
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**STATUS OF THE
SOCIAL SECURITY ADMINISTRATION'S
IMPLEMENTATION OF FISCAL YEAR 2000
MANAGEMENT LETTER ISSUES**

September 2002

A-15-02-12046

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the 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

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



SOCIAL SECURITY

MEMORANDUM

Date: September 20, 2002

Refer To:

To: The Commissioner

From: Inspector General

Subject: Status of the Social Security Administration's Implementation of Fiscal Year 2000 Management Letter Issues (A-15-02-12046)

OBJECTIVE

This is a follow-up audit to the PricewaterhouseCoopers LLP (PwC), "FY 2000 Management Letter – Part 2, Recommendations to Improve Management Controls and Operations Resulting from the Fiscal Year 2000 Financial Statement Audit," dated November 30, 2000. The objective of this follow-up audit was to determine the status of corrective action on selected findings and recommendations in the management letter referred to above.

BACKGROUND

In Fiscal Year (FY) 2000, PwC, an independent Certified Public Accounting firm, performed an audit of the consolidated financial statements of the Social Security Administration (SSA) as of and for the year ending September 30, 2000. PwC issued its Report of Independent Accountants, dated November 30, 2000, which is included in SSA's Performance and Accountability Report for FY 2000. The Office of the Inspector General (OIG) monitored the work of PwC.

The primary objectives of the financial statement audit were to:

- Give an opinion on the SSA financial statements as of and for the year ending September 30, 2000, including the related notes.
- Give an opinion as to whether SSA management's assertion about the effectiveness of its internal control was fairly stated.
- Issue a report on SSA's compliance with applicable laws and regulations.
- Determine whether any material inconsistency was found between the financial statements and the accompanying overview and supplemental information (including performance measures), and PwC's understanding of relevant internal control for the reported performance measures, its determination as to whether they had been placed in operation, and its assessment of the related control risk.

The audit of SSA's financial statement also identified conditions that did not have a material impact on the financial statements. To report these conditions, PwC issued Management Letters – Part 1 and Part 2 to SSA addressing areas in need of management attention. Management Letter, Part 1, conveys details of a sensitive nature to SSA and is, therefore, restricted in its use. It is considered a limited distribution report. Management Letter – Part 2, contains issues of a general nature and is not limited in its distribution, but is intended as information for management and the Inspector General of SSA. In accordance with applicable standards, the Management Letter issues were not considered by PwC to be material weaknesses or reportable conditions. Nonetheless, the letters contain both findings and recommendations requiring management action.

SCOPE AND METHODOLOGY

We performed follow-up audit work on 22 of the 58 recommendations published in PwC's FY 2000 Management Letter – Part 2. We selected recommendations from the FY 2000 report that, in our opinion, were the most important for SSA to implement. Because the original audit was SSA-wide, the findings and recommendations covered various offices within SSA. For the specific findings we reviewed, see Appendix A.

To accomplish our objective, we:

- Validated SSA's reported status of management action on selected recommendations.
- Determined whether corrective action has addressed the recommendations.

We conducted our review from December 2001 through March 2002, at SSA Headquarters in Baltimore, Maryland. Our audit was conducted in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

Of the 22 recommendations we selected, SSA reported that it completed work on 11 recommendations. SSA agreed with, but had not fully completed corrective actions on the remaining 11 recommendations.

OIG's Evaluation of SSA Corrective Actions

We evaluated SSA's progress and corrective actions by: interviewing the responsible SSA contact officials; reviewing PwC's work conducted during the FY 2001 financial statement audit; and performing audit tests where necessary. In some cases, we relied on the audit work performed by PwC during the FY 2001 financial statement audit. The results of our review are as follows:

| Audit Results | Findings/Recommendations |
|--|--------------------------|
| OIG agrees with SSA's reported status | 19 |
| OIG disagrees with SSA's reported status | 3 |
| Total | 22 |

Summary of OIG's Findings

1. PwC recommended SSA complete the drafting and implementation of program service center (PSC) change control procedures and consider assigning the production environment to non-programmers. SSA agreed with this recommendation and reported that work on this recommendation was complete. OIG determined that corrective action is not complete. SSA has developed standardized change control procedures for the PSCs. However, a systems change still needs to be made to limit programmer access to the production environment at the PSCs. SSA stated that it expected to complete this change by the end of April 2002. However, as of April 2, 2002, this was not completed. See finding II.B.2. on pages 3-4 of Appendix A.
2. PwC recommended SSA enhance the current re-certification process by implementing a standard profile for each position requiring access to the Financial Accounting System (FACTS), and a requirement that access be requested in terms of the standard profile. SSA agreed with this recommendation and reported that work on this recommendation would be completed by August 31, 2001. OIG determined that corrective action was not completed by August 31, 2001. SSA has created standard profiles for all of the FACTS users. However, as of April 5, 2002, a re-certification had not been completed. It is important that the re-certification process is completed to ensure that the level of access currently held by FACTS users matches their standard profiles. See finding V.A.5. on pages 28-29 of Appendix A.
3. PwC recommended SSA document the process which should be followed regarding possible disputes with the Department of Treasury (Treasury) and determine that Treasury is in agreement with all aspects of SSA's procedures of estimating the tax revenues and for resolving discrepancies. SSA agreed with this recommendation and reported that procedures would be in place by August 31, 2001. SSA did issue its accounting manual chapter; however, Treasury has not yet established a Memorandum of Understanding (MOU) with SSA. This was scheduled to take place during FY 2002. SSA believes the finding should be closed. OIG agrees that SSA has completed all work that it can at this time and can close this finding. We encourage SSA to monitor Treasury's actions to formalize the MOU. See finding VI.B.1. on pages 40-41 of Appendix A.

4. PwC recommended that SSA develop and document a comprehensive set of policies and procedures regarding the Limitation on Administrative Expenses (LAE) program to outline how transactions are processed, allocated, and reported. SSA agreed with the recommendation and stated that the documentation would be complete by August 31, 2001. OIG determined that corrective action on this recommendation was not complete as of January 30, 2002. SSA had drafted LAE Accounting and Reporting procedures in August 2001. SSA recently revised the draft procedures, but has not completed this effort. See finding VI.C.2. on pages 44-45 of Appendix A.

CONCLUSION AND RECOMMENDATIONS

Based on our work, we determined that SSA has implemented 8 of the 22 recommendations we selected for examination from PwC’s FY 2000 Management Letter – Part 2. SSA has not fully implemented the remaining 14 recommendations, although some actions have been taken to begin addressing these issues. Of the 14 recommendations not fully implemented, only 4 were new recommendations made during the FY 2000 financial statement audit.

| YEAR RECOMMENDATIONS WERE FIRST REPORTED | NUMBER OF RECOMMENDATIONS WHERE CORRECTIVE ACTION IS INCOMPLETE |
|--|---|
| 1997 | 7 |
| 1998 | 2 |
| 1999 | 1 |
| 2000 | 4 |
| TOTAL INCOMPLETE | 14 |

Since PwC has already made these recommendations in the FY 2000 Management Letter – Part 2, we will not include duplicate recommendations in this report. However, SSA should continue to work to bring all of the issues identified by PwC to closure within the next audit cycle. In addition, in April 2002, PwC issued the FY 2001 Management Letter – Parts 1 and 2, which makes further recommendations for some of the issues discussed in this report.

AGENCY COMMENTS AND OIG RESPONSE

SSA did not disagree with our findings presented in the formal draft report, but stated that it has completed work or will shortly complete work on the four recommendations where OIG disagreed with SSA’s reported status. SSA stated that finding 1 under the “Results of Review” section of this report will be completed in 6 weeks. SSA stated that finding 2 was completed on May 6, 2002. However, based on our discussions with PwC, FY 2002 testing found individuals who had left SSA’s Office of Finance, but still had access to FACTS. With respect to finding 3, we agree that SSA has completed as much as it can at this time. Based on SSA’s comments to our formal draft report, we have reconsidered our position and agree to close this finding. However, we believe

trust fund tax revenue estimation is a critical process, and we encourage SSA to monitor Treasury's efforts to complete an MOU. Lastly, SSA stated that the LAE accounting policies and procedures discussed in finding 4 are now complete. However, OIG did not conduct further testing to validate the new accounting procedures.



James G. Huse, Jr.

