conduct investigations. At SSA, contract employees are investigated at the same risk level as Federal employees who would be performing the same type of work.

⁴⁴ *The Social Security Administration's Oversight of MDRC Contract No. SS00-06-60075*, December 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-15-08-18010.pdf>; *The Social Security Administration's Information Technology Maintenance and Local Area Network Relocation Contract*, May 2007, <http://www.ssa.gov/oig/ADOBEPDF/A-14-07-17022.pdf>; *The Social Security Administration's Consulting Services Contract for the Time Allocation System*, August 2008 <http://www.ssa.gov/oig/ADOBEPDF/A-14-08-18020.pdf>; and *Medical Consultant Contracts*, issued September 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-02-07-17050.pdf>.

⁴⁵ OMB Memorandum 07-16, *Safeguarding Against and Responding to the Breach of Personally Identifiable Information*, defines PII as information that can be used to distinguish or trace an individual's identity, such as their name, Social Security number, biometric records, etc., alone or when combined with other personal or identifying information, which is linked or linkable to a specific individual, such as date and place of birth, mother's maiden name, etc.

⁴⁶ *Contract for the Benefit Offset National Demonstration Project with ABT Associates, Incorporated* (A-05-08-18041), March 2009, <http://www.ssa.gov/oig/ADOBEPDF/A-05-08-18041.pdf>.

The most prevalent area needing improvement is SSA's monitoring of contract performance. Seven⁴⁷ recent audits revealed issues with SSA's monitoring of contracts including the need to monitor deliverables; evaluate performance; ensure financial accountability, including accurate and complete billing documentation; train project officers; provide an alternate project officer for each contract; maintain documentation of oversight by project officers; and evaluate the continued feasibility of contract terms. For example, one audit identified a process where paper documents being forwarded were already available as scanned electronic images. This unnecessary duplication of effort would cost about \$1.6 million over the remainder of the contract if the practice continued. Also, the audit of the Ticket to Work and Self-Sufficiency program's cost effectiveness recommended that SSA evaluate the continued viability of the program because it did not increase the percentage of disabled beneficiaries who returned to work, while costing the Agency \$138 million annually. The \$138 million annual costs include \$18 million of contract costs, including \$13 million for an outside contractor to manage the program for SSA.

⁴⁷ *The Social Security Administration's Oversight of MDRC Contract No. SS00-06-60075*, December 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-15-08-18010.pdf>; *The Social Security Administration's Information Technology Maintenance and Local Area Network Relocation Contract*, May 2007, <http://www.ssa.gov/oig/ADOBEPDF/A-14-07-17022.pdf>; *The Social Security Administration's Consulting Services Contract for the Time Allocation System*, August 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-14-08-18020.pdf>; *Contract with Lockheed Martin Government Services, Inc., for Digital Imaging Services*, November 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-04-08-18066.pdf>; *Medical Consultant Contracts*, September 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-02-07-17050.pdf>; *Contract with Riojas Enterprises, Incorporated, for Case Folder Filing Support Services – Contract #0600-98-34420*, June 2007, <http://www.ssa.gov/oig/ADOBEPDF/A-04-07-17027.pdf>; and, *Ticket to Work and Self-Sufficiency Program Cost Effectiveness*, August 2008, <http://www.ssa.gov/oig/ADOBEPDF/A-02-07-17048.pdf>.

Conclusions

Without question, since its inception in 1936, SSA has served this Nation well. The Agency has a vital mission and enormous responsibilities—most importantly, ensuring that about 60 million people entitled to OASDI and/or SSI benefits receive approximately \$700 billion each year. However, the world is changing and with SSA's ever-increasing and critical responsibilities, much is expected. Inefficiencies and program weaknesses cannot be allowed to continue, lest they diminish SSA's success in meeting current and future needs of those relying on the essential programs it administers.

To this end, the OIG has and will continue to recommend corrective actions, which we believe necessary to remedy inefficiencies and prevent fraud, waste, and abuse. Through the years, we have issued hundreds of reports with recommendations for the Agency's consideration. This report highlights areas we believe require immediate attention in light of major challenges SSA faces today and in the very near future. Many of the management reforms we discuss center around the Agency's stewardship responsibilities—preventing and detecting improper payments. This report also addresses reforms we believe are necessary to create a more efficient disability determination process and to better plan and manage its IT initiatives. We will continue to assess these and other important areas in the years to come.

