



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

*Fiscal Year 2015*

**AUDIT WORK PLAN**

*October 2014*

**I** am pleased to present the Office of Audit's Fiscal Year 2015 Annual Work Plan (Plan). The reviews described in the Plan are designed to address those areas that are most vulnerable to fraud, waste, and abuse. Since 1997, we have provided our perspective on the top challenges facing Social Security Administration (SSA) management to the Congress, SSA, and other key decisionmakers. For Fiscal Year 2015, the Office of the Inspector General has identified the following management challenges.

- Improve Customer Service
- Improve the Timeliness and Quality of the Disability Process
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Strengthen Planning, Transparency, and Accountability
- Reduce Improper Payments and Increase Overpayment Recoveries
- Reduce the Hearings Backlog and Prevent its Recurrence
- Strengthen the Integrity and Protection of the Social Security Number

There is also one other overriding challenge of great concern that we are monitoring. The Board of Trustees of the Social Security Trust Funds latest Annual Report (see <http://www.ssa.gov/oact/tr/2014/tr2014.pdf>) projected that the reserves of the Disability Insurance (DI) Trust Fund, which have been declining since 2009, will continue to decline until they are depleted in 2016. When reserves are depleted, continuing income to the DI Trust Fund would be sufficient to only pay 81 percent of scheduled DI benefits.

Because the facts of the DI Trust Fund solvency are well known, we are only planning one review on this topic at this time, which we include in the Strengthen Planning, Transparency, and Accountability section of this Plan. We will continue monitoring any action taken to address this challenge and respond to any requests for information on this issue from Agency and congressional staff.

The Plan describes reviews we plan to begin in Fiscal Year 2015. In developing these reviews, we worked with Agency management to ensure we provide a coordinated effort.

Our Plan is dynamic, so we encourage continuous feedback and additional study suggestions. This flexibility enables us to meet emerging and critical issues evolving during the upcoming year.



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October 1, 2014

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## Acronyms

|        |   |
|--------|---|
| ALJ    | Administrative Law Judge                                      |
| CDR    | Continuing Disability Review                                  |
| DACUS  | Death Alert, Control, and Update System                       |
| DCPS   | Disability Case Processing System                             |
| DDS    | Disability Determination Services                             |
| DI     | Disability Insurance  |
| DMF    | Death Master File   |
| ESF    | Earnings Suspense File  |
| FECA   | <i>Federal Employees' Compensation Act</i>                    |
| FISMA  | <i>Federal Information Security Management Act of 2002</i>    |
| FOIA   | <i>Freedom of Information Act</i>                             |
| FY     | Fiscal Year   |
| GAO    | Government Accountability Office                              |
| GPRA   | <i>Government Performance and Results Act of 1993</i>         |
| iClaim | Internet Claim  |
| IPERA  | <i>Improper Payments Elimination and Recovery Act of 2010</i> |
| IPIA   | <i>Improper Payments Information Act of 2002</i>              |
| IRM    | Information Resources Management                              |
| iSSNRC | Internet-based Social Security Number Replacement Card        |
| IT     | Information Technology  |
| MBR    | Master Beneficiary Record                                     |
| MEF    | Master Earnings File  |
| NCC    | National Computer Center                                      |
| OASDI  | Old-Age, Survivors and Disability Insurance                   |
| OASI   | Old-Age and Survivors Insurance                               |
| ODAR   | Office of Disability Adjudication and Review                  |
| OIG    | Office of the Inspector General                               |
| OMB    | Office of Management and Budget                               |
| OPM    | Office of Personnel Management                                |
| PIR    | Post-implementation Review                                    |
| SPIN   | Special Indicator   |
| SSA    | Social Security Administration                                |
| SSI    | Supplemental Security Income                                  |
| SSN    | Social Security Number  |
| SSR    | Supplemental Security Record                                  |

# **Executive Summary**

The Office of the Inspector General (OIG) improves the Social Security Administration's (SSA) programs and operations and protects 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, Congress, and the public. The Office of Audit conducts financial and performance audits of SSA's programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess the reliability of financial data reported by SSA in its annual financial statements and any number of managerial information reports. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. The Office of Audit also conducts short-term management and program evaluations and projects on issues of concern to SSA, the Congress, and the general public. In Fiscal Year (FY) 2014, we issued 84 reports with over \$5.9 billion in monetary findings.

## ***Annual Work Plan***

Our Annual Work Plan (Plan) outlines our perspective of the major management and performance challenges facing SSA and serves as a tool for communicating our priorities to SSA, Congress, the Office of Management and Budget (OMB), and other interested parties. Our work is prioritized to focus our resources on those areas that are most vulnerable to fraud, waste, and abuse. To ensure we provide a coordinated effort, we work with our Offices of Investigations, Counsel to the Inspector General, External Relations, and Technology and Resource Management.

In preparing this Plan, we solicited suggestions from the Agency. We received a number of suggestions for inclusion in our Plan, and we have incorporated as many of them as possible. We recognize this Plan is dynamic, so we encourage continuous feedback and additional suggestions. This flexibility enables us to meet emerging and critical issues evolving throughout the upcoming year.

This Plan describes reviews we intend to complete and reviews we intend to begin in FY 2015 in the following issue areas.

- Improve Customer Service
- Improve the Timeliness and Quality of the Disability Process
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Strengthen Planning, Transparency, and Accountability
- Reduce Improper Payments and Increase Overpayment Recoveries
- Reduce the Hearings Backlog and Prevent its Recurrence
- Strengthen the Integrity and Protection of the Social Security Number

For more information on this Plan, please contact the Office of Audit at (410) 965-9700.

# Improve Customer Service

For the past 79 years, the public has depended on SSA's programs as an economic safety net. Whether it is after the loss of a loved one, at the onset of a disability, or during the transition from work to retirement, SSA touches the lives of virtually every person in America as well as Americans living abroad. In FY 2015, SSA estimates that it will pay about \$951 billion in Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) benefits to over 68 million people.

SSA continues to face high levels of retirement and disability claims because baby boomers are retiring and are in their most disability-prone years. The number of Americans age 55 and older will increase by more than 10 million between 2015 and 2020, further increasing the demand for SSA's services. In FY 2015, SSA expects to process over 5.3 million retirement, survivor, and Medicare claims; more than 2.8 million Social Security and SSI initial disability claims; and 248,000 SSI aged claims. In addition, the Agency must handle other key workloads. For example, in FY 2015, SSA plans to

- complete approximately 752,000 reconsiderations, 801,000 hearings, and 165,000 appeals council reviews;
- conduct 2.6 million SSI redeterminations and 888,000 full medical continuing disability reviews (CDR);
- complete requests for about 16 million new and replacement Social Security cards;
- post 256 million earnings items to workers' records; and
- complete more than 100 million post-entitlement actions, including issuing emergency payments, recomputing payments, and completing address and status changes.

Many factors challenge SSA, including budget constraints, shifting demographics, growing workloads, changing customer expectations, and an aging workforce. SSA is also finding that increasing numbers of individuals expect it to provide services in new ways made possible by technology, especially as the use of mobile devices and social media increase. Despite these challenges, the public deserves efficient and responsive service.

