



## SOCIAL SECURITY

### MEMORANDUM

Date: November 17, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Office of Operations' Staffing Plans Under the *American Recovery and Reinvestment Act of 2009* (A-09-09-29157)

The attached final report presents the results of our review. Our objective was to assess the Office of Operations' staffing plans associated with funds provided under the *American Recovery and Reinvestment Act of 2009*.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

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

Patrick P. O'Carroll, Jr.

Attachment

# ***QUICK RESPONSE EVALUATION***



## ***The Office of Operations' Staffing Plans Under the American Recovery and Reinvestment Act***

**A-09-09-29157**



**November 2009**

## Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

## Authority

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

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

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

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

## Vision

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

## OBJECTIVE

Our objective was to assess the Office of Operations' (Operations) staffing plans<sup>1</sup> associated with funds provided under the *American Recovery and Reinvestment Act of 2009* (ARRA).<sup>2</sup>

## BACKGROUND

ARRA provided the Social Security Administration (SSA) an additional \$500 million to process disability and retirement workloads. Of that, \$40 million may be used for health information technology research and activities to facilitate the adoption of electronic medical records in disability claims.<sup>3</sup> ARRA funds will help SSA address increasing disability and retirement workloads caused by a combination of the economic downturn and the leading edge of the baby boomer retirements. SSA estimates that in Fiscal Year (FY) 2009, disability and retirement claims will increase by 600,000 from FY 2008.

At the time of our review, Operations had been allocated \$251 million of SSA's ARRA funds. The remaining \$249 million was allocated to State disability determination services, to the Office of Disability Adjudication and Review, and for information technology improvements. Operations is using its ARRA funds to process disability and retirement workloads in SSA field offices, program service centers, and teleservice centers and hired 1,531 new employees. Operations plans to use ARRA funds for overtime work by SSA employees.

The Office of Management and Budget (OMB) issued guidance on spending and accounting for ARRA funds. Specifically, OMB requires agency-wide and program-specific plans regarding ARRA spending. These plans must include the program purpose, types of activities and projects that will be performed, a funding table showing the obligation and outlay timing, the major milestones and completion dates, the agency's monitoring process, performance measures to test effectiveness, and a description of how the agency will make the information available to the public.<sup>4</sup>

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<sup>1</sup> For purposes of this report "staffing plans" means SSA's planned use of ARRA funds to hire new employees and perform overtime to address the increasing disability and retirement workloads.

<sup>2</sup> Pub. L. No. 111-5, Division A, Title VIII (H.R. 1-71 to H.R. 1-72).

<sup>3</sup> Id.

<sup>4</sup> OMB M-09-10, *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, February 18, 2009, and M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, April 3, 2009, Sections 2.7, 2.8 and Appendix 3.

To perform this review, we interviewed SSA employees from the Offices of Operations and Budget, Finance and Management. We also reviewed SSA's Agency-wide and program-specific ARRA plans to evaluate its efforts to implement and administer the \$251 million allocated to Operations.

# Results of Review

Operations developed an appropriate plan for its \$251 million in ARRA funds to process disability and retirement workloads. At the time of our review, Operations had already hired 1,531 employees in front-line positions who will be trained to process disability and retirement workloads. In addition, Operations planned to use approximately \$53 million of its ARRA funds for employees to work overtime to process disability and retirement workloads. However, we identified the following matters for attention to ensure ARRA funds are properly accounted for and efficiently used, and their benefits fully disclosed.

- SSA uses a cost allocation methodology that charges ARRA funds based on the average workyear cost to process disability and retirement workloads. The charges based on this methodology are approximately \$195 million. However, the actual costs of the 1,531 new employees' salaries and benefits will only be approximately \$101 million.
- SSA did not disclose the cost of training time. We believe SSA's workload plan should separately disclose the estimated \$18 million in training costs since it is time spent in training rather than processing disability and retirement workloads.
- The performance measures did not identify all the anticipated benefits of the ARRA funds.

## OPERATIONS' PLANNED USE OF ARRA FUNDS

Operations planned to use its \$251 million in ARRA funds to hire 1,531 employees and for overtime work by employees. This includes about \$89 million in FY 2009 and \$162 million in FY 2010.