Appendices

APPENDIX A – Audit Results: FY 2000 Management Letter Part 2

APPENDIX B – Table of Acronyms

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Appendix A

Audit Results – FY 2000 Management Letter – Part 2

| | |
|--------------------------------|--|
| Report Section/Area | Application Development and Change Control – Scope of Application Programmer Duties |
| Finding/Rec Number | II.B.1. |
| PwC Finding | <p>In prior year audits we noted that the existing architecture for the change control process is Endeavor software, which records programmatic changes within the Development to Validation process. A program change will then migrate to final production through the use of both SSA home grown and third party software. We previously recommended that SSA establish a QA library where only validated software that is ready to be moved into production will reside. In addition to the establishment of this QA library, SSA was considering expanding the role of Endeavor to be included within the Validation to Integration and Integration to Production stages of the program change control process. At this time, SSA is analyzing whether utilizing the additional capabilities of Endeavor software would provide the most effective controls. If Endeavor's capabilities prove effective, implementation of these capabilities would replace the use of the QA library, provide controlled migration of code between regions and protect source code and load modules from unauthorized tampering.</p> |
| PwC Recommendation | <p>SSA should expedite its assessment of the potential use of Endeavor in the Validation to Integration and Integration to Production phases of the system change control process. If, as a result of this assessment, SSA decides not to use Endeavor in lieu of establishing a QA library for this purpose, the agency should continue to work towards implementing the QA library for use in moving validated software into production.</p> |
| SSA Management Response | <p>We agree. SSA has completed an extensive assessment of a number of options including ENDEVOR to properly maintain the scope of programmer duties in the release of executable applications. An enhanced version of the QA solution recommended by PwC has been approved by development. It will be an automated process which incorporates the SRCOL approval software (see</p> |

II.A.2.), a Quality Assurance library, enhancements to SRCOL for movement of executables and establishes various automated alerts to assure the proper separation of duties as noted in prior year audits.

Cross Reference

FY99 Management Letter - Part 2, II.2.A; FY98 Management Letter - Part 2, II.2.A; FY97 Management Letter - Part 2, III.2.A.

SSA Action Plan

See management response.

Current Status per SSA

ENDEVOR was determined not to be a suitable tool for maintaining separation of duties. However, as noted in the Agency's initial response, a QA solution is being developed. We expect initial rollout to occur in March 2002, and full deployment by September 2002.

SSA Target Date

September 1, 2002

End Date – OIG Review

1/10/02

OIG Confirmation of Status

Agree. SSA's work on this recommendation is incomplete. SSA is ready to start validation of the QA solution it developed (called QA2), which should be complete in the spring of 2002. Rollout is still planned for the fall of 2002.

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| Report Section/Area | Application Development and Change Control - Scope of Application Programmer Duties |
| Finding/Rec Number | II.B.2. |
| PwC Finding | <p>The current manual change control process in place at PSCs is ineffective. PSC programmers have the ability to develop and maintain code while at the same time being allowed to move programs into the production environment. This increases the risk that programs adversely impacting the normal processing of information (e.g., programs to suppress alerts and/or exceptions), unauthorized programs, and/or unauthorized changes to authorized programs can be implemented into production.</p> <p>SSA Headquarters has formed a productivity workgroup which is addressing this issue through the development of procedures detailing the migration of programs into the production environment, and the change control process surrounding those programs.</p> |
| PwC Recommendation | <p>The Headquarters productivity workgroup should complete the drafting and implementation of PSC change control procedures. These procedures provide for removing the ability of PSC programmers to migrate new and modified programs into the production environment. In this regard, SSA should consider assigning the production environment to non-programmers, as suggested by the productivity workgroup.</p> |
| <hr/> | |
| SSA Management Response | <p>We agree. Operations implemented a standardized change control process in the PSCs effective January 2, 2001. The PSC local programmers also reached a consensus on limiting programmer access to production software. A workgroup consisting of DCO and DCS personnel in cooperation with local PSC programmers are developing a TOP SECRET process to assure separation of duties. Once implemented, access to the production environment will be limited to non-programming personnel.</p> |
| Cross Reference | New |

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| SSA Action Plan | See management response. |
| Current Status per SSA | The PSCs have developed a change control process that will require review and management signoff prior to moving any new software or modification to existing software from development to production. This process is being used at all seven PSCs. Originals of change control forms will be retained by the Integrity staff at each PSC to document this process. |
| SSA Target Date | Completed |
| End Date – OIG Review | 1/15/02 |
| OIG Confirmation of Status | Disagree. SSA's work on this recommendation is incomplete. SSA has developed standardized change control procedures for the processing centers. However, TOP SECRET has not been changed to limit programmer access at the processing centers to the production environment. On April 2, 2002 SSA informed OIG that it expected to complete this change by the end of April 2002. |

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| Report Section/Area | Service Continuity |
| Finding/Rec Number | III.2. |
| PwC Finding | <p>At the time of our fieldwork, SSA had not yet completed documenting a business continuity plan for the FACTS application. Management represented that appropriate business continuity procedures had been developed, but this did not include documenting and distributing to affected staff a list of IT personnel and users responsible for action during operational failure. In addition, no documentation was available confirming that any existing informal procedures had been kept up to date and adequately tested.</p> <p>Without a formally documented business continuity plan that is comprehensive, updated regularly, and periodically tested, management cannot be assured that necessary FACTS processing can be accomplished during an emergency.</p> |
| PwC Recommendation | <p>SSA should expedite completion of a formally documented business continuity plan for FACTS, ensuring that it is:</p> <ul style="list-style-type: none"> - Sufficiently comprehensive, addressing both short term and long term interruption to normal processing and providing for such actions as the preparation and distribution of a list of IT personnel and users responsible for action during operational failure; - Updated regularly; and - Periodically tested. |
| SSA Management Response | <p>We agree. Building upon the existing emergency response procedures for FACTS, SSA will develop a business continuity plan outlining the accounting process and responsible personnel in the event of short and long-term operational failure. We anticipate preparation of the plan by May 1, 2001.</p> |
| Cross Reference | New |
| SSA Action Plan | See management response. |
| Current Status per SSA | The business continuity plan for OFPO systems has been drafted and is undergoing review and revision. |

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| SSA Target Date | Ongoing |
| End Date – OIG Review | 3/1/02 |
| OIG Confirmation of Status | Agree. SSA’s work on this recommendation is incomplete. SSA developed a business continuity plan for FACTS in August 2001. However, this plan needs to be tested before OIG will consider this recommendation closed. As of the end of our fieldwork, no dates had been set up for testing. |

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| Report Section/Area | Programmatic Systems – Title II |
| Finding/Rec Number | IV.A.1. |
| PwC Finding | <p>SSA has accepted specified levels of access granted to individuals in the field as being excessive in order to provide a high level of customer service. Compensating controls have been implemented to control this access such as the integrity review process. During the FY 2000 audit, PwC noted that the access granted to supervisors allows them to initiate and adjudicate claims. This is a separation of duties weakness that is not compensated for through inclusion in the integrity review process as required in SSA’s “Behind the Scenes” Policy.</p> |
| PwC Recommendation | <p>SSA should implement a process that would include the independent review of initial claims that are also adjudicated by the same individual, especially if that individual is performing the duties of a supervisor.</p> |

SSA Management Response We agree and are addressing this issue through an alternative approach. SSA has a formal systems life cycle process for the development of all of its applications. The life cycle integrates security into the development of each application and ensures that compensating controls to mitigate opportunity for fraud are put in place before applications move to production.

The Enumeration process, a crucial first step for attaining Title II benefits, is subject to variety of compensating controls that include systems access, system enforced separation of duties through a 2-PIN procedure and reviews performed by management, such as CIRP and the Enumeration Sample Review. Moreover, Enumeration is also subjected to oversight by independent organizations, such as OIG, quality reviews and audit trail tracking.

Compensating controls also are incorporated into the Title II claims initiation and adjudication processes, significantly reducing opportunity for fraud. Controls specific to Title II claims processes include the Integrated Client Data Base, which provides death

alerts from the Numident. SSA's claims procedure requires documentary review and are subjected to quality assurance reviews. As with Enumeration, Title II claims are also subjected to the system enforced 2-PIN procedure. In addition, claims are checked against the Numident for date of death and are subjected to integrity reviews and audit tracking.

Finally, when implemented, CIRP Release 4 will provide for a review of claims where an employee processed an initial enumeration and adjudicated the same claim. CIRP also ensures an independent review by preventing an individual from reviewing actions which they processed.

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| Cross Reference | New |
| SSA Action Plan | See management response. |
| Current Status per SSA | Selection criteria is under development jointly by DCFAM, OISS; DCO, OPSOS; AND DCS, OSA. |
| SSA Target Date | To be determined. |
| Updated Target Date | Complete |
| End Date – OIG Review | 2/12/02 |
| OIG Confirmation of Status | Agree. SSA's work on this recommendation is complete. PwC was able to test 19 of 22 compensating controls over initial and adjudicated claims and determined that these controls are effective. OIG reviewed PwC's documentation and agrees that these controls are effective. In addition, SSA has scheduled CIRP release 4 for implementation in June 2003. Therefore, OIG believes that SSA has taken appropriate steps to complete work on this recommendation. |

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| Report Section/Area | Programmatic Systems – Title II |
| Finding/Rec Number | IV.A.2. |
| PwC Finding | <p>PwC performed on-line and batch testing of the Title II application as part of its FY 2000 audit. This testing included entering transactions in both MCS and MACADE to ensure adequate editing and data validation checks were performed to ensure data integrity and reduce the risk of fraud. As a result of our work the following situations were identified:</p> <ul style="list-style-type: none"> - MCS should have provided (but did not) an alert or error message when: <ul style="list-style-type: none"> - An individual filing for a claim was dead. - A child was filing for a claim, but was married. - The date of adoption of a child was after the numberholder’s date of death. - MACADE should have provided (but did not) an alert or error message when: <ul style="list-style-type: none"> - The sex code is not validated when entering claim information. - The Primary Insurance Amount (PIA) is not validated to ensure that it is <=\$3,000. |
| PwC Recommendation | <p>SSA needs to enhance its edits and data validation checks for Title II applications, thereby improving data integrity and reducing the risk of fraud. Additionally, the batch process should produce alerts for transactions that are inaccurate or questionable but have not resulted in a surface, inter-screen or intra-screen error message being displayed during on-line data entry.</p> |
| SSA Management Response | <p>We agree and are evaluating PwC’s findings. Corrective actions will be incorporated into future Title II redesign initiatives.</p> |
| Cross Reference | New |
| SSA Action Plan | See management response. |
| Current Status per SSA | SSA provided PwC with additional information regarding the MACADE findings and it was agreed |

that these situations were valid and no action was necessary by SSA.