The Government Accountability Office (GAO) continues to recognize strategic human capital management on its list of high-risk Federal programs and operations. In a May 2014 report, GAO noted SSA's human capital planning and analysis is not aligned with its long-term goals and objectives. Also, the Agency has not updated its succession plan since 2006. Nonetheless, SSA recognizes its employees are a key element of its customer service. SSA projects 44.9 percent of its employees, including 54.2 percent of supervisors, will be eligible to retire by FY 2022. The ongoing attrition will result in a loss of institutional knowledge as its experienced employees retire. SSA reports it has taken steps to address the loss of institutional knowledge, succession planning, and further alignment of strategic human capital management with the agency's mission. According to SSA, it developed a new Agency Strategic Plan for FYs 2014-2018, which contains a goal with supporting objectives to "Build a Model Workforce to Deliver Quality Service." Moreover, SSA reports it published a Human Capital Operating Plan that directly aligns with its strategic plan. As stated by SSA, the Human Capital Operating Plan describes the agency's human capital challenges, contains an organizational assessment of its

workforce, and details specific actions SSA will take as an agency to build on effective workforce management and succession planning across the entire organization. SSA reports it is developing a Human Capital Operating Plan succession-planning addendum to bolster efforts already underway such as a continuous learning program for leaders, steps to narrow workforce competency gaps, and career enrichment workshops for employees.

Oversight to ensure representative payees properly manage the Social Security benefits of vulnerable beneficiaries is a critical customer service SSA performs. Some beneficiaries are not able to manage or direct the management of their finances because of their age or mental and/or physical impairment. For such individuals, SSA appoints a representative payee who receives and manages the beneficiary's payments. In January 2014, SSA reported there were approximately 5.9 million representative payees who managed about \$74 billion in annual benefit payments for approximately 8.6 million beneficiaries.

SSA has identified various issues during its periodic representative payee reviews. For example, SSA found payees misused funds, did not properly document expenses or exercise oversight of benefits, failed to report changes, and did not return conserved funds or payments after the beneficiary's death. Likewise, our audits continue to find problems with representative payees who improperly use and account for beneficiaries' payments. Furthermore, GAO has previously noted SSA struggles to "effectively administer" its representative payee program.

## ***Accounting for Large Underpayments Released to Organizational and Large Volume Representative Payees***

When beneficiaries who have representative payees receive large underpayments, their representative payees must either use those benefits to provide for the beneficiary's current or foreseeable needs or conserve or invest them on behalf of the beneficiaries. For SSI recipients, unspent portions of underpayments count toward the SSI resource limit 9 months after the recipients receive the underpayments. Our audit will determine whether (1) organizational and/or volume representative payees used large underpayments in their beneficiaries' best interests and (2) SSA effectively monitored the representative payees' use of large underpayments.

## ***Controls over the Social Security Administration's National Remittance Process***

Remittances are checks, money orders, credit cards, or cash from the public that SSA receives for a variety of reasons, including Medicare premiums, program debt, and fees for services. In FY 2012, SSA's National Processing Center processed about 1.8 million remittances totaling \$739 million. SSA is streamlining its remittance process for non-program fees. Implementation is scheduled for the last quarter of FY 2014. We will assess controls SSA has in place over its national remittance process.

## ***Large Volume Individual Representative Payees for the Social Security Administration***

Congress granted SSA the authority to appoint representative payees to receive and manage beneficiaries' payments. A representative payee may be an individual or an organization. We will determine whether SSA's internal controls ensure volume individual representative payees used and accounted for Social Security benefits in accordance with SSA's policies and procedures.

## ***Payments to Representative Payees Who Are Not in the Social Security Administration's Representative Payee System***

SSA's Representative Payee System is a nation-wide database of information about current, non-selected, and terminated representative payees. The Representative Payee System gives SSA employees immediate access to information about representative payees to assist them in making good representative payee selection decisions. We will determine whether SSA has adequate controls to ensure it does not make payments to representative payees it has not selected.

### ***Representative Payee Criminal Bar Policy***

The *Social Security Protection Act of 2004* bars individuals from serving as representative payees if they have been convicted of an offense resulting in more than 1 year in prison. SSA has developed a new representative payee selection policy to identify applicants who should be prevented from serving as payees because they have committed violent or financial crimes. SSA's Philadelphia Region began piloting this policy in June 2012. In June 2013, SSA introduced an electronic tool called PayeeWiz that relies on a proprietary database. During the pilot, the Philadelphia Region did not appoint 285 applicants who had serious criminal histories to be payees. Approximately 25 percent of the barred payee applicants were identified using PayeeWiz. On January 24, 2014, the Acting Commissioner approved the nation-wide implementation of a national policy barring individuals with certain types of felony convictions from serving as a representative payee. SSA implemented the policy nationally on February 28, 2014. We will assess SSA's implementation of its representative payee criminal bar policy.

### ***Representative Payees' Use of Group Homes***

Local law enforcement has told our Office of Investigations that some of SSA's beneficiaries are living in what may be considered overcrowded, unhealthy, and potentially unsafe (substandard) conditions in group boarding homes. Our audit will determine whether representative payees are (1) referring beneficiaries to group homes with substandard living conditions, (2) properly using SSA benefits for beneficiaries' care and maintenance, and (3) properly accounting for beneficiaries' SSA funds.

### ***Representative Payees with Prison Records***

An individual who is incarcerated is not in a position to serve as payee and should be replaced. A recent period of incarceration is an indicator that a continued payee suitability investigation may be warranted. SSA compares the prisoner information it receives to the Representative Payee System database to determine whether any incarcerated persons have applied for, or are acting as a representative payee. We will determine the effectiveness of SSA's alert process for representative payees who are imprisoned.

### ***Risks of Individuals Serving as De Facto Representative Payees***

SSA has internal systems controls to investigate individuals who apply to be a representative payee before they are selected as a payee. Once selected, all representative payees' performance is monitored to prevent, deter, and detect fraud or abuse. SSA requires that representative payees report annually on how they have used and saved the benefits they received. However, SSA only performs these reviews on representative payees who are officially assigned. To determine whether individuals might be serving as a de facto representative payee to avoid oversight by SSA, we matched records from the Representative Payee System and the Supplemental Security Record (SSR). We identified about 10,600 SSI recipients who did not have a representative payee but shared the same addresses with representative payees included in the Representative Payee System. Further, the recipients' benefits were being deposited into bank accounts with two or more other recipients. Our review will determine the effectiveness of SSA's oversight of individuals or organizations that receive benefit payments but have not been assigned as representative payees.

### ***Social Security Administration Sanctioning of Claimant Representatives***

Attorneys and non-attorneys are subject to Agency-issued rules and responsibilities as representatives of claimants before SSA. SSA formulated the "Rules of Conduct and Standards of Responsibility for Representatives" to ensure claimants receive competent services from their representatives and improve the efficiency of SSA's administrative process. Complaints against claimant representatives are sent to SSA's Office of General Counsel, whose staff investigate complaints involving conduct issues and recommend sanctions. Our review will determine whether the Agency is properly processing and timely resolving conduct issues related to claimant representatives.

### ***Third-Party Data Used for Suitability of Representative Payees***

SSA conducts capability reviews to determine whether it should select a representative payee to receive and manage an individual's benefit payments. A representative payee may be an individual or organization such as group, personal care, or nursing homes. State agencies are usually responsible for monitoring and inspecting these types of facilities to ensure they are properly licensed and meet health and safety laws. If a facility does not comply with the applicable laws, a State agency can issue violations, assess penalties, revoke or not renew licenses, or ban new admission to the facility. These types of actions could result in a facility being unsuitable as a representative payee. Our audit will determine whether third-party information from States can be useful in determining representative payees' suitability.