Fiscal Year	New Hires	Overtime	Total
2009	\$ 63 million	\$26 million	\$89 million
2010	135 million	27 million	162 million
<b>Total</b>	<b>\$198 million</b>	<b>\$53 million</b>	<b>\$251 million</b>

Operations determined where the 1,531 new hires would be placed based on several factors, including projected workload volume, national and regional level productivity, Agency plans for discretionary workloads (such as Supplemental Security Income [SSI] redeterminations and continuing disability reviews),<sup>5</sup> the number of permanent staff on-duty, projected attrition, and unique staffing shortages within specific regions. The

<sup>5</sup> A redetermination is a review of a recipient's non-medical eligibility factors (that is, income, resources, and living arrangements) to determine whether the recipient is still eligible for and receiving the correct SSI payment. A continuing disability review is an evaluation to determine whether an individual continues to be disabled.

needs of all Operations' components were considered, including field offices, the national 800-number network (teleservice centers), program service centers, and the Office of Central Operations.

The regional offices determined where their share of the new hires would be placed based on where employees were most needed in their respective region. The primary factors included workload projections, pending workloads, and office staffing levels. The following table shows Operations' planned new hires by region and by type of office.

SSA Region	Field Offices	Program Service Centers	Teleservice Centers	Total
Boston	24	N/A	0	24
New York	79	16	9	104
Philadelphia	120	0	22	142
Atlanta	364	0	32	396
Chicago	167	7	7	181
Dallas	152	0	14	166
Kansas City	20	33	0	53
Denver	25	N/A	4	29
San Francisco	194	35	0	229
Seattle	38	N/A	13	51
Office of Central Operations <sup>6</sup>	N/A	156	0	156
<b>Total</b>	<b>1,183</b>	<b>247</b>	<b>101</b>	<b>1,531</b>

## ARRA FUNDS NEEDED FOR NEW HIRES

We found that SSA's cost allocation methodology for the 1,531 new employees will result in ARRA funds being charged approximately \$94 million<sup>7</sup> (\$33.5 million for FY 2009 and \$60.5 million for FY 2010) over the estimated salaries and benefits expected to be incurred for these new employees. This occurred because SSA allocated ARRA funds based on an average salary and benefits for all Operations employees. However, the average salaries for the new hires were much lower than the average for all Operations employees. Specifically, SSA's Office of Budget used an average annual salary and benefits total of \$85,000, which is substantially more than the average of \$47,487 for new employees in SSA's highest locality pay area and \$40,517 in the lowest locality pay area. SSA indicated that it uses this cost methodology because it believes it better reflects the cost of the work processed.

As shown in the following table, we estimate that about \$94 million (47.5 percent) of the \$198 million budgeted for salaries and benefits for FYs 2009 and 2010 will not be used to pay the salaries of new hires. According to SSA's estimate, the actual salaries and

<sup>6</sup> The Office of Central Operations is located in SSA's Headquarters complex in Baltimore, Maryland. The 156 positions include 103 related to program service center operations, 46 for earnings-related workloads, and 7 for claims-related workloads.

<sup>7</sup> This estimate is based on the average total difference in FYs 2009 and 2010 of salaries and benefits using the highest and lowest salary locations—\$86 million and \$102 million, respectively.

benefits for the new hires will be approximately \$109 million. We believe SSA's estimate is high, and expect the actual costs will be between \$93 and \$109 million.

Cost Basis	Number of New Hires	Average Annual Salary and Benefits	Years of Salary Payments (April 2009 thru September 2010)	Total Estimated Cost of New Hires	Difference in ARRA Charges and Actual Salaries and Benefits
SSA Budget Estimate	1,531	\$85,000	1 ½ years	\$195 million	N/A
Average New Hire (highest locality pay)	1,531	\$47,487	1 ½ years	\$109 million	<b>\$86 million<sup>8</sup></b>
Average New Hire (lowest locality pay)	1,531	\$40,517	1 ½ years	\$93 million	<b>\$102 million<sup>9</sup></b>

[Transparency and Accountability of ARRA Funds](#) - We believe SSA should disclose its cost allocation methodology, the costs of new hires, and any overtime for processing disability and retirement workloads funded from the ARRA appropriation. SSA is charging salary and benefits to the ARRA appropriation beyond the costs incurred for new hires. As of August 2009, SSA's disability and retirement workload plan did not disclose how it was allocating costs from the ARRA appropriation. During the course of our review, we advised SSA that it should provide improved transparency and disclose its cost allocation methodology. SSA's workload plan should also disclose the impact of charging the average salary and benefits of all Operations employees compared to the actual costs of new hires. SSA agreed with our recommendation to improve transparency and revised its disability and retirement workload plan accordingly (See Appendix D). SSA's workload plan can also be found at [www.ssa.gov/recovery](http://www.ssa.gov/recovery) and [www.recovery.gov](http://www.recovery.gov).