Regarding MCS findings, we agree and expect to schedule changes for a future release.

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| SSA Target Date | Ongoing |
| Updated Target Date | Complete |
| End Date – OIG Review | 1/29/02 |
| OIG Confirmation of Status | Agree. SSA’s work on this recommendation is complete. PwC was not able to test all MCS edits in the online environment. However, for the edits that were tested, PwC found no exceptions. In addition, a MCS release was completed in September 2001 that includes corrections made to the edits PwC was not able to test. PwC was able to test MACADE edits online with no exceptions. SSA should continue to ensure that alerts are working correctly in the situations described in PwC’s finding, as PwC will be testing these again for FY 2002. |

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| Report Section/Area | Programmatic Systems – Earnings Record Maintenance System (ERMS) |
| Finding/Rec Number | IV.B.1. |
| PwC Finding | SSA has developed a key initiative tactical plan and schedule entitled “Reduce Earnings Suspense File’s Future Growth and Current Size” to address the suspense file and reconciliation issue identified in 1997. This plan, initially drafted in July 1998, is currently being revisited for changes, which SSA had hoped to complete by December 1999. During the FY 2000 audit, a contract was awarded to a third party to provide assistance and guidance in reducing the suspense file and implement a process that would maintain future suspense postings at a manageable level. |
| PwC Recommendation | SSA should await the results of the contractor’s efforts on the suspense file project and then use them to implement a solution to reduce the suspense file and improve the process for handling future suspense postings. |
| SSA Management Response | SSA is still waiting on the contractor’s final report. When the report is received, SSA will assess the results and determine what actions are appropriate. |
| Cross Reference | FY99 Management Letter - Part 2, III.2.A; FY98 Management Letter - Part 2, III.3.A; FY97 Management Letter - Part 2, V.3.A.1. |
| SSA Action Plan | A final action plan will be developed based on the outcome of the contractor’s efforts. |
| Current Status per SSA | SSA recently received the contractor’s final report and is in the process of evaluating its findings and recommendations. |
| SSA Target Date | To be determined. |
| End Date – OIG Review | 2/25/02 |
| OIG Confirmation of Status | Agree. SSA’s work on this recommendation is incomplete. SSA has not yet selected an approach |

option from the contractor's final report. The Office of Quality Assurance (OQA) is evaluating the report and expects to complete their evaluation by October 31, 2002.

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| Report Section/Area | Programmatic Systems – Death Alert, Control and Update System (DACUS) |
| Finding/Rec Number | IV.D.2. |
| PwC Finding | As PwC has noted in prior audits, SSA’s current practice of obtaining death data does not ensure that this data is entered into DACUS accurately, timely, and only once. External entities under contract to SSA to supply death data are paid 60 cents per transaction. SSA could pay more than once for the same death data because DACUS contains no edit routine to identify instances where two or more data providers submit the same death notice. These data providers are contractually required to submit death notices within 3 months of the month of death. The majority of these entities are still preparing this data manually prior to transmission, accounting for the extended time period allowed for data submission. SSA is moving forward with the implementation of electronic death certificates to reduce the timeframe for submission. Upon the completion of the pilot program for this process, SSA expects to deliver final contract standards to the states by March 2001 and to phase in all states over the next five to ten years. |
| PwC Recommendation | SSA should look for ways to expedite its initiatives for reducing the amount of time required by outside sources to submit death notifications, such as use of the electronic death certificate. |
| <hr/> | |
| SSA Management Response | We agree. We concur with the recommendation to explore initiatives to obtain death data more timely from outside agencies. SSA is providing support for the Electronic Data Registration (EDR) pilot activities now being developed by partially funding the States to develop and implement their electronic systems. Under EDR, SSA will receive a death report from the States within 24 hours or within 5 days of the filed certificate. |
| Cross Reference | FY99 Management Letter - Part 2, III.4.B; FY98 Management Letter - Part 2, III.5.B. |
| SSA Action Plan | See management response. |

Current Status per SSA

SSA plans to award contracts to some of the States in September 2001. Under EDR, SSA will receive a death report from the States within 24 hours or within 5 days of the person's death. Part of SSA's requirement is to obtain a verified SSN at the first point of collection in the EDR process. For those verified SSN's, SSA will take immediate action on those death reports.

DCS recently received from DCDISP two new Initiative Information Documents outlining a permanent Internet-based solution and changes that would designate an EDR as a first priority report. Meetings/discussions to schedule the Initiative Information Documents began on July 19, 2001 and the Plan Chairs for the affected 5 Year Plans are working to determine timeframes for the planning and analysis on this project.

SSA Target Date

To be determined.

End Date – OIG Review

1/29/02

OIG Confirmation of Status

Agree. SSA's work on this recommendation is incomplete. SSA has made considerable progress towards closing this recommendation. It awarded two contracts to New Hampshire and Washington, D.C. to begin receiving electronic death reports and plans to eventually award contracts to all states. In addition, SSA is planning a pilot for Electronic Death Registration to begin in August 2002.

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| Report Section/Area | Programmatic Systems – Computer Assisted Audit Techniques |
| Finding/Rec Number | IV.F.Overview |
| PwC Finding | <p>Overview</p> <p>Our 2000 work confirmed that data reliability/integrity weaknesses still exist within SSA’s automated files and records. While such problems can result from application change control weaknesses or application design weaknesses, they can also be the result of minimal effort made to remove incorrect data remaining on files after identified software code weaknesses have been corrected. These data anomalies could impact future processing or add to SSA’s workload by requiring extra effort to resolve incorrect data.</p> <p>We performed selected tests, using audit software, on some of SSA’s primary data files. This testing was restricted to the eleventh segment of the Numident, MBR, and SSR files, and to the 1999 earnings data posted for persons in that segment. A projected total for all segments is presented in parenthesis for each test listed.</p> <p>Although SSA has shown some improvement in this area, examples of the data integrity weaknesses we identified during our 2000 testing are discussed below.</p> |
| PwC Recommendation | <p>General Recommendations</p> <p>SSA should:</p> <ul style="list-style-type: none"> - Analyze its automated databases to identify key data integrity conditions that should apply within and across databases. - Design and implement data integrity checking programs for the full production databases to identify the total population of records with potential data integrity problems. - Investigate, identify, and rectify the root causes of data integrity problems. |

- Ensure appropriate automated and manual controls are in place to prevent problems from recurring, including periodically running the data integrity checking programs as a detective control.
- Investigate and correct instances of invalid data on individual records that may affect payment status. Refer any suspicious transactions to the OIG for investigation.
- Improve data administration for systems with regard to applying consistent definitions and formats for commonly used data elements.

For those instances where the data integrity problems noted may be the result of historical problems now prevented by recent SSA modernization efforts, the agency should ensure that the existence of this data will not adversely affect the payment status of any individual.

SSA Management Response

We agree. However, there are no major changes planned for Client between now and the end of the calendar year (2001) that would impact this recommendation. With all available resources devoted to high priority initiatives in the TII and TXVI areas, not to mention legislation and Internet, there are none available to work on Client-related enhancements.

Long-range plans exist to develop the Client system to strengthen data integrity. Automated database clean-up efforts, whenever technically feasible, are included in these plans. One example is the planned posting of proven dates of birth on the MBR and SSR to the Numident. This will not only reduce date of birth discrepancies, but also facilitate future postings of dates of death since there will be fewer non-match situations. This activity is currently unscheduled in the Enumeration/Client 5-Year Plan; resource issues may or may not impact the originally anticipated implementation target date of late 2001; we will know more by March 2001.

SSA Action Plan

See management response.

Current Status per SSA

Recent and upcoming Client activity to improve data integrity and system communication includes:

- With the 9/2001 T2R2.1 release, certain miscellaneous data corrections coming in through the MONET system will also update Client and the Numident. This includes corrections to claimants own SSN plus changes to DOB, DOB proof and SEX.
- Also with the 9/2001 T2R2.1 release, the T2R batch process will update Client with language preference changes.
- A service request has been submitted to OSDD to clean up certain data anomalies remaining on Client after software changes had been incorporated. Due to higher priority initiatives, OSDD resources have not yet been available to institute the cleanup activity.
- A contractor review of SSA death processing is currently being done with an eye toward a future overhaul of such processing. The Client database and/or screens will be integral to any resulting new process and will help to enable sharing and integrity of death data.
- Client is slated to play an important role in the proposed Customer Service Record (CSR) project. This system also is intended to interface with SSA's application systems and promote data sharing and hence, greater data integrity.