## Improve the Timeliness and Quality of the Disability Process

In FY 2013, SSA received almost 3 million initial disability and almost 784,000 reconsideration claims. As of July 2014, SSA had received over 2.1 million initial and almost 588,000 reconsideration claims. The high number of claims is matched by a high number of claims pending completion. Specifically, as of July 2014, initial claims pending was over 662,000. This represents a 17-percent increase over the FY 2008 year-end pending level of about 565,000 initial claims.

In FY 2010, SSA expected initial disability claims pending would exceed 1 million. Therefore, SSA released its *Strategy to Address Increasing Initial Disability Claims Receipts* (Strategy). The multi-year Strategy's goal was to reduce initial claims pending to a pre-recession level of 525,000 by 2014 and included

- increasing staffing in the Disability Determination Services (DDS) and Federal disability processing components;
- improving efficiency through automation;
- expediting planned information technology (IT) infrastructure investments to optimize systems performance; and
- refining policies and business processes to expedite case completion.

As part of the Strategy, SSA provided funding for States to hire additional DDS employees. To meet that objective, in FYs 2009 and 2010, SSA approved the hiring of over 2,600 new DDS employees. SSA also hired an additional 237 employees at its Federal disability processing units. These units provide case processing assistance to DDSs most adversely affected by increasing initial disability claims receipts. SSA also created centralized units, called Extended Service Teams, in Arkansas, Mississippi, Oklahoma, and Virginia. The Teams assist and take claims from the States with the highest pending levels.

As a result of SSA's hiring efforts, initial disability claims pending declined. Further, based on SSA's most recent projections for initial claims receipts and clearances, the pending level will not reach the levels previously expected. However, the pending level will not be reduced to 525,000 and SSA had not established an updated goal for an ideal pending level.

The high number of initial disability applications also forces the dedication of DDS resources to processing initial applications rather than conducting medical CDRs. In our March 2010 review, *Full Medical Continuing Disability Reviews*, we reported that SSA had a backlog of over 1.5 million medical CDRs at the end of FY 2010. As a result, we estimated that from Calendar Years 2005 through 2010, SSA could have avoided making benefit payments of between \$1.3 and \$2.6 billion if the medical CDRs in the backlog had been conducted by DDSs when they were due. The backlog had decreased somewhat, but there was still a backlog of 1.3 million medical CDRs at the end of FY 2013. We will continue working with SSA as it improves the disability process and addresses the workload backlogs. We will also continue working with SSA to address the integrity of the disability programs, and this effort includes the Cooperative Disability Investigations program in many locations. The program's mission is to obtain

evidence that can resolve questions of fraud in SSA's disability claims. The Cooperative Disability Investigations program combines the efforts of the OIG, DDSs, and State or local law enforcement personnel.

## ***Childhood Mental Impairment Disability Claims***

The number of children applying for and receiving SSI payments because of a mental impairment has increased for more than a decade. The most prevalent primary mental impairments among children found medically eligible are (1) autism, (2) attention deficit hyperactivity disorder, and (3) speech and language delay. State DDS examiners generally rely on a combination of key medical and nonmedical information—such as medical records and teacher assessments—to determine a child’s medical eligibility for SSI. Examiners have reported they sometimes lack complete information to inform their decisionmaking. For example, some DDS offices have reported obstacles to obtaining information from schools, which they believe to be critical in understanding how a child functions. In addition, examiners do not always receive information from SSA field offices on multiple children who receive benefits in the same household, which may be an indicator of possible fraud or abuse. Without such information, examiners may be limited in their ability to identify threats to program integrity. We will review approved childhood disability claims from select States. States selected will be based on a combination of factors, including volume of childhood mental impairment claims, geographic location, and allowances as a percent of State population under age 18. The audit will assess the childhood mental impairment disability claims process.

## ***Disabled Beneficiaries Who Worked After Their Disability Onset Dates and Before Favorable Hearing Decisions***

Under the *Social Security Act*, SSA established a five-step sequential evaluation process to determine whether the applicant is working; medical condition is severe; condition is a listed impairment under SSA regulation; applicant can perform past work; and applicant can perform other work. Generally, the steps are followed in order. If it is determined the applicant is disabled at a step in the evaluation process, the evaluation does not proceed to the next step. From 2007 to 2011, there were 672,211 fully favorable Title II disability hearing decisions. We identified 149,911 DI beneficiaries in current pay status who had earnings above the substantial gainful activity amount after their established disability onset date but before a favorable decision at the hearing level. We will determine whether administrative law judges (ALJ) considered work activity after alleged disability onset before providing a favorable hearing decision.

## ***Disability Examiner Workload Trends***

Disability examiners, working with medical consultants, review medical evidence and the circumstances of disability cases to determine whether claimants meet SSA’s definition of disability. We will identify disability examiners who were significant outliers either in terms of their case processing times or their decisional allowance rates. We will examine factors that may account for the variances, such as examiners who process predominantly Quick Disability Determinations or Compassionate Allowances. We plan to interview supervisors of examiners for whom we cannot identify specific factors to account for the variances.

### ***Indirect Costs Claimed by the California Disability Determination Services***

Disability determinations under the DI and SSI programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring that adequate evidence is available to support its determinations. The objectives of the DDS Administrative Cost Audits are to (1) evaluate the DDS' internal controls over the accounting and reporting of administrative costs, (2) determine whether costs claimed by the DDS were allowable and funds were properly drawn, and (3) assess limited areas of the general security controls environment.

### ***Intellectually Disabled Beneficiaries over the Age of 18 Who Act as Their Own Payee***

To evaluate adult intellectual disabilities, SSA requires, at step 2, documentation of a medically determinable intellectual impairment(s) and whether these limitations have lasted, or are expected to last, for a continuous period of at least 12 months. In addition, consideration is required as to whether the condition(s) is a listed impairment(s) under SSA regulations and whether the claimant can perform past or other work. SSA considers four broad functional areas when it decides whether a mental impairment is severe enough to prevent an individual from working: (1) activities of daily living; (2) social functioning; (3) concentration, persistence, or pace; and (4) episodes of decompensation. Our review will determine whether intellectually disabled beneficiaries over the age of 18 who act as their own payee can manage or direct the management of their finances because of their age or mental and/or physical impairment.

### ***The Cost-Effectiveness of Vocational Rehabilitation Services***

The vocational rehabilitation program is administered by vocational rehabilitation agencies in each State or U.S. territory to help persons with physical or mental handicaps become gainfully employed. SSA reimburses vocational rehabilitation agencies for the costs of the services provided when disabled beneficiaries gainfully return to work. SSA paid \$468 million to States on behalf of 34,242 beneficiaries who exited vocational rehabilitation services in FYs 2007-2011. SSA did not pay \$439 million in benefits to the beneficiaries through FY 2011 because they returned to work after receiving vocational rehabilitation services. Our review will determine whether (1) disability beneficiaries and SSI recipients became gainfully employed after receiving vocational rehabilitation services and (2) the costs of their vocational rehabilitation services were offset by current and future savings due to the nonpayment or reduction of Social Security and/or SSI payments because of the beneficiaries/recipients' return to work.