## TRAINING REQUIREMENTS FOR NEW HIRES

The 1,531 new employees hired to process disability and retirement workloads will need training to perform their jobs. This includes classroom and on-the-job training with mentors. During training, the new employees will not make significant contributions to SSA's productivity goals. As a result, SSA will not realize the benefits of hiring these employees until they have completed their training and gained experience. In addition, Operations will use experienced employees to train the new hires. Operations hired employees in the following positions:

- service representatives who provide information to, and assist, claimants and beneficiaries with various disability and retirement matters,

<sup>8</sup> Of this amount, \$31 million is from FY 2009 and \$55 million is from FY 2010.

<sup>9</sup> Of this amount, \$36 million is from FY 2009 and \$66 million is from FY 2010.

- claims representatives who process disability and retirement claims,
- claims and benefit authorizers who process claims and post-entitlement actions for current beneficiaries,
- teleservice representatives who provide information to callers to SSA's national 800-number network, and
- miscellaneous earnings positions to process earnings-related workloads.

The following table shows the amount of training required for each position and the estimated ARRA funds that will be used to train the new hires.

Position Type	Number of Employees	Average Annual Salary and Benefits <sup>10</sup>	Length of Training <sup>11</sup>	ARRA Funds to be Used on Training
Service Representative	631	\$36,767	3 months	\$5.8 million
Claims Representative	559	41,503	3 months	5.8 million
Benefit Authorizer	143	40,909	8 months	3.9 million
Claims Authorizer	51	43,697	6 to 8 months	1.3 million
Teleservice Representative	101	39,604	3 months	1.0 million
Other	46	34,783	5 days to 3 months	0.2 million
<b>Total</b>	<b>1,531</b>			<b>\$18.0 million</b>

To fully disclose the use of ARRA funds, we believe SSA's workload plan should disclose the estimated \$18 million in training costs separately, since it is time spent in training rather than processing disability and retirement workloads.

## MEASURING PERFORMANCE RESULTS OF ARRA FUNDING

The 1,531 Operations employees hired under ARRA and employees who work overtime will process a wide range of disability and retirement workloads. However, SSA's Disability and Retirement Workload plan<sup>12</sup> has only one performance measure for Operations—the number of retirement and survivors claims processed. SSA officials stated that OMB approved the Agency's plan to have only this one measure. As a result, SSA does not plan to report to the public the full benefit of the ARRA funds provided to SSA.

<sup>10</sup> This estimate is based on the salaries and benefits paid to new hires in each of these positions in a mid-range salary location.

<sup>11</sup> This is the approximate length of training for each position. However, some regions differed in the amount of training provided.

<sup>12</sup> SSA's Disability and Retirement Workload plan for the ARRA funds can be found at SSA's internet Web site, [www.socialsecurity.gov/recovery/Report\\_Plan/DisabilityandRetirementWorkloadPlan.pdf](http://www.socialsecurity.gov/recovery/Report_Plan/DisabilityandRetirementWorkloadPlan.pdf).

OMB's guidance requires that agency Recovery Program Plans include performance measures that reflect expected quantifiable outcomes that are consistent with the intent and requirements of the legislation.<sup>13</sup> The OMB guidance also states that the measures currently used to report an Agency's program performance in relation to the ARRA goals should be retained (in terms of incremental change against the present level of performance of related agency programs or projects/activities specified in the plan).<sup>14</sup> Finally, one of the accountability objectives in the OMB guidance is that the use of all funds are to be transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.<sup>15</sup>

SSA's 2008 Performance and Accountability Report contains 26 performance measures that track SSA's progress in meeting its goals and objectives. This includes the following seven performance measures related to Operations' employees' processing of disability and retirement workloads.

1. Minimize the average processing time for initial disability claims to provide timely decisions.
2. Improve service to the public by optimizing the speed in answering 800-number calls.
3. Improve service to the public by optimizing the 800-number busy rate for calls offered to Agents.
4. Process SSI non-disability redeterminations to reduce improper payments.
5. Number of periodic continuing disability reviews processed to determine continuing entitlement based on disability to help ensure payment accuracy.
6. Percent of SSI payments free of overpayment and underpayment error.
7. Percent of Old-Age, Survivors and Disability Insurance payments free of overpayment and underpayment error.