SSA Target Date

Ongoing

OIG Comment

See Finding/Rec Numbers IV.F.1., IV.F.2., and IV.F.4. for specific findings, management response, and OIG conclusions. The Overview is not considered a separate recommendation by OIG.

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| Report Section/Area | Programmatic Systems – Computer Assisted Audit Techniques |
| Finding/Rec Number | IV.F.1. |
| PwC Finding | <p>In 1997, a comparison of the MBR and Numident identified 819 records (projected total 16,380) where the individual was alive and in a current pay status on the MBR but listed as dead on the Numident.</p> <p>In 1998, the comparison yielded similar results, with 944 records (projected total 18,880) identified.</p> <p>In 1999, our comparison again yielded similar results, with 867 records (projected total of 17,340) identified.</p> <p>The 2000 comparison showed a slight improvement, with a yield of 706 records (projected total of 14,120).</p> |
| PwC Recommendation | Refer to the General Recommendations in the Overview above. |
| SSA Management Response | F.1 and F.2. We agree. In November 2000, we implemented a DACUS change that will automatically delete the Numident death posting when a person is reinstated to benefit status on the MBR and/or SSR after having been erroneously terminated for death. The former second input needed to DACUS was the primary cause of these inconsistencies. We are currently developing a program to identify all records on the MBR where payment has been reinstated and the Numident retains the death information. We will then delete the erroneous death. We expect to complete this by March. We will then develop a similar matching and update for the SSR; we do not yet have a target date. We expect that this will eliminate the problem. |
| Cross Reference | FY99 Management Letter - Part 2, III.6.A; FY98 Management Letter - Part 2, III.6.Overview and A.-D.; FY97 Management Letter - Part 2, III.6.A. and A1. - A4. |
| SSA Action Plan | See management response. |

Current Status per SSA

Actions to identify MBR records where payment was reinstated but the Numident retained the death information was completed for one segment of the Numident in March 2001. The results of this match are being analyzed and will be presented to management. Actions to address SSR/Numident inconsistencies remain in development.

SSA Target Date

To be determined.

End Date – OIG Review

1/29/02

OIG Confirmation of Status

Agree. SSA's work on this recommendation is incomplete. Progress has been made, as PwC found only eight discrepant cases after the date of the DACUS change in the MBR segment it tested. In addition, SSA now has several projects under way to help decrease the number of discrepancies encountered. In the future, PwC plans to address the cause of these discrepancies in a new recommendation that is being developed. SSA is still completing work to manually correct MBR/Numident discrepancies where the date of death is 1990 or later.

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| Report Section/Area | Programmatic Systems – Computer Assisted Audit Techniques |
| Finding/Rec Number | IV.F.2. |
| PwC Finding | <p>In 1997, a comparison of the SSR and Numident identified 60 records (projected total 1200) where the individual was alive and in a current pay status on the SSR but listed as dead on the Numident.</p> <p>In 1998, the comparison yielded similar results, with 66 records (projected total 1320) being identified.</p> <p>In our 1999 testing we identified 49 (projected total 980) records meeting this test criteria.</p> <p>In 2000, the comparison identified 79 (projected total of 1580) individuals that were alive and in current pay status on the SSR, but listed as dead on the Numident.</p> |
| PwC Recommendation | Refer to the General Recommendations in the Overview above. |
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| SSA Management Response | <p>F.1 and F.2. We agree. In November 2000, we implemented a DACUS change that will automatically delete the Numident death posting when a person is reinstated to benefit status on the MBR and/or SSR after having been erroneously terminated for death. The former second input needed to DACUS was the primary cause of these inconsistencies. We are currently developing a program to identify all records on the MBR where payment has been reinstated and the Numident retains the death information. We will then delete the erroneous death. We expect to complete this by March. We will then develop a similar matching and update for the SSR; we do not yet have a target date. We expect that this will eliminate the problem.</p> |
| Cross Reference | <p>FY99 Management Letter - Part 2, III.6.B; FY98 Management Letter - Part 2, III.6.Overview and A.-D.; FY97 Management Letter - Part 2, III.6.A. and A1. - A4.</p> |

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| SSA Action Plan | See management response. |
| Current Status per SSA | Actions to identify MBR records where payment was reinstated but the Numident retained the death information was completed for one segment of the Numident in March 2001. The results of this match are being analyzed and will be presented to management. Actions to address SSR/Numident inconsistencies remain in development. |
| SSA Target Date | To be determined. |
| End Date – OIG Review | 1/29/02 |
| OIG Confirmation of Status | Agree. SSA's work on this recommendation is incomplete. PwC found discrepancies after the date of the DACUS change in the SSR segment it tested. SSA now has several projects under way to help decrease the number of discrepancies encountered. SSA is still completing work to manually correct SSR/Numident discrepancies where the date of death is 1990 or later. |

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| Report Section/Area | Programmatic Systems – Computer Assisted Audit Techniques |
| Finding/Rec Number | IV.F.4. |
| PwC Finding | <p>In 1997, a comparison of the MBR, SSR, and Numident identified a large number of corresponding records with significant differences in dates of birth. Using a tolerance of >3 years for comparison purposes, we noted 13,998 differences between the MBR and the Numident, and 20,254 between the SSR and Numident.</p> <p>The number of discrepancies improved in 1998; however, we still identified 6,433 differences between the MBR and the Numident, and 711 between the SSR and Numident.</p> <p>In 1999 the numbers improved some more with 6,078 differences between the MBR and the Numident, and 579 between the SSR and Numident.</p> <p>In 2000, the number of records with a date of birth difference > 3 years between the MBR and the Numident continued to improve, dropping to 5,389. However, we also identified 1,041 records with a date of birth difference > 3 years between the SSR and Numident, a significant increase over the 1999 results.</p> |
| PwC Recommendation | Refer to the General Recommendations in the Overview above. |
| SSA Management Response | We agree with this recommendation. We continue to plan to resolve the condition by updating the Numident with the proven MBR and SSR dates of birth. However, higher priority workloads continue to keep this project as Unscheduled in the 5 Year Plan. |
| Cross Reference | FY99 Management Letter - Part 2, III.6.D; FY98 Management Letter - Part 2, III.6.Overview and A.-D.; FY97 Management Letter - Part 2, III.6.A. and A1. - A4. |
| SSA Action Plan | See management response. |

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| Current Status per SSA | No change. |
| SSA Target Date | To be determined. |
| End Date – OIG Review | 1/29/02 |
| OIG Confirmation of Status | Agree. SSA’s work on this recommendation is incomplete. SSA indicated that there has been no status change since the last update. Clean up of discrepant cases is still unscheduled in the 5-Year Plan. |

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| Report Section/Area | Administrative Systems – Financial Accounting System (FACTS) |
| Finding/Rec Number | V.A.2. |
| PwC Finding | <p>Past audits determined that additional changes in the front-end edit criteria are required to reduce the number of suspense items. Without these changes, the number of suspense items would grow to a level that would impair SSA's ability to clear items in a timely manner. This, in turn, would increase the risk of inaccurate data and inflated dollar values in suspense.</p> <p>SSA implemented four fixes during FY 1999 to address this issue. During FY 2000 the agency also implemented a Third Party Draft vendor table in the field offices that is to reduce the number of rejections by providing valid EINs that will be used to edit input prior to transmission to Headquarters.</p> <p>Release 1.1 of the Third Party Draft system has been received by 1300 field offices. About 435 offices have already converted to the new system. The field offices can now update the FACTS vendor tables using a manual process. Release 2.0, which was expected in October 2000, will allow a more direct link to the FACTS vendor tables.</p> <p>At the time of our follow-up work, the implementation of the Third Party Draft vendor table had little impact on the volume of suspense transactions. We acknowledge, however, that this initiative probably had not been in place long enough to fairly assess its effectiveness.</p> |
| PwC Recommendation | SSA should monitor the volume of suspense file transactions to ensure that the changes in the edit criteria required to improve suspense processing, along with the addition of a Third Party Draft vendor table, meet the expected results of reducing the number of suspense items. |
| SSA Management Response | We agree. In mid-December, Release 2.0 of TPPS occurred with completion of the rollout by early |

February 2001. With TPPS release 2.0, a Vendor Maintenance Form (VMF) is generated when a new payee is entered in the payee table. While it is expected this software release will substantially reduce the number of TPPS errors, it is too premature to make that assessment.

Cross Reference

FY99 Management Letter - Part 2, IV.1.B; FY98 Management Letter - Part 2, IV.1.B.; FY97 Management Letter - Part 2, V.3.E.

SSA Action Plan

See management response.

Current Status per SSA

Completed

SSA Target Date

Completed

End Date – OIG Review

1/28/02

OIG Confirmation of Status

Agree. SSA's work on this recommendation is complete. SSA has improved the processing for third party draft suspense items and demonstrated that the number of third party draft suspense errors continues to be low.