## ***The Social Security Administration’s Efforts to Replace the Dictionary of Occupational Titles in its Disability Adjudication Process***

SSA OIG issued a report *Job Information Used in SSA’s Disability Claims Adjudication Process* (A-01-10-21024) in November 2010. This report focused on SSA’s initial strategy to replace the Dictionary of Occupational Titles. Since then, SSA has changed its strategy and is working with the Department of Labor to modify the Occupational Information Network to meet SSA’s needs. We will assess SSA’s efforts to work with the Department of Labor to modify its Occupational Information Network system so SSA can use it for occupational information needed in SSA’s disability adjudication process.

## ***The Social Security Administration’s Efforts to Use Health Information Technology to Improve the Disability Process***

Applicants for Social Security disability benefits must provide medical evidence to support their claim for benefits. Therefore, SSA and the DDSs assist applicants with obtaining health records. Annually, SSA pays for more than 15 million health records from about 500,000 providers. This makes SSA the nation’s largest non-clinical user of health records. Our FY 2011 review of *Health IT Provided by Beth Israel and Deaconess Medical Center and MedVirginia* (A-01-11-11117) found SSA’s Health IT pilots reduced the time it took the Agency to receive health records and make disability determinations. As of May 2014, there were 26 organizations providing electronic health records to SSA. We will assess SSA’s efforts related to Health IT to improve its disability process.

## ***The Social Security Administration’s Process for Presumptive Disability***

To promote prompt payment to needy individuals, SSA may find an applicant for SSI to be “presumptively disabled.” According to a Title XVI Initial Claims report on Presumptive Disability, SSA made approximately 179,000 presumptive disability decisions in FY 2013. Of those, over 149,000 were ultimately considered disabled and awarded benefits. However, of the approximately 30,000 cases that were denied, almost 13,000 were medical denials, and nearly 17,000 were technical denials. We estimate anywhere from \$15.1 million to over \$90.4 million was paid for presumptive disability findings that resulted in denials in FY 2013. Of that amount, between \$6.5 and \$39 million would not be recovered because the individuals were not considered overpaid due to being medically denied. We will evaluate the process for making presumptive disability determinations and the financial impact on the general fund.

## ***Variances in Indirect Costs Claimed by State Disability Determination Services***

Indirect costs include accounting, auditing, budgeting, and payroll that benefit all State agencies. In accordance with OMB Circular A-87, States can allocate indirect costs to the Federal government based on the terms of an indirect cost rate and/or a cost allocation plan. The cognizant Federal agency reviews, negotiates, and approves the State-developed rate or cost allocation plan. SSA does not limit the amount of indirect costs State DDSs claim and relies on the cognizant Federal agency to represent its indirect cost interests. We will identify best practices that permit some State DDSs to have much lower indirect costs than other State DDSs.

## Strengthen Planning, Transparency, and Accountability

Planning, transparency, and accountability are critical factors in effective management and the level of trust and confidence the American public has in SSA's ability to meet their expectations and fulfill its mission. If the Agency does not spend tax dollars wisely or efficiently, the goals SSA is trying to accomplish are undermined. Mismanagement and waste, as well as a lack of transparency for citizens into Government operations, can erode trust in SSA's ability to tackle the challenges it faces. Failure to plan properly to meet those challenges will lessen the Agency's ability to provide its services efficiently and effectively now and in the future.

At a time when SSA needs to plan to do more with less, SSA has lacked long-term plans in a number of critical areas. The Social Security Advisory Board recommended in 2011 that SSA develop an innovative service delivery plan that reflected the service options currently available and anticipated those that would emerge in the following 10 years. In 2010, SSA's Future Systems Technology Advisory Panel recommended that the Agency move to an electronic customer self-service model with the goal of moving transactions to the Internet each year until 90 percent of SSA's business takes place online. In past years, we have noted that SSA needed a comprehensive Agency information infrastructure plan to meet potential processing needs for the next 20 years and a long-term customer service delivery plan.

The Agency has developed 5-year strategic plans as required by the *Government Performance and Results Act of 1993* (GPRA). While GPRA-based strategic plans provide a needed framework, SSA's descriptions within its strategic plans of the programs, processes, and resources needed to meet its mission and strategic objectives have generally been broad-based roadmaps. SSA has produced other strategic plans, like the Information Resources Management (IRM) Strategic Plan and the Office of Human Resources' Strategic Plan, but these cover periods of only a few years. While planning for the next few years is important, SSA needs a longer-term vision to ensure the Agency has the programs, processes, staff, and infrastructure required to provide needed services 10 to 20 years from now and beyond.

The National Academy of Public Administration released its report, *Anticipating the Future: Developing a Vision and Strategic Plan for Social Security Administration for 2025-2030*, in July 2014. The report provides the Agency a possible long-term framework. SSA plans to use the report, and additional stakeholder input, to develop its *Vision 2025*. Per SSA, its *Vision 2025* will explain the type of Agency it needs to be to meet its customers' expectations in the next 10 years and beyond. SSA's challenge will be to align its culture and resources effectively to implement its envisioned service model to meet expected workloads.

Effective performance measurement will help ensure SSA implements its plans in an accountable and transparent manner. Similarly, sound financial reporting supports efficient use of the resources needed to meet SSA's challenges and mission. Per the *Chief Financial Officers Act of 1990*, the OIG oversees an audit of SSA's financial statements each year to ensure that the Agency provides clear and accurate financial information to the Administration, Congress, and public.

Effective internal control helps ensure SSA is accountable to its mission. SSA management is responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that SSA develop and implement cost-effective internal controls for results-oriented management. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. In FY 2015, we will complete a number of audits that determine the effectiveness of the controls SSA has in place over its programs and systems.

As part of its efforts to be accountable, SSA must ensure that its partners provide the contracted services efficiently and effectively. Each year, SSA enters into a number of contracts and provides a number of grants that help the Agency obtain services and research. In FY 2013, SSA spent about \$1.2 billion on contracts and grants that provided many services, supplies, and a variety of computer hardware, software, and services. We will review multiple contracts in FY 2015 to ensure SSA receives the services for which it paid and has proper internal controls in place to ensure effective oversight of contractors.

## ***Agency Payments to Claimant Representatives***

SSA is required to provide information to the Internal Revenue Service for direct fee payments it makes to representatives. SSA sends a Form 1099-MISC to claimant representatives who receive direct payments of \$600 or more in a calendar year. In Calendar Year 2012, SSA sent 1099-MISCs associated with approximately \$1.6 billion in direct payments to individual and organizational claimant representatives. Our review will assess the volume of payments taxable to unique individuals and organizations, the characteristics of individuals and organizations receiving the highest volume of payments, the role of attorneys versus non-attorneys in the direct payment process, potential reporting anomalies, and other relevant trends and characteristics that may shed light on this payment process. We will identify trends related to the Agency's tax reporting for claimant representatives receiving direct payment from the Agency for their services.

## ***Assess the Social Security Administration's Full Compliance with the Martinez Settlement Agreement***

The Martinez class action lawsuit challenged SSA's fugitive felon policy of basing payment suspensions solely on the existence of an outstanding felony arrest warrant rather than developing information to ensure that the individual was "fleeing." The parties reached a settlement in September 2009 in which SSA changed its policy to suspend OASDI benefits and to suspend and deny SSI payments only if the outstanding felony warrant for the individual was for one of three National Crime Information Center Uniform Offense Classification Codes: Escape from custody; Flight to avoid prosecution, confinement, etc.; and Flight-Escape.

SSA is fulfilling the terms of the settlement agreement as follows.