SSA will be faced with unprecedented challenges in the next decade—a significantly growing workload, but a workforce that will be drained through its own retirements. As such, human capital, program, and systems planning are more important than ever. We are encouraged that SSA recently received much needed budget increases to address some of its immediate concerns. Yet, we encourage SSA to continue developing innovative and long-term solutions to problems that exist now and challenges that the Agency will face in the future. We appreciate the opportunity to provide our perspective on SSA's operations and respond to the Committee's specific questions and hope our insight will assist the Committee in its oversight role.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Background, Scope and Methodology

Acronyms

ALJ	Administrative Law Judge
AWG	Administrative Wage Garnishment
CBO	Congressional Budget Office
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
C.F.R.	Code of Federal Regulations
CIO	Chief Information Officer
CISO	Chief Information Security Officer
Commissioner	The Commissioner of Social Security
Committee	Committee on Ways and Means, U.S. House of Representatives
DDS	Disability Determination Services
DHHS	U.S. Department of Health and Human Services
EDR	Electronic Death Registration
EEO	Earnings Enforcement Operation
FISMA	<i>Federal Information Security Management Act of 2002</i>
FTE	Full-Time Equivalent
FY	Fiscal Year
GPO	Government Pension Offset
<i>Improper Payments Report</i>	<i>FY 2008 Improper Payments Information Act of 2002 Detailed Report</i>
IRM	Information Resources Management
IT	Information Technology

ITAB	Information Technology Advisory Board
NAS	National Academy of Sciences
Numident	Numerical Identification File
OACT	Office of the Actuary
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
ODAR	Office of Disability Adjudication and Review
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PII	Personally Identifiable Information
PIR	Post-Implementation Review
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
TOP	Treasury Offset Program
U.S.	United States
U.S.C.	United States Code
WC	Workers' Compensation
WEP	Windfall Elimination Provision

Background, Scope and Methodology

Background

Social Security Administration

The Social Security Administration's (SSA) mission is to advance the economic security of the Nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs. SSA is headed by a Commissioner and has a staff of approximately 62,000 employees. SSA delivers services through a nationwide network of over 1,400 offices that include regional offices; field offices; card centers; teleservice centers; processing centers; hearing offices; an Appeals Council and State and territorial partners—the Disability Determination Services.

The Agency administers one of the Nation's largest entitlement programs—the Old-Age, Survivors and Disability Insurance (OASDI) program, commonly referred to as Social Security. Monthly cash benefits are financed through payroll taxes paid by workers and employers and by self-employed persons, and the amount of benefits is based on an individual's taxable earnings during his or her lifetime.

SSA also administers the Supplemental Security Income (SSI) program, which is designed to provide income for or supplement the income of aged, blind, or disabled adults and children with limited income and resources. Unlike Social Security benefits that are paid from the OASDI Trust Fund, SSI payments are financed by general tax revenues. Qualified recipients receive monthly cash payments to raise their income to a minimum level guaranteed by the SSI program.

Along with SSA's core workload of paying cash benefits, SSA also issues original and replacement Social Security number (SSN) cards, processes earnings items to maintain workers' lifelong earnings records, handles transactions through SSA's National 800 number, issues Social Security Statements, and participates in SSN verifications for employers. In addition to administering the Agency's programs, SSA also assists the public in applying for food stamps and Medicare, including low-income subsidies under the Medicare Prescription Drug Plan.

Office of the Inspector General

The SSA Office of the Inspector General (OIG) is directly responsible for meeting the statutory mission of promoting economy, efficiency, and effectiveness in the administration of SSA programs and operations and to prevent and detect fraud, waste, abuse, and mismanagement in such programs and operations. To accomplish its mission, the OIG directs, conducts, and supervises a comprehensive program of audits,

evaluations, and investigations relating to SSA's programs and operations. OIG also searches for and reports systemic weaknesses in SSA programs and operations, and makes recommendations for needed improvements and corrective actions. OIG provides timely, useful, and reliable information and advice to Administrative officials, Congress, and the public. OIG's efforts are conducted by 576 employees nationwide—investigators, auditors, attorneys, and others.

Scope and Methodology

We limited our review to summarizing prior and ongoing OIG and SSA work related to the questions provided by the Congressmen. We also reviewed applicable laws, regulations, and other relevant publications. We performed our work at the Office of Audit in Birmingham, Alabama, during March and April 2009. We conducted our review in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.

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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.