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| Report Section/Area | Administrative Systems – Financial Accounting System (FACTS) |
| Finding/Rec Number | V.A.3. |
| PwC Finding | <p>There is a need for more complete tracking and reporting on the activities related to resolving open obligations. Past audits identified that open obligations were not being de-obligated in a timely manner and de-obligated obligations were not adequately documented. Consequently, funding levels may be incorrectly stated, resulting in the potential for inappropriate use of valuable resources.</p> <p>In FY 1999, SSA implemented procedures to document liquidated obligations. However, per the Open Obligation Report, a significant number of long standing unliquidated obligations remain outstanding, including numerous obligations from fiscal years 1994, 1995, 1996, and 1997. Open obligations are not being de-obligated in a timely manner in part because current procedures do not address the timely liquidation of obligations.</p> |
| PwC Recommendation | <p>SSA should enhance current policies and procedures to ensure that the de-obligation process is operating effectively and timely. An overall aged balance should be established as of the end of the fiscal year and all activities by the Office of Finance should be accumulated into the monthly Report of Validations to ensure that management has a complete picture of the status of open obligations and the activity related to resolving them.</p> |
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| SSA Management Response | <p>We agree. Additional research demonstrates that large portions of prior fiscal year open obligations are Reimbursable Work Authorizations (RWA's) with the General Services Administration (GSA). To that end, we now receive from GSA an electronic feed of open RWA's to enhance the validation process. In addition, beginning January 2001, SSA developed an accounting system query to produce an aging report for open obligations. This report is produced and analyzed on a monthly basis.</p> |

In addition, based upon our experience of validating RWA's with GSA, we plan to look at other categories of obligations to improve the validation process.

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| Cross Reference | FY99 Management Letter - Part 2, IV.1.E; FY98 Management Letter - Part 2, IV.1.F. |
| SSA Action Plan | See management response. |
| Current Status per SSA | Completed |
| SSA Target Date | Completed |
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| End Date – OIG Review | 3/1/02 |
| OIG Confirmation of Status | Agree. SSA's work on this recommendation is complete. PwC found that statistics are being reported for open obligations acted on and cleared and that the validation and reduction of open obligations are being tracked. SSA was able to provide evidence that it is making definite progress in validating open obligations. By the end of November 2001, SSA had reviewed all Headquarters reimbursable work authorizations and all interagency agreements for FY 1997. However, OIG may revisit this issue in the future to ensure open obligations continue to be addressed in a timely manner. |

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| Report Section/Area | Administrative Systems – Financial Accounting System (FACTS) |
| Finding/Rec Number | V.A.5. |
| PwC Finding | The current FACTS re-certification process used to validate an individual’s access to the system needs to be enhanced. Of 39 FACTS user profiles sampled, 12 had access that was not necessary for the performance of their duties. There were some indications that access had been retained from a prior position. The FACTS re-certification process needs to ensure that access is only granted to those with a need. |
| PwC Recommendation | SSA should enhance their current re-certification process by implementing the following: <ul style="list-style-type: none"> - A standard profile for each position requiring access to FACTS and a requirement that access be requested in terms of the standard profile. - A re-certification listing showing the access of each person and a requirement that each supervisor justify access that is not consistent with the standard profile. |
| SSA Management Response | We agree. SSA has begun to develop standard profiles for each position that accesses FACTS. In addition, a re-certification listing will be developed as described in the recommendation. |
| Cross Reference | New |
| SSA Action Plan | See management response. |
| Current Status per SSA | FACTS Standard Profiles are near completion. Once complete, a recertification of the profiles will occur and is targeted for 8/31/01. |
| SSA Target Date | August 31, 2001 |
| End Date – OIG Review | 2/28/02 |

OIG Confirmation of Status

Disagree. SSA's work on this recommendation is incomplete. SSA has created standard profiles for all of the FACTS users. However, as of April 5, 2002 a re-certification had not been completed. It is important that the re-certification process is completed to ensure that the level of access currently held by FACTS users matches their standard profiles.

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| Report Section/Area | Other – Title 2/Title 16 Issues |
| Finding/Rec Number | VI.A.1. |
| PwC Finding | SSA has established preventive and detective controls to ensure accurate payments to beneficiaries. Two of the main detective controls are the Index of Dollar Accuracy (IDA) review and the Stewardship review. Through these reviews, SSA successfully confirms the accuracy, and in certain cases, the inaccuracy of benefit payments. When payment discrepancies are identified, the appropriate Program Service Center (PSC) or Field Office (FO) is notified to follow-up on the matter. Our testing confirmed that these notifications were being sent. However, our testing also indicated that the PSCs/FOs inconsistently resolve these payment discrepancies. Furthermore, we noted current SSA policy does not provide a mechanism to reasonably assure that the noted discrepancies are ultimately resolved by the PSCs/FOs. |
| PwC Recommendation | We recommend that SSA update its current policies related to the IDA and Stewardship reviews to provide a means of ensuring that all payment discrepancies noted during these reviews are resolved by the PSCs/FOs in a timely manner. |
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| SSA Management Response | We agree. Existing Quality Review Manual (Title II) and Quality Review Manual System (Title XVI) procedures call for the quality reviewers to obtain master beneficiary/supplemental security record queries 30 days after sending a payment error feedback report to the PSCs/FOs to determine if the corrections have been made. If the corrections have not been made, the reviewers are to follow up with PSC/FO. If there is no response to the followup request in 15 days, the Regional Director for Quality Assurance and Performance Assessment (ROQA) is to request the assistance of the Assistant Regional Commissioner for Management, Operations and Systems to have the PSC or FO correct the case. These procedures can also be found in POMS (the Title XVI procedure in DG 16590.040 and the Title II procedure in DG 16073.047). We believe that the |

procedures are adequate for ensuring that payment errors are corrected; however, these procedures have not been followed in all instances. We are sending a reminder to all ROQA directors emphasizing the importance of closely following the established QRM and QRMS procedures for ensuring that payment errors are corrected by the PSCs and FOs.

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| Cross Reference | New |
| SSA Action Plan | See management response. |
| Current Status per SSA | In January 2001, a reminder was sent to all ROQA Directors emphasizing the importance of closely following the established QRM and QRMS procedures for ensuring that payment errors are corrected by the PSCs and FOs. |
| SSA Target Date | Completed |
| End Date – OIG Review | 3/1/02 |
| OIG Confirmation of Status | Agree. SSA's work on this recommendation is complete. In FY 2001, no cases were found where OQA failed to ensure that the PSC or FO corrected a payment error found by OQA. In addition, OQA has instituted periodic monitoring of ROQA adherence to Quality Review Manual and Quality Review Manual System procedures regarding correction of payment errors. |

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| Report Section/Area | Other – Title 2/Title 16 Issues |
| Finding/Rec Number | VI.A.6. |
| PwC Finding | <p>Individuals incarcerated are generally ineligible for Title II and Title XVI benefits. One of the tools SSA uses to identify incarcerated recipients is the Prisoner Update Processing System (PUPS). During our audit, we sampled information from the PUPS and compared it against information in the SSR to determine whether SSI payments were appropriately suspended when an individual was incarcerated. During our testing, we noted several instances when no release date was recorded in the PUPS database for incarcerated individuals even though they were in current pay status on the SSR. POMS section SI 02310.076 requires that the PUPS database be updated with the release date and the effective date of reinstatement if an individual meets the condition for reinstatement. However, it appears that SSA employees in the Field Offices are not updating the PUPS in all instances. Failure to appropriately update both the PUPS and SSR could result in improper payments being made to SSI recipients.</p> |
| PwC Recommendation | <p>We recommend that SSA enforce its requirement that the PUPS database be updated with the release date and effective date of reinstatement if an individual meets the condition for reinstatement. We also recommend that SSA run logic queries between the PUPS database and the SSR to identify individuals who should be ineligible for payment based on information in the PUPS database.</p> |
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| SSA Management Response | <p>We agree. The system allows for the collection of the data mentioned. We will continue to monitor technical compliance.</p> <p>In regard to running logic queries between PUPS database and the SSR, it should be mentioned that the SSR Online Query already presents an alert if the record is also on the PUPS database.</p> <p>Also, OQA is scheduled to conduct another review of prisoner processing in Fiscal Year 2001 and will</p> |

advise Operations of any processing deficiencies they find. Additional training will be provided on any problem areas identified by OQA.

Cross Reference

FY99 Management Letter - Part 2, V.12; FY98 Management Letter - Part 2, V.R.

SSA Action Plan

See management response.

Current Status per SSA

DCO will continue to monitor for technical compliance. DCO will also submit a request to the Office of Systems to create a semi-annual compare operation to check the PUPS data base for release dates on all reinstatements following Prisoner suspension and to generate alerts for FO resolution.

OQA is planning to conduct a followup review of prisoner alert development in calendar 2001. Results of the review, expected late in FY 2002, will be shared with Operations. Additional training will be provided on any problem areas identified by OQA.

SSA Target Date

Late FY 2002.