- Phase I: Individuals whose OASDI benefits were suspended after December 31, 2006.
- Phase II: Individuals whose SSI payments were suspended or denied after December 31, 2006.
- Phase III: Individuals whose OASDI benefits were suspended between January 1, 2005 and December 31, 2006.
- Phase IV: Individuals whose SSI payments were suspended or denied between January 1, 2000 and December 31, 2006.

In FY 2011, we issued a report on Phase I and estimated about \$15 million in improper payments. This review will assess SSA's full compliance with the Martinez (Fugitive) settlement agreement.

## ***Consistency of Social Security Administration Internal Quality Reviews***

SSA's Office of Quality Review conducts DI and SSI pre-effectuation reviews. Effective October 1, 2009, this office implemented a national pre-effectuation review in which all 11 of its sites review Title II and SSI pre-effectuation review cases from all DDSs nationwide. We will determine whether the Office of Quality Review's use of virtual reviews has promoted consistency between offices that make disability determinations and offices that review disability determinations.

## ***Contract Audits***

### ***Accuity, Inc.***

The purpose of this contract is to (1) convert to electronic media the information exchange that now occurs between SSA and financial institutions; (2) verify the necessary account balances and interest income of the applicant, recipient, or deemor; (3) automate the process whereby financial institutions are reimbursed for these account verifications; and (4) provide operation, maintenance, and training after the system has been implemented. This new system is to be rolled out to all 50 States and some U.S. Territories during the first year of the contract. Our review will (1) determine whether SSA received the goods and services for which it contracted and (2) review the services provided by the contractor and the related costs charged to SSA for adherence to the negotiated contract terms and applicable regulations.

### ***Guard Service Contract with MVM, Inc. for Headquarters***

SSA awarded contract number SS00-14-61024 to MVM, Inc. for armed security guard services at Headquarters including the National Computer Center (NCC) and Security West buildings. This contract has a period of performance of 1 year from the date of award, with options to extend the term of the contract through February 11, 2019. The contract has a systems-life value of \$106,773,120 over 5 years. Our review will determine whether (1) the guard services contractor was complying with the contract terms and applicable regulations and (2) SSA was providing adequate contract oversight and properly monitoring the contract.

### ***International Business Machines Corporation***

This contract has a total amount obligated to-date of \$138 million and the contract ceiling is the same. The Agency is in year 4 of a 5-year contract. The performance period is from March 1, 2011 to March 31, 2016, and the contract was selected for review because of the high dollar impact. The blanket purchase agreement was established to provide for the purchase of International Business Machines Series mainframe hardware, peripheral hardware equipment, installation and training services, and warranty/maintenance services. The period for hardware performance is 3 years and for warranty/maintenance period is 5 years. We will (1) ensure SSA received the goods and/or services for which it contracted and (2) review the services provided and the related costs charged to SSA for adherence to the commercial contract terms and applicable regulations.

## ***Controls over Homeland Security Presidential Directive 12 Credentials for Separated Employees***

Homeland Security Presidential Directive 12 requires that all Federal agencies develop and implement a mandatory, Government-wide standard of identification for Federal employees and contractors. The Office of Protective Security Services collects and maintains information that relates to registering and issuing Personal Identity Verification cards. In accordance with the directive, Personal Identity Verification cards are deactivated when the cardholder leaves the agency, if the card is lost, or when the card expires. We will assess SSA's controls over the revocation of Personal Identity Verification credentials of employees who have separated from the Agency as well as Personal Identity Verification credentials that have been compromised, lost, stolen, or damaged.

## ***Controls over the mySocialSecurity Application***

SSA launched *mySocialSecurity* in May 2012 to allow people to establish accounts and view their Social Security statement online. In January 2013, the Agency expanded *mySocialSecurity* services to allow beneficiaries to access their benefit payment history and make direct deposit and address changes to their accounts. On April 30, 2013, SSA notified us of the fraudulent establishment of *mySocialSecurity* accounts. For example, SSA offices in the St. Louis area were reporting complaints from customers who received *mySocialSecurity* confirmation letters without having gone through the authentication process to establish an account. Since that time, we have been working with SSA to take action on these cases. We will determine whether SSA's controls should be improved to protect the *mySocialSecurity* application from fraudulent use.

## ***Disability Insurance Trust Fund***

The Board of Trustees was established under the *Social Security Act* to oversee the financial operations of the Old-Age and Survivors Insurance (OASI) and DI Trust Funds. The *Social Security Act* requires that the Board report annually to the Congress on the Trust Funds' actuarial (financial) status. Each year, the Trustees of the Social Security Trust Funds issue an Annual Report on the Trust Funds' financial status, including projections of future revenue and expenditures. The Trustees' 2014 Report projected that the OASI and DI Trust Funds will be depleted in 2034 and 2016, respectively. By law, these two Trust Funds operate independently. In the absence of legislative action, the Trust Funds cannot support full and timely payment of scheduled benefits to disability beneficiaries. This audit will review various proposals for addressing the pending depletion of the DI Trust Fund.

### ***Employees Involved in Misconduct Who Received Awards***

On April 29, 2014, the Senate introduced legislation that would prohibit agency heads from awarding bonuses to employees who could be fired or suspended for violating agency policy or committing a crime that could result in imprisonment for longer than 1 year. In April 2014, the Treasury Inspector General for Tax Administration released a report stating that about 2,800 employees involved in misconduct resulting in disciplinary action received \$2.8 million in bonuses between October 2010 and December 2012. Our review will identify SSA employees who were involved in misconduct, which resulted in disciplinary actions, and received awards.

### ***Federal Employees' Compensation Act: A Nationwide Review of Federal Employees who Received Compensation for Lost Wages when "Earned Wages" Were Reported on the Social Security Administration's Master Earnings File***

The *Federal Employees' Compensation Act* (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. FECA is administered by the Office of Workers' Compensation Programs, in the Department of Labor's Employment Standards Administration. Federal agencies are responsible for continuing an employee's regular wages, without charging annual or sick leave for up to 45 days while the employee is recovering from a FECA-covered injury or disease. We will determine the number of FECA recipients, classified as not having a wage earnings capacity or whose wage earnings capacity had not yet been determined, who received compensation for lost wages when "earned wages" were reported on SSA's Master Earnings File (MEF).

### ***Fiscal Year 2015 Financial Statement Audit Oversight***

The *CFO Act of 1990* requires that agencies annually prepare audited financial statements. Each agency's Inspector General is responsible for auditing these financial statements to determine whether they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the agency's internal control structure and its compliance with laws and regulations. The audit work to support this opinion of SSA's financial statements will be performed by a contractor. To fulfill our responsibilities under the CFO Act and related legislation for ensuring the quality of the audit work performed, we will monitor the contractor's audit of SSA's financial statements.

## ***Fiscal Year 2015 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges***

The *Reports Consolidation Act of 2000* requires that Inspectors General provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This document responds to the requirement to include this statement in SSA's FY 2015 Agency Financial Report.

The major management challenges for FY 2015 are listed below. We will reassess these issues prior to and during FY 2015 and make adjustments should they be warranted.