We also believe SSA should report the overall processing time for disability claims. In response to a 2008 OIG report,<sup>16</sup> SSA agreed this performance measure would be useful to the Agency, Congress, the public, and disability claimants. A Department of

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<sup>13</sup> OMB M-09-15, *supra*, Section 2.8g.

<sup>14</sup> *Ibid.* According to the OMB guidance, in addition to reducing the burden on grant recipients and contractors, use of existing measures will allow the public to see the marginal performance impact of ARRA investments.

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

<sup>16</sup> SSA, OIG, *Disability Claims Overall Processing Times* (A-01-08-18011), December 2008.

Veterans Affairs program-specific plan includes two similar measures that assess the impact of ARRA funds on the timeliness of processing disability claims.<sup>17</sup>

Operations' new hires and employees working overtime may use ARRA funds that impact the above performance measures. The new hires may not have a significant impact initially because they require training. However, SSA should realize substantial benefits from the 1,531 employees after their training is completed, especially in FY 2010. Accordingly, SSA should develop performance measures that disclose these impacts to the public.

In response to our draft report, SSA stated it agreed there are additional performance measures it could use. However, SSA believes the number of retirement and survivors claims processed has the greatest impact and visibility with the American public.

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<sup>17</sup> Department of Veterans Affairs, Recovery Act Program-Specific Plan, Veterans Benefits Administration, Hiring Temporary Claims Processors, May 2009.

## *Matters for Consideration*

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ARRA provided SSA with \$500 million to help address the increasing disability and retirement workloads. SSA allocated \$251 million of these funds to Operations. Operations has hired 1,531 employees, established a tracking mechanism to account for these employees, and established an Internet site to provide transparency to the public in how it uses ARRA funds. To ensure SSA fully complies with OMB's guidance for establishing adequate performance measures and tracking the impact of the ARRA funding, we believe SSA should consider:

- Disclosing that its methodology will result in ARRA funds being charged approximately \$94 million more than the new hires' actual salaries and benefits.
- Disclosing the costs associated with new hire training since it is time spent in training rather than processing disability and retirement workloads.
- Tracking and reporting how ARRA funds used for new hires and overtime in Operations will impact the Agency's existing performance measures related to processing disability and retirement workloads.

In response to our draft report, SSA modified its Disability and Retirement Workload plan to disclose the impact of charging an average workyear cost and the training costs. However, SSA did not include additional performance measures related to processing disability and retirement workloads. The Agency's comments are included in Appendix C.

# Appendices

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – The Social Security Administration’s Statement of Agency Position

APPENDIX D – The Social Security Administration’s Disability and Retirement  
Workload Plan

APPENDIX E – OIG Contacts and Staff Acknowledgments

## Acronyms

ARRA	<i>American Recovery and Reinvestment Act of 2009</i>
FASAB	Federal Accounting Standards Advisory Board
FY	Fiscal Year
OIG	Office of the Inspector General
OMB	Office of Management and Budget
Operations	Office of Operations
SSA	Social Security Administration
SSI	Supplemental Security Income

## Scope and Methodology

To accomplish our objective, we:

- Reviewed the *American Recovery and Reinvestment Act of 2009* (ARRA) and the Office of Management and Budget's guidance on implementing ARRA.
- Interviewed Social Security Administration (SSA) employees from the Offices of Operations and Budget, Finance and Management.
- Reviewed SSA's Agency-wide and program-specific ARRA plans to evaluate its efforts to implement and administer the \$251 million allocated to Operations.

We performed our review during April through October 2009 in Richmond, California. We conducted our review in accordance with the President's Council on Integrity and Efficiency's<sup>1</sup> *Quality Standards for Inspections*.

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

## Statement of Agency Position

### STATEMENT OF AGENCY POSITION

#### **THE OFFICE OF THE INSPECTOR GENERAL (OIG) QUICK RESPONSE EVALUATION, “THE OFFICE OF OPERATIONS’ STAFFING PLANS UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009” (A-09-09-29157)**

We appreciate the insights OIG offers in its Quick Response Evaluation and the Evaluation’s recommendation for additional disclosure and transparency in documenting our use of American Recovery and Reinvestment Act (ARRA) workload funding. In fact, we have updated our planning documents to clearly describe the agency’s methodology for both budgeting and accounting for our ARRA funds.

Our understanding is that OIG agrees that the updated plans are sufficiently transparent and informative. Our updated plan is available to the public through our public website at [SocialSecurity.Gov](http://SocialSecurity.Gov).