End Date – OIG Review

1/24/02

OIG Confirmation of Status

Agree. SSA's work on this recommendation is incomplete. The Office of Systems will not be able to create a semi-annual compare operation to check PUPS for release dates on all reinstated benefit claims following Prisoner suspension. Based on our discussions with SSA, an analysis was performed and the semi-annual compare operation is not a feasible solution to the issue reported by PwC. In addition, the review of prisoner alert development has not yet begun. Based on the delays SSA is encountering during their work, the target date of "Late 2002" no longer appears to be reasonable.

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| Report Section/Area | Other – Title 2/Title 16 Issues |
| Finding/Rec Number | VI.A.8. |
| PwC Finding | <p>During previous audits, we noted that the four balancing reports generated from the Time Share Option (TSO) system by the Division of Benefit Certification Branch (DBCA) indicated an out-of-balance condition. During fiscal year 2000, SSA reset the balances on the Group Totals report and temporarily the reports balanced. However, because the exact cause of the out-of-balance condition was not determined, the reports currently indicate a continued out-of-balance condition at September 30, 2000. Specifically, the Group Totals report indicated that 11,275 fewer payments totaling \$4,012,972.99, were made than payments reported on the other three reports. DBCA believes that they have identified the reason for this out-of-balance condition. Our review disclosed that SSA created a task group to identify the cause of and solution to the out-of-balance condition, but actions to fully resolve this matter have not been taken. Failing to properly balance the reports from the TSO system could cause inaccurate payments to be made to recipients.</p> |
| PwC Recommendation | <p>SSA should continue its efforts to identify the exact cause for this out-of-balance condition, modify the system as needed, so out-of-balance conditions are reconciled in a timely manner.</p> <hr/> |
| SSA Management Response | <p>We agree. Currently we have formed a cross-functional workgroup and are in the Planning and Analysis (P&A) stage of evaluating the problem. P&A should be completed in March 2001. Since Group Totals do not produce any transactions, only summary totals, it has been impossible to perform the type of reconciliation recommended when an out-of-balance condition exists. A record-level database needs to be established to perform this validation. Evaluation of the various options the Office of Systems may need to pursue (e.g., possibly a rewrite of the entire system) based on the workgroup's recommendation will occur after P&A is completed.</p> |

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| Cross Reference | FY99 Management Letter - Part 2, V.7; FY98 Management Letter - Part 2, V.H.; FY97 Management Letter - Part 2, V.2.G. |
| SSA Action Plan | See management response. |
| Current Status per SSA | DBCA formed a cross-functional workgroup to evaluate the problem. While in the Planning and Analysis (P&A) stage the group was temporarily suspended in January 2001 because the Office of Systems Design and Development (OSDD) was forced to allocate its resources to a Modernized Overpayment/Underpayment Reporting System (MOURS)-related project. |
| SSA Target Date | To be determined |
| End Date – OIG Review | 1/10/02 |
| OIG Confirmation of Status | Agree. SSA's work on this recommendation is incomplete. SSA has submitted an IT proposal to correct the out-of-balance condition for the SSI payment files. Corrections are still needed for other files that feed into the Group Totals report. |

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| Report Section/Area | Other – Title 2/Title 16 Issues |
| Finding/Rec Number | VI.A.10. |
| PwC Finding | <p>During our testing of the Index of Dollar Accuracy (IDA) and Stewardship reviews performed by the Office of Quality Assurance (OQA) we noted the following weaknesses which impair the effectiveness of the reviews.</p> <ul style="list-style-type: none"> - OQA needs to update its RSDI Quality Review Manual (QRM) to include detailed guidance related to performing Index of Dollar Accuracy (IDA) and Stewardship reviews. During our testing we noted that the lack of detailed guidance has resulted in inconsistencies among regions in the way that the reviews are performed. - OQA needs to update the QRM to include new existing policies and procedures. During our testing we noted that the QRM does not include the new policies and procedures regarding the use of the SSA-2930, RSI/DI Quality Review Case Analysis – Sampled Number Holder or the SSA 2931, RSI/DI Quality Review Case Analysis – Auxiliaries/Survivors. In addition, our testing disclosed several instances where OQA reviewers improperly excluding cases from review based on the existence of the “dual entitlement stratum”, which has not been in place since FY 1996. - OQA does not have written policies or procedures in place to reasonably assure that cases are excluded from the IDA and Stewardship reviews based on valid programmatic/business reasons. During our audit we noted several instances where OQA reviewers improperly excluded sample items from review. The lack of such policies and procedures increases the risk that errors could go undetected because sample items were improperly excluded from testing. |
| PwC Recommendation | <p>We recommend that SSA update the RSDI QRM to reflect current policies and procedures and to include detailed guidance for performing IDA and Stewardship reviews. We further recommend that SSA establish and implement written policies and procedures to reasonably assure the propriety of IDA and Stewardship cases excluded from review.</p> |

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| SSA Management Response | We agree. To the extent possible, exclusion criteria are written into the Automated Sample Selection Process (ASSP). Where manual exclusions occur, they are made in accordance with established guidelines. Should situations outside the guidelines occur, regional staffs consult with central office before excluding a case. |
| Cross Reference | FY99 Management Letter - Part 2, V.2; Various. |
| SSA Action Plan | See management response. |
| Current Status per SSA | The current effort to replace the IDA reviews with a transaction analysis review procedure to make the process a more useful tool for Operations to improve accuracy has deferred our plans to completely overhaul the QRM procedures. Instead of a complete overhaul, we are now planning a QRM release to cover key changes, once the revised transaction review procedures are finalized after testing and piloting. The planned QRM release is not expected before mid to late FY 2002. |
| SSA Target Date | Late FY 2002 |
| End Date – OIG Review | 2/7/02 |
| OIG Confirmation of Status | Agree. SSA's work on this recommendation is incomplete. The transaction analysis review to replace IDA reviews was approved by Acting Commissioner Massanari. SSA still plans to have a QRM release covering key procedural changes completed during FY 2002. |

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| Report Section/Area | Other – Title 2/Title 16 Issues |
| Finding/Rec Number | VI.A.15. |
| PwC Finding | <p>During our overall review of the Continuing Disability Review (CDR) process that was in place in FY 2000, and more specifically the CDR profiling and scoring process, we noted that the Office of Disability did not maintain full documentation of the CDR process or of the input data sets and variables used in fitting the prediction models. Without this documentation, the CDR profiling and scoring programs are at risk of not having sufficient information available for review which would support the profile scores and the overall program. In addition, we noted that the CDR profiling program is continually under development without version control procedures and without detailed cataloging and comparison of results based on the difference variables used in the different models.</p> |
| PwC Recommendation | <p>We recommend that SSA maintain documentation on all aspects of the CDR process, in addition to the profiling and the scoring programs, including input data sets and all variables used as candidates in the prediction models.</p> <p>It is our understanding that SSA recently entered into a contract with an outside vendor to assist them with this effort, thus we recommend that SSA continue the implementation of this effort. We also recommend that since profiling validation activities are ongoing, version control also should be implemented. SSA should also consider establishing a fixed schedule for developmental analysis and algorithm updates. Final study results should be catalogued, including the data sets used to define the algorithms actually used to establish the models.</p> |
| SSA Management Response | <p>We agree that documentation of the profiling and scoring process could be more complete and note that we have already begun developing version control methodology, which we plan to implement in FY '01. We also plan to transfer the development of profiling models to the PC environment during FY '01. This will simplify the archiving procedure and satisfy</p> |

the recommendation made in this area. With regard to the recommendation to consider establishing a fixed schedule for developmental analysis and algorithm updates, we do not believe this is practical, at least, at this time. Currently, we adjust and refine our scoring model to accommodate significant legislative, policy, or procedural changes, as they occur. We believe this approach is a better use of our limited resources. Lastly, it should be noted that it has always been our practice to retain the data sets used to define the algorithms used in our profiling models and that, beginning in FY 2000, we increased the retention period to three years. We believe our current retention system provides adequate documentation of the changes and enhancements to our profiling models without adding an unnecessary burden to the process.

Cross Reference

FY99 Management Letter - Part 2, V.13.

SSA Action Plan

Develop version control methodology for profiling and scoring process.
 Transfer development of profiling models to PC environment.
 Retain data sets used to define algorithms in profiling for 3 years.

Current Status per SSA

Data set retention for 3 years – completed.
 Remainder – in progress.

SSA Target Date

September 2001

End Date – OIG Review

2/26/02

OIG Confirmation of Status

Agree. SSA’s work on this recommendation is complete. Through the new profiling system, SSA has ensured that documentation is maintained on all aspects of the CDR process. SSA also confirmed its intention to maintain data sets for a minimum of 3 years.