- Improve Customer Service
- Improve the Timeliness and Quality of the Disability Process
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Strengthen Planning, Transparency, and Accountability
- Reduce Improper Payments and Increase Overpayment Recoveries
- Reduce the Hearings Backlog and Prevent its Recurrence
- Strengthen the Integrity and Protection of the Social Security Number

## ***Fiscal Year 2015 Risk Assessment of the Social Security Administration's Charge Card Programs***

As of October 2013, SSA had 2,848 active purchase cardholders and 23,853 active travel cardholders. In FY 2013, SSA reported about \$59 million in purchase card use and about \$14 million in travel card expenses. Additionally, SSA reported 27,054 individuals used their travel cards with a range of charges between \$.01 and \$7,464 and an annual average use per person of \$508. Inspectors General of executive agencies with more than \$10 million in travel card spending are required to conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments. The findings of such audits or reviews along with recommendations to prevent improper use of travel cards are required to be reported to the Director of OMB and Congress. We will analyze the risk of illegal, improper, and erroneous purchases made through SSA's charge card programs.

## ***Future Use of the National Computer Center***

We will determine how SSA will use the NCC building when the new computer center is completed. We will review SSA's plans for the future use of the NCC.

## ***Peer Review of the Environmental Protection Agency Office of Inspector General***

In accordance with the Peer Review Assignments schedule established by the Council of the Inspectors General on Integrity and Efficiency, we are initiating an external peer review of the Environmental Protection Agency. Our peer review will determine whether, for the period under review, the Environmental Protection Agency OIG's system of quality control was suitably designed and the audit organization was complying with its quality control system to provide it with reasonable assurance of conformance with applicable professional standards.

## *Status of the Social Security Administration's Government Purchase Card Program*

In March 2010, we issued a report on *The Social Security Administration's Government Purchase Card Program*. We found 36 (72 percent) of 50 transactions reviewed (a) did not have adequate pre-approval documentation; (b) had no evidence that the goods were received and accepted; and/or (c) had no documentation. These transactions totaled about \$8,300. In addition, for 12 (24 percent) of 50 possible split purchases we examined, the cardholders circumvented their \$3,000 single-purchase limit. These purchases totaled about \$61,000. The Agency agreed with our recommendations to improve SSA's oversight of its purchase card program. In January 2014, we assessed the risk of illegal, improper, and erroneous purchases made through SSA's purchase card program as "low." This review will assess the status of SSA's Government Purchase Card Program.

## *Tax Compliance for Social Security Administration Employees*

To ensure every U.S. citizen can have complete confidence in the Government's integrity, Office of Government Ethics regulation, 5 C.F.R. 2635.809 requires that each Federal employee respect and adhere to the principles of ethical conduct. One of the principles requires that all Federal employees accurately and timely file and pay their Federal, State, and local income taxes as well as fully and accurately report all income, expenses, and deductions. Recently, two audit reports identified that thousands of employees at two government agencies were delinquent on their tax obligations. To promote tax compliance among federal employees, the Internal Revenue Service annually matches its delinquency records against Federal personnel records to identify federal employees who are not complying with federal tax laws. Our audit will determine whether SSA employees are complying with Federal tax laws.

## *The Social Security Administration's Compliance with the Digital Accountability and Transparency Act of 2014*

The purposes of the *Digital Accountability and Transparency Act of 2014* are to (1) expand the *Federal Funding Accountability and Transparency Act of 2006* by disclosing direct Federal agency expenditures and linking Federal contract, loan, and grant spending information to programs of Federal agencies to enable taxpayers and policy makers to track Federal spending more effectively; (2) establish Government-wide data standards for financial data and provide consistent, reliable, and searchable Government-wide spending data that is displayed accurately for taxpayers and policy makers on USASpending.gov (or a successor system that displays the data); (3) simplify reporting for entities receiving Federal funds by streamlining reporting requirements and reducing compliance costs while improving transparency; (4) improve the quality of data submitted to USASpending.gov by holding Federal agencies accountable for the completeness and accuracy of the data submitted; and (5) apply approaches developed by the Recovery Accountability and Transparency Board to Government-wide spending. We will review a statistically valid sampling of the spending data submitted under this Act by SSA and assess the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of data standards by SSA.

## ***The Social Security Administration's Freedom of Information Act Program***

The *Freedom of Information Act* (FOIA) establishes a legal right of public access to Government records and information based on the principles of openness and accountability in Government. In January 2009, the President issued two memorandums, *Transparency and Open Government and FOIA*. SSA's FOIA workload has increased in the last several years. SSA reported in its 2013 Chief FOIA Officer Report that it has hired additional analysts to assist in processing the agency's FOIA workload and assigned a senior analyst to review how FOIA operates and recommend necessary improvements. The Agency also redesigned its FOIA website and made FOIA requests available online. While the Agency has taken steps to improve its FOIA program, its FOIA Annual Report for FY's 2011, 2012, and 2013 stated it was not processing a percentage of simple FOIA requests within 20 business days. We will determine the effectiveness of the actions SSA has taken to manage its FOIA program.

## ***Various Incurred Cost Audits***

Federal Acquisition Regulations state that "...a single agency shall be responsible for establishing final indirect cost rates for each business unit. These rates shall be binding on all agencies and their contracting offices, unless otherwise specifically prohibited by statute.... The contractor shall submit an adequate final indirect cost rate proposal to the contracting officer (or cognizant Federal agency official) and auditor...." We will determine whether the costs used to develop indirect cost rates were reasonable, allowable, and allocable in accordance with the contract terms and applicable Government acquisition regulations.

# Invest in Information Technology Infrastructure to Support Current and Future Workloads

SSA faces the challenge of how best to use technology to meet its increasing workloads with reduced budgetary and human resources. Further, SSA will not be able to manage its current and future workloads without the proper IT infrastructure. The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers. We have concerns regarding the Agency's IT physical infrastructure; development and implementation of secure electronic services; logical access controls and security of sensitive information; and strategic IT planning.

SSA's primary IT investment over the next few years is the replacement of its NCC. SSA received \$500 million from the *Recovery Act* to replace the NCC. The NCC was built in 1979, and while its computing capacity has been expanded over its 30 years of operations, increasing workloads and expanding telecommunication services are severely straining its ability to support the Agency's business. Additionally, significant structural problems and electrical capacity issues have developed that made construction of a new primary computer center imperative. The Agency plans to complete construction of its National Support Center in 2014 and move its IT infrastructure to the new data center by 2016.

The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers. According to SSA, the National 800-number received over 84 million calls in FY 2013, and the Agency's field offices received more than 68 million. To provide additional customer service avenues, the Agency introduced its first online service, the Internet Social Security Benefit Application in 2000, and by the end of 2012, SSA was offering the public 28 eServices.

SSA still primarily administers its services to the public through face-to-face or telephone contact. However, SSA plans to develop additional electronic services and continue to increase its use of social media to communicate with its customers and decrease the volume of telephone calls and the number of patrons visiting its field offices.

While expanding its inventory of electronic services, the Agency needs to ensure its existing and future electronic services are secure. Prior investigative and audit work have identified multiple incidents of fraud committed through SSA's electronic services. For instance, in October 2011, we began tracking allegations that indicated individuals other than the beneficiaries or their representatives had redirected benefit payments away from the beneficiaries' bank accounts to accounts the individuals controlled. As of July 15, 2013, we had received over 39,300 reports concerning direct deposit changes to an SSA beneficiary's record. These reports involved either an unauthorized change or a suspected attempt to make an unauthorized change. As a result, the Agency has taken or will take actions to help prevent future direct deposit fraud.