We considered OIG’s observation that we could use additional performance measures. However, we believe the measures in our planning document have the greatest impact on and visibility to the American public.

Finally, the ARRA gave us \$500 million to process the increased number of retirement and disability claims and appeals we are seeing because of the economic downturn and the beginning of the baby boomer retirement wave. In fiscal year (FY) 2009, we used a significant portion of the ARRA funding to increase our workload processing capacity, which allowed us to hire over 2,400 new employees and provide additional overtime. In FY 2009, ARRA funds enabled the agency to process an additional 33,000 hearings, 53,000 initial disability claims, and 317,000 retirement and Supplemental Security Income aged claims.

Retirement and disability workloads are not standalone workloads that new employees can process independently. Instead, they perform some of the many tasks involved in processing claims and appeals to completion alongside other employees. Attributing only the salary/benefit costs of new employees hired with ARRA funds would understate the cost of processing these workloads. Therefore, to determine the cost of processing the additional workloads funded by ARRA, we calculated the costs attributed to all employees involved in completing these workloads. Please note that, in calculating costs, we only included direct salary and benefit expenses for employees involved in handling these workloads. No other expenses, such as travel, space, or overhead, were charged to ARRA funding.

# Disability and Retirement Workload Plan

## Disability and Retirement Workload Plan

**A. FUNDING TABLE:**

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

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

**B. OBJECTIVES:**

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

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

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

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

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

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

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

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

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

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

**C. ACTIVITIES:**

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

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

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

Although we manage by workyears (see general policy description in Section B), we will attribute a portion of the employees the Agency hired in FY 2009 to the Recovery Act to increase our workforce capacity to process disability and retirement workloads.

Consistent with the Agency's long established cost accounting practice we will charge ARRA funds using the actual cost of the additional work processed based on the average salary and benefits of all employees (current and new hires) involved in processing the additional workloads.<sup>3</sup> Specifically:

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

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

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

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

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

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

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

**D. CHARACTERISTICS:**

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

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

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

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

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

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

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

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

**E. DELIVERY SCHEDULE:**

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

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

**F. ENVIRONMENTAL REVIEW COMPLIANCE:**

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

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

**G. SAVINGS OR COSTS:**

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

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

**H. MEASURES:**

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

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

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

FY 2009 Target: 50,000

FY 2010 Target: 183,000

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

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

Methodology:

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

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

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

**Regular Time:**

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

Frequency reported: Monthly

**2. Number of Retirement Claims Processed**

FY 2009 Target: 243,000

FY 2010 Target: 869,000

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

Data source: *Work Measurement Transitional Database*

Methodology:

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

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

**Regular Time:**

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

Frequency reported: Monthly

### 3. Number of Hearings Processed

FY 2009 Target: 37,000

FY 2010 Target: 88,000

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

Data source: *Case Processing and Management System*

Methodology

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

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

**Regular Time:**

Recovery Act productive workyears for each targeted

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

Frequency reported: Monthly

### 4. Number of Staff Hired

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

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

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

Frequency Reported: Monthly until all hiring is completed

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

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

**I. MONITORING/EVALUATION:**

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

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

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

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

**J. TRANSPARENCY:**

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

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

**K. ACCOUNTABILITY:**

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

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

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

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

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

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

**L. BARRIERS TO EFFECTIVE IMPLEMENTATION:**

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

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

**M. FEDERAL INFRASTRUCTURE INVESTMENTS:**

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

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

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

James J. Klein, Director, San Francisco Audit Division

Joseph Robleto, Audit Manager

### ***Acknowledgments***

In addition to those named above:

Jim Sippel, Senior Auditor

For additional copies of this report, please visit our web site at [www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-09-09-29157.

## **DISTRIBUTION SCHEDULE**

Commissioner of Social Security

Office of Management and Budget, Income Maintenance Branch

Chairman and Ranking Member, Committee on Ways and Means

Chief of Staff, Committee on Ways and Means

Chairman and Ranking Minority Member, Subcommittee on Social Security

Majority and Minority Staff Director, Subcommittee on Social Security

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

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

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

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

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

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

Chairman and Ranking Minority Member, Committee on Finance

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

Chairman and Ranking Minority Member, Senate Special Committee on Aging  
Social Security Advisory Board

## **Overview of the Office of the Inspector General**

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

### **Office of Audit**

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

### **Office of Investigations**

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

### **Office of the Counsel to the Inspector General**

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

### **Office of External Relations**

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

### **Office of Technology and Resource Management**

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