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| Report Section/Area | Other - Revenue |
| Finding/Rec Number | VI.B.1. |
| PwC Finding | <p>Prior to SSA's final wage certification, the Department of Treasury is responsible for transferring estimated amounts for employment taxes collected to the SSA trust funds. These transfers are made based on revenue estimations completed by SSA's Office of the Chief Actuary (OCACT). SSA and Treasury have never formally documented the responsibilities of each party involved in this process, nor documented the course of action which would be followed should a dispute arise concerning the transfer of funds from Treasury to the SSA Trust Funds. Because this process has not been documented, disputes between the two parties could delay the transfers should an error or dispute ever arise. SSA has documented its own procedures of estimating and certifying the wages in its Accounting Manual, however the responsibilities of each party involved in this process have not been documented, nor has a dispute resolution process been documented.</p> |
| PwC Recommendation | <p>We recommend that SSA clearly document the process which should be followed regarding possible disputes with Treasury and determine that Treasury is in agreement with all aspects of SSA's procedures of estimating the tax revenues and for resolving discrepancies.</p> <hr/> |
| SSA Management Response | <p>We agree with modification. On December 15, 2000, the Department of the Treasury released a review of its duties and responsibilities in the administration of trust funds and other government accounts with investment authority (or investment funds). The report contains several recommendations one of which is to clearly define Treasury and program agency roles and responsibilities for investment fund management through standardized agreements. These standard agreements will define policies and procedures and allocation of roles and responsibilities. Where needed, the agreements will be customized. Treasury plans to initially develop these agreements in the next 6-9 months with 5 Federal agencies, including SSA.</p> |

The procedures developed by SSA to document the roles and responsibilities for estimating the transfer of collected employment taxes to the SSA trust funds will be incorporated into the agreement with Treasury.

Cross Reference FY99 Management Letter - Part 2, V.3; FY98 Management Letter - Part 2, V.D.; FY97 Management Letter - Part 2, V.2.I.

SSA Action Plan See management response.

Current Status per SSA These procedures are currently being modified to the SSA intra-net publication process. Expected release is 8/31/01.

SSA Target Date August 31, 2001

End Date – OIG Review 3/1/02

OIG Confirmation of Status Agree. SSA did issue its accounting manual chapter, however Treasury has not yet established a Memorandum of Understanding (MOU) with SSA. This was scheduled to take place sometime during FY 2002, but had not occurred as of the end of our fieldwork. SSA believes the finding should be closed. OIG agrees that SSA has completed all work that it can at this time and can close this finding. We encourage SSA to monitor Treasury's actions to formalize the MOU.

Report Section/Area Other - Revenue

Finding/Rec Number VI.B.2.

PwC Finding The majority of revenue recognized by SSA and transferred to the Trust Funds, relates to employment tax revenue which is estimated by the Office of the Chief Actuary. Previously, we have noted that system documentation for the two estimation models used by OCACT, the REVEARN and MODEEM models, was lacking. We also noted that individuals within OCACT had not been sufficiently cross-trained to allow for succession planning. During our current audit, we noted that OCACT has taken several steps to train individuals to run both estimation models. However,

as required by the Office of Management and Budget, systems documentation regarding these two models and cross-checks to ensure estimation constancy have not been formally documented.

PwC Recommendation We recommend that OCACT document these models in accordance with OMB Circulars A-123 and OMB Circular A-127, including the use of cross-checks to ensure model constancy.

SSA Management Response We agree. However, although we agree that additional documentation may be desirable, we cannot implement the recommendation at this time due to higher priority work. Our highest priority is to our basic mission to produce cost estimates of the present-law and proposed OASDI programs. This requires us to commit our resources to performing and documenting data analyses, and maintaining and updating the computer models used to produce these estimates. While the additional documentation may be valuable for the purpose of informing external groups, current documentation has been satisfactory for internal use in producing high-quality cost estimates.

Cross Reference FY99 Management Letter - Part 2, V.8 and V.14;
FY98 Management Letter - Part 2, V.I.; FY97
Management Letter - Part 2, VI.A1 and A2.

SSA Action Plan On May 3, 2001 SSA provided documentation to the auditors that we believe should close this recommendation.

Current Status per SSA While the documentation may not be exactly what the auditors recommended, we believe it is the documentation appropriate for SSA processes.

SSA Target Date Completed

End Date – OIG Review 2/25/02

OIG Confirmation of Status Agree. SSA's work on this recommendation is complete. SSA provided sufficient documentation to PwC for the REVEARN and MODEEM models. In addition, OCACT now has plans in place to update model documentation every year. OCACT also plans

to train a second individual on the REVEARN model during 2002. OCACT should ensure that these items are completed as planned, as PwC will review this issue again during the FY 2002 financial statement audit.

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| Report Section/Area | Other – Financial Reporting |
| Finding/Rec Number | VI.C.2. |
| PwC Finding | <p>The Office of Finance lacks a formal set of documented policies and procedures regarding the accounting treatment for transactions processed through the Limitation on Administrative Expenses (LAE) fund. Informal policies have been developed over the years, but a comprehensive document outlining the budgetary and proprietary aspects of this program, along with the allocation of expenses, and reporting requirements has not been completed. During the audit, we noted that for financial reporting purposes, SSA applies a series of one-sided adjustments to financing sources and cumulative results of operations on the program-level Balance Sheets and Statements of Changes in Net Position and establishes intra-agency payables/receivables to counteract the effect of uneven LAE allocations. We believe that these adjustments, along with other adjustments made to correct previous errors related to LAE are necessary due to the fact that SSA has not developed a formal set of policies and procedures for processing, allocating, and reporting LAE transactions.</p> |
| PwC Recommendation | <p>We recommend that SSA develop and document a comprehensive set of policies and procedures regarding the LAE program. These policies and procedures should outline how LAE transactions are to be processed, allocated, and reported. This document should address budgetary as well as proprietary issues, and should be used as a reference tool to reasonably assure that LAE transactions are handled appropriately.</p> |
| <hr/> | |
| SSA Management Response | We agree. SSA plans to complete the documentation of the LAE program by March 30, 2001. |
| Cross Reference | New |
| SSA Action Plan | See management response. |

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| Current Status per SSA | The procedures to document accounting for LAE are undergoing review. Target completion date is 8/31/01. |
| SSA Target Date | August 31, 2001 |
| End Date – OIG Review | 1/30/02 |
| OIG Confirmation of Status | Disagree. SSA's work on this recommendation was incomplete. SSA drafted LAE Accounting and Reporting procedures in August 2001. SSA recently revised the draft procedures, but has not completed this effort as of the end of our fieldwork. |

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| Report Section/Area | Other – Financial Reporting |
| Finding/Rec Number | VI.C.7. |
| PwC Finding | The Debt Collection and Improvement Act (DCIA) of 1996 authorizes SSA to use several additional procedures to collect Title II overpayments, if the overpayments are not remitted to SSA within a specified timeframe. In previous management recommendation letters, we have noted that SSA currently is not using several of the procedures outlined in the DCIA. However, we also noted that SSA is currently working on several systems initiatives which will allow the Agency to track and recoup overpayments more effectively and to assess various penalties outlined in the DCIA. Most of these improvements are scheduled for implementation during the next 12 – 24 months. |
| PwC Recommendation | We recommend that SSA continue its plans to implement policies and procedures to assess penalties when needed, efficiently track amounts due to SSA, and finally to fully collect amounts due to SSA. |
| <hr/> | |
| SSA Management Response | <p>We agree. SSA is currently developing the two debt collection tools with the highest expected debt collection payoffs. The two tools are Cross Program Recovery, or the collection of a Title XVI debt from any Title II benefits payable to the debtor, and Administrative Wage Garnishment, which is the collection of a delinquent debt from the wages of the debtor. Cross Program Recovery was authorized by a different legislation than DCIA, and SSA estimates that it will yield \$115 million in collections over 5 years. Implementation is scheduled for March 2001. SSA is also engaged in developing administrative wage garnishment, and has completed the required planning and analysis. Implementation is scheduled for 2001.</p> <p>In the year 2000 SSA also developed the expansion of our existing credit bureau reporting and administrative offset programs to include Title XVI debts (which was authorized by the Foster Care</p> |

Independence Act of 1999). These tools will also be implemented in March 2001.

All other debt collection tools (Federal salary offset, private collection agencies and interest charging) will be developed in turn.

In addition, we have one comment regarding the wording of PwC's Finding on item V1.C.7. The third sentence (beginning with the words "However, we also. . .") should be changed as follows: "However, we also noted that SSA is currently working on several systems initiatives which will allow the Agency to collect overpayments more effectively."

Cross Reference

FY99 Management Letter - Part 2, V.9; FY98 Management Letter - Part 2, V.M.; FY97 Management Letter - Part 2, VI.B.

SSA Action Plan

See management response.

Current Status per SSA

Currently, SSA has three title XVI projects that are fully developed and two are in active development. The three fully developed projects are Cross-Program Recovery, Administrative Offset and Credit Bureau Reporting.

Cross-Program Recovery is the collection of a Title XVI debt from any Title II benefits payable to the debtor. Cross-Program Recovery was authorized by a different legislation than DCIA, and SSA estimates that it will yield \$115 million in collections over 5 years. In the year 2000 SSA also developed the expansion of our existing administrative offset and credit bureau reporting programs to include Title XVI debts (which was authorized by the Foster Care Independence Act of 1999). These new tools will be implemented after the final regulations are published.

Two debt collections tools are in active development. Administrative Wage Garnishment (AWG), which is the collection of a delinquent debt from the wages of the debtor, is in the development stage and the Notice of Proposed Rule Making for AWG has been written. SSA is also developing Federal Salary Offset.