Critical government and private-sector computer networks are under constant attack from foreign nations, criminal groups, hackers, virus writers, and terrorist organizations. According to a 2011 GAO report, cyber-attacks have increased by 650 percent in the past 5 years. Most major cyber-attacks have targeted known vulnerabilities through unpatched systems, even though a patch existed before the outbreak. As a result, cyber-security is becoming increasingly important as all agencies work to ensure that their systems and networks are secure and their information remains intact and accessible to the right users. Since FY 2009, the independent firm contracted to perform SSA's financial statement audits has identified significant deficiencies in the Agency's control of access to its sensitive information.

One of the most difficult challenges facing the Federal government is how to secure its networks, while allowing agencies to expand mobile computing. On December 9, 2010, the President signed into law the *Telework Enhancement Act of 2010* to improve telework across the Federal government. As part of its telework program, each agency must ensure that adequate information and security protections for information and information systems are used while teleworking.

To address ever-increasing security challenges, it is crucial that SSA implement a well-designed continuous monitoring strategy to monitor and assess security controls. SSA has issued its *Continuous Monitoring Strategy*, but is still implementing it. OMB and the National Institute of Standards and Technology require near real-time, continuous monitoring for risk management and risk-based decision making.

Finally, Federal agencies must ensure they wisely invest their scarce resources. A Federal agency must develop and maintain an IRM Strategic Plan that supports an agency's Strategic Plan to help accomplish its mission. In addition, the strategic planning process should drive performance improvements to save money and avoid costs through collaboration, reuse, productivity enhancements, and elimination of redundancy.

Our prior audit work in this area found that SSA's IRM activities only span 2 years. In addition, the IRM did not provide the Agency with a clear IT blue print or IT resource requirements, and did not address all critical future challenges. For example, SSA's IRM did not provide a long-term IT human capital plan that addresses the Agency's specific needs for IT expertise to maintain or improve its legacy systems. Further SSA's IRM for FYs 2012 through 2016 does not provide a detailed explanation of the IT infrastructure that will be needed to support the Agency's programs 5 to 10 years in the future.

Under the current budget trend, it is crucial for SSA to ensure its IT investments are guided by its strategic planning and investment control process to ensure it receives the full functionality and cost savings expected and to prevent duplicate efforts and waste.

## ***Authentication and the mySocialSecurity Suite of Applications***

SSA's suite of online customer services is known as *mySocialSecurity*. An individual who wants to access *mySocialSecurity* online services must register as a user. After a user is registered and authenticated, he/she can access his/her benefit verification letter, payment history, and earnings record; change an address; start or change direct deposit information; and conduct extended business online with the Agency. We will determine whether the authentication for the *mySocialSecurity* suite of applications is effectively identifying and preventing unauthorized access.

## ***Controls over Social Security Internet Benefit Applications***

SSA implemented the Internet Claim (iClaim) application to allow claimants to complete and electronically submit an online application for retirement, spousal, disability, or Medicare only benefits. Third parties may also complete an iClaim application on behalf of someone else. The iClaim application checks the Numident to determine whether the Social Security number (SSN) is valid; the name and date of birth match; and a death, fraud, or domestic violence indicator is present. In a 2011 audit, we identified potential fraud characteristics of iClaim applications. Our review will evaluate the effectiveness of SSA's controls over iClaim applications.

## ***Fiscal Year 2015 Federal Information Security Management Act Oversight***

The *Federal Information Security Management Act* (FISMA) provides the framework for securing the Government's information and information systems. All agencies must implement the requirements of FISMA and report annually to OMB and Congress on the adequacy and effectiveness of their security programs. FISMA requires that each agency develop, document, and implement an agency-wide information security program. OMB uses information reported pursuant to FISMA to evaluate agency-specific and Government-wide security performance, develop the annual security report to Congress, and assist in improving and maintaining adequate agency security performance. FISMA directs each agency's OIG or an independent external auditor to perform an annual, independent evaluation of the effectiveness of the agency's information security program and practices. We will provide oversight of the contractor's audit of SSA's compliance with FISMA for FY 2015.

## ***Information Captured in the Disability Case Processing System***

State and Federal disability determination case processing sites use five different core systems that have been built over time by different organizations and have been significantly customized to meet local management needs. Supporting and maintaining these systems requires significant resources. In FY 2011, SSA awarded the contract for the Disability Case Processing System (DCPS), which will provide common functionality and consistently support the business processes of all DDSs. DCPS will move SSA from its current fragmented, multiple-application environment to a modernized common Disability Case Management system. SSA implemented Beta Release 1 in Idaho in September 2012, and, as of March 2014, four additional sites were running different Beta Releases. SSA plans to complete national roll-out in FY 2016. SSA estimates the total cost of the DCPS project to be \$552 million. In this review, we will determine whether DCPS captures data to support management analysis and fraud detection.

## ***Information System Controls Review: Master Beneficiary Record/Supplemental Security Record Interface***

An individual's eligibility for, and the amount of, Title XVI payments depends, in part, on the amount of Title II benefits he/she is receiving. To ensure benefits are calculated properly, SSA's Master Beneficiary Record (MBR)/SSR interfaces pass information between the Agency's master benefit records. We will determine whether the controls in SSA's MBR/SSR interface systems are effective in ensuring the completeness, accuracy, validity, and confidentiality of its data.

## ***Managing Beneficiary Address Information in the Social Security Administration's System of Records***

Beneficiary address information in SSA's records is often inaccurate. Once an individual begins receiving benefits, there is no incentive to notify SSA of a change of address, especially if they are receiving benefits via direct deposit. Should SSA need to contact the beneficiary, the Agency may have to do some research to obtain the beneficiary's current address. In previous work, we identified that SSA had an incorrect address in about 55 percent of our sample cases. Our review will assess the impact of inaccurate beneficiary address information in SSA's system of records.

## ***Security of the Social Security Administration's SharePoint***

SharePoint is a Web-based tool that allows groups or individuals to create Websites that allow users to share information and data. However, SharePoint sites can become uncontrolled when team members create a number of sub-sites in each Website. Each sub-site can contain several layers of document libraries, lists, meeting workspaces, and sub-sub-sites. One concern is that access and collaboration using SharePoint have outpaced built-in security capabilities. In enabling collaboration among employees, organizations can neglect to lock down user access and secure SharePoint content. Users could have excessive permissions to read, write, or delete documents available on the site, thereby improperly sharing data with unauthorized individuals. Our review will determine whether SSA properly secures sensitive information stored in the Agency's SharePoint environment.

## ***Supplemental Security Income Mobile Wage Reporting Smartphone Application***

The SSI Mobile Wage Reporting smartphone application is a mobile application that provides an alternate method for monthly wage reporting by using smartphone technology. Wage reporters can download and install the free application on an Apple or Android mobile device. Beginning in December 2012, 50 field offices across all 10 regions began a pilot project for mobile wage reporting. The initial pilot was successful, and SSA expanded it to 263 field offices in March 2013. As of February 2014, SSA had received over 72,000 wage reports through the smartphone application. Our review will determine the effectiveness of the wage reporting application in reporting wage information to SSA.

### ***Systems Availability for Users Outside the Contiguous United States***

SSA offices in the Mariana Islands have to shut down systems (and service) every day at 2:00 pm during daylight savings time and at 3:00 pm during standard time because SSA performs maintenance on its systems overnight. This review will evaluate SSA's systems availability and the impact any recurring downtime has on operations.