Development of the remaining tools, Interest Charging and the use of Collection Agencies, will begin upon the completion of the activities currently underway. The use of these tools will enhance SSA's ability to collect delinquent debt in the future.

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| SSA Target Date | Ongoing |
| End Date – OIG Review | 2/8/02 |
| OIG Confirmation of Status | Agree. SSA's work on this recommendation is incomplete. SSA implemented three new debt collection tools at the end of February 2002 – administrative offset and credit bureau reporting for Title XVI overpayments and the Cross-Program Recovery to collect Title XVI overpayments from the debtor's Title II benefits. The other tools continue to be worked on. |

Table of Acronyms

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| ASSP | Automated Sample Selection Process |
| AWG | Administrative Wage Garnishment |
| CDR | Continuing Disability Review |
| CIRP | Comprehensive Integrity Review Process |
| CSR | Customer Service Record |
| DACUS | Death Alert, Control and Update System |
| DBCA | Division of Benefit Certification Branch |
| DCDISP | Deputy Commissioner for Disability and Income Security Programs |
| DCFAM | Deputy Commissioner for Finance, Assessment and Management |
| DCIA | Debt Collection Improvement Act |
| DCO | Deputy Commissioner for Operations |
| DCS | Deputy Commissioner for Systems |
| DI | Disability Insurance |
| DOB | Date of Birth |
| EDR | Electronic Death Registration |
| EIN | Employer Identification Number |
| ERMS | Earnings Record Maintenance System |
| FACTS | Financial Accounting System |
| FO | Field Office |
| FY | Fiscal Year |
| GSA | General Services Administration |
| IDA | Index of Dollar Accuracy |
| IT | Information Technology |
| LAE | Limitation on Administrative Expenses |
| MACADE | MADCAP Direct Data Entry |
| MADCAP | Manual Adjustment Credit and Award Process |
| MBR | Master Beneficiary Record |
| MCS | Modernized Claims System |
| MONET | Miscellaneous Online Edited Transaction |
| MOURS | Modernized Overpayment/Underpayment Reporting System |
| NUMIDENT | A query using the SSN to obtain the name of the number's owner |
| OASDI | Old Age, Survivors and Disability Insurance |
| OCACT | Office of the Chief Actuary |
| OFPO | Office of Financial Policy and Operations |
| OISS | Office of Information Systems Security |
| OMB | Office of Management and Budget |
| OPSOS | Office of Public Services and Operations Support |
| OIG | Office of the Inspector General |

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| OSA | Office of Systems Analysis |
| OQA | Office of Quality Assurance |
| OSDD | Office of Systems Design and Development |
| P&A | Planning and Analysis |
| PC | Personal Computer |
| PIA | Primary Insurance Amount |
| PIN | Personal Identification Number |
| POMS | Program Operations Manual System |
| PSC | Program Service Center |
| PUPS | Prisoner Update Processing System |
| PwC | PricewaterhouseCoopers LLP |
| QA | Quality Assurance |
| QRM | Quality Review Manual |
| QRMS | Quality Review Manual System |
| ROQA | Regional Office of Quality Assurance and Performance Assessment |
| RSDI | Retirement and Survivors Disability Insurance |
| RSI | Retirement Survivors Insurance |
| RWA | Reimbursable Work Authorization |
| SRCOL | System Release Certification Online |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |
| SSN | Social Security Number |
| SSR | Supplemental Security Record |
| TII | Title II of the Social Security Act |
| TPPS | Third Party Payment System |
| TSO | Time Share Option |
| TXVI | Title XVI of the Social Security Act |
| VMF | Vendor Maintenance Form |

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: September 4, 2002

Refer To: S1J-3

To: James G. Huse, Jr.
Inspector General

From: Larry Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Status of the Social Security Administration's Implementation of Fiscal Year 2000 Management Letter Issues" (A-15-02-12046)—INFORMATION

We appreciate the OIG's efforts in conducting this review. Our comments on the report are attached.

Staff questions can be referred to Mark Welch on extension 50374.

Attachment:
SSA Comments

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S (OIG) DRAFT REPORT, "STATUS OF THE SOCIAL SECURITY ADMINISTRATION'S IMPLEMENTATION OF FISCAL YEAR 2000 MANAGEMENT LETTER ISSUES" (A-15-02-12046)

Thank you for performing this review of Social Security Administration (SSA) actions to resolve issues presented in prior PricewaterhouseCoopers LLP (PwC) reports relating to SSA management controls and operations. The annual PwC audit of our financial statements is an important component in the overall management of the programs administered by SSA, and we are working to resolve issues presented by PwC as soon as possible.

We have the following comments on the status of SSA actions relating to the four prior PwC findings highlighted in this OIG report:

Finding II.B.2. (pages 3-4 of Appendix A)

PwC recommended SSA complete the drafting and implementation of program service center (PSC) change control procedures and consider assigning the production environment to non-programmers. SSA agreed with this recommendation and reported that work on this recommendation was complete. OIG determined that corrective action is not complete. SSA has developed standardized change control procedures for the PSCs. However, a systems change still needs to be made to limit programmer access to the production environment at the PSCs. SSA stated that it expected to complete this change by the end of April 2002. However, as of April 2, 2002, this was not completed.

Comment

The requirement to implement the creation of profiles to establish the appropriate separation of duties for the PSCs is under review by SSA systems security staff. Once approved, implementation should occur within 6 weeks.

Finding V.A.5. (pages 28-29 of Appendix A)

PwC recommended SSA enhance the current re-certification process by implementing a standard profile for each position requiring access to the Financial Accounting System (FACTS), and a requirement that access be requested in terms of the standard profile. SSA agreed with this recommendation and reported that work on this recommendation would be completed by August 31, 2001. OIG determined that corrective action was not completed by August 31, 2001. SSA has created standard profiles for all of the FACTS users. However, as of April 5, 2002, a re-certification had not been completed. It is important that the re-certification process is completed to ensure that the level of access currently held by FACTS users matches their standard profiles.

Comment

Recertification of FACTS profiles was completed on May 6, 2002. The FACTS standard profiles were completed on April 11, 2002. Therefore, we believe SSA has satisfied this audit finding.

Finding VI.B.1. (pages 40-41 of Appendix A)

PwC recommended SSA document the process which should be followed regarding possible disputes with Treasury and determine that Treasury is in agreement with all aspects of SSA's procedures of estimating the tax revenues and for resolving discrepancies. SSA agreed with this recommendation and reported that procedures would be in place by August 31, 2001. OIG determined that corrective action was not complete as of March 1, 2002. SSA did issue its accounting manual chapter; however, Treasury has not yet met with SSA to establish a Memorandum of Understanding (MOU). This is scheduled to take place sometime during FY 2002. We feel that SSA should change its target date for completion of work on this recommendation to "To be determined – pending action by Treasury." Although SSA has completed all work that it can at this time, SSA still has a responsibility to ensure that Treasury's MOU encompasses all aspects of SSA's procedures.

Comment

We are pleased that the OIG recognizes that SSA has fulfilled its portion of this audit finding. However, we do not agree that SSA should be held responsible for actions pending by an outside entity, in this instance the Department of the Treasury. We recently learned that Treasury has once again delayed development of user agreements with the 15 trust fund managed agencies (including SSA) until FY 2003, focusing instead on agencies that maintain their own investments. Treasury plans to conduct a survey of the trust fund managed agencies prior to development of any agreements. However, if Treasury development of the various agency agreements is once again re-prioritized by Treasury, SSA will be unfairly held responsible in the meantime. Since the roles and responsibilities of SSA and Treasury are already documented and will be subsumed in Treasury's agreement, we see no need for this audit finding to remain open.

Finding VI.C.2. (pages 44-45 of Appendix A)

PwC recommended that SSA develop and document a comprehensive set of policies and procedures regarding the Limitation on Administrative Expenses (LAE) program to outline how transactions are processed, allocated, and reported. SSA agreed with the recommendation and stated that the documentation would be complete by August 31, 2001. OIG determined that corrective action on this recommendation was not complete as of January 30, 2002. SSA had drafted LAE Accounting and Reporting procedures in August 2001. SSA recently revised the draft procedures, but has not completed this effort.

Comment

The accounting policies and procedures for the LAE program have been completed and implemented.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Frederick C. Nordhoff, Director, Financial Audit Division, (410) 966-6676

Victoria Vetter, Deputy Director, Financial Audit Division, (410) 966-9081

Acknowledgments

In addition to those named above:

Kristen Schnatterly, Auditor-in-Charge

Cheryl Robinson, Writer/Editor

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| Ranking Minority Member, Subcommittee on Social Security and Family Policy | 1 |
| Chairman, Senate Special Committee on Aging | 1 |
| Ranking Minority Member, Senate Special Committee on Aging | 1 |
| President, National Council of Social Security Management Associations, Incorporated | 1 |
| Treasurer, National Council of Social Security Management Associations, Incorporated | 1 |
| Social Security Advisory Board | 1 |
| AFGE General Committee | 9 |
| President, Federal Managers Association | 1 |
| Regional Public Affairs Officer | 1 |
| Total | 96 |

Overview of the Office of the Inspector General

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The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations and cash flow. Performance audits review the economy, efficiency and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

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The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.