### ***Systems Enhancements over Direct Deposit Changes***

In December 2012, we issued a report that recommended systems enhancements to improve controls over direct deposit changes initiated through financial institutions, Internet, and automated 800-Number applications. This review will determine whether recent enhancements made to direct deposit changes initiated through these methods have improved the integrity of the process.

### ***Systems Enhancements to Ensure Timely Termination of Disability Benefits Following a Continuing Disability Review Cessation Determination***

In November 2012, we found that 30 percent of DI and 16 percent of SSI recipients improperly received payments after their medical cessation determinations because benefits were not terminated timely. We recommended, in part, that SSA enhance the ability of the processing system to perform automated terminations to ensure the timely termination of benefits following a medical cessation determination. SSA is working on a systems update to the Office of Disability Adjudication and Review's (ODAR) Hearing Office and Appeals Council case processing systems. We will determine whether SSA systems enhancements are ensuring the timely termination of benefits following a CDR cessation determination.

### ***The Social Security Administration's Electronic Mail Retention Policy***

According to the National Archives and Records Administration, email messages created or received while employees are conducting official business may be considered Federal records. Federal records are documentary materials that agencies create and receive while conducting business that contain information of value or provide evidence of the agency's organization, functions, policies, decisions, procedures, and operations. The heads of Federal agencies must issue instructions to staff on identifying, managing, retaining, and disposing of email messages determined to be Federal records. We will determine whether SSA's policy and procedures for retaining Agency email complies with Federal requirements.

## ***The Social Security Administration’s National Support Center Disaster Recovery Plan***

The *American Recovery and Reinvestment Act* provided SSA \$500 million to replace SSA’s NCC with a new data center—the National Support Center—that is expected to meet the Agency’s redundancy and expansion needs for the long term. According to Federal directives, all agencies are required to have continuity of operations and disaster recovery plans in place to ensure mission essential functions are available under all conditions. In general, disaster recovery plans are part of an agency’s continuity of operations plan that is information technology-focused. They contain detailed procedures designed to restore operability of the target system, application, or computer facility after the occurrence of a catastrophic event that prevents access to the normal processing facility. We will determine how the National Support Center will support SSA’s Disaster Recovery Plans.

## ***The Social Security Administration’s Post-Implementation Review of the Telephone Service Replacement Project***

Federal agencies are required to conduct post-implementation reviews (PIR) of information systems and resource management processes to validate estimated benefits and costs and document effective management practices for broader use. PIR is a diagnostic tool to evaluate the overall effectiveness of an agency’s capital planning and acquisition process. A PIR should be conducted on completed projects and terminated projects by an independent review team. In FY 2013, SSA contracted with Booz Allen Hamilton to develop a PIR Procedures Template and performed a pilot PIR on SSA’s Telephone System Replacement Project. SSA reported the project cost \$339 million. We will determine whether SSA’s PIR of the Agency’s Telephone Systems Replacement Project was performed according to Federal standards and industry best practices and concluded on the project’s performance with reasonable accuracy.

# Reduce Improper Payments and Increase Overpayment Recoveries

SSA is responsible for issuing over \$850 billion in benefit payments annually to about 62 million people. Given the amount involved, even the slightest error in the overall payment process can result in millions of dollars in over- or underpayments.

Workers, employers, and taxpayers who fund the SSA and SSI programs deserve to have their tax dollars effectively managed. As a result, SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs the Agency administers, some payment errors will occur.

For example, according to SSA, in FY 2012:

- The OASDI improper overpayment error was \$1.7 billion or 0.22 percent of program outlays, and the underpayment error was \$740 million or 0.10 percent of program outlays.
- The SSI improper overpayments were \$3.39 billion or 6.34 percent of program outlays, and underpayment errors were \$948 million or 1.78 percent of program outlays.

For FYs 2013 through 2015, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; whereas for SSI, the Agency's goal was to achieve a 98.8-percent underpayment accuracy rate and a 95-percent overpayment accuracy.

One of SSA's greatest payment accuracy challenges is SSI overpayments. According to SSA, the SSI overpayment accuracy rate in FY 2008 was 89.7 percent, the lowest rate since the program's early days. However, the Agency has made improvements; and in FY 2012, the SSI overpayment accuracy was 93.66 percent.

SSA is undertaking projects to (1) maximize its use of proven debt collection tools and techniques; (2) implement new tools for debt collection; and (3) develop recommended changes to laws, regulations, and policies to enhance its ability to collect debt.

In November 2009, the President issued Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*. In March 2010, OMB issued guidance for implementing the Executive Order. In July 2010, the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) was enacted. OMB issued guidance on implementing this Act in April 2011. As a result, all agencies with high-priority programs—because they have significant improper payments—are required to intensify their efforts to eliminate payment errors. OMB designated SSA's programs as high-risk. Furthermore, in January 2013, the *Improper Payments Elimination and Recovery Improvement Act of 2012* was enacted, which refined steps agencies should take to address improper payments.

CDRs and redeterminations are cost-effective program integrity tools. By completing CDRs, SSA periodically verifies that individuals are still disabled and entitled to disability payments;

whereas, through redeterminations, SSA verifies that SSI recipients still meet the non-medical factors of eligibility.

Available data indicate that SSA saves about \$9 for every \$1 spent on CDRs, including Medicare and Medicaid program effects. However, because of the lack of funding, the Agency reduced this workload over a several year period. From Calendar Years 2005 through 2010, we estimated SSA made between \$1.3 and \$2.6 billion in disability benefit payments that could have been avoided had full medical CDRs been conducted when they became due.

According to SSA, it processed about 2.6 million SSI redeterminations in FY 2013. Recent SSA estimates have indicated redeterminations provide a return-on-investment of about \$5 in lifetime program savings for every \$1 spent.

SSA has identified, and taken steps to address, the causes of improper payments. For example, one of the major causes of improper payments in the OASDI program is benefit computation errors. SSA has developed automated tools to address the more troublesome computation issues. Another major cause of improper payments in the SSI program is a recipient or representative payee's failure to provide accurate and timely reports of new or increased wages. In response, SSA developed a monthly wage reporting system incorporating touch-tone and voice recognition telephone technology. SSA also implemented its Access to Financial Institutions project to reduce SSI payment errors by verifying bank account balances identified by the applicant or SSI recipient and identifying undisclosed financial accounts with balances that place recipients over the SSI resource limit.

SSA uses a variety of methods to collect debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing and follow-up. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset. In FY 2013, SSA recovered about \$3.5 billion in OASDI and SSI overpayments.

SSA has also worked to improve its ability to prevent over- and underpayments by implementing our audit recommendations. For example, in June 2013, we issued a report on *Payments to Individuals Whose Numident Record Contained a Death Entry* that estimated SSA improperly paid 1,546 beneficiaries approximately \$31 million. SSA agreed with the recommendations we made to improve this area.

Also, in May 2013, we issued a report on the *Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age*. We estimated that SSA improperly paid about \$8.2 million to 652 beneficiaries who previously elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset. We also estimated that SSA improperly paid about \$1.4 million to 1,345 beneficiaries because it did not correctly adjust their disability benefits to account for the months they received reduced retirement benefits before full retirement age. SSA generally agreed with the recommendations we made to improve this area.

## ***Accuracy of Applying Reverse Offset of Workers' Compensation or Public Disability Benefits***

Some States have plans that reduce workers' compensation or public disability benefits when the disabled worker is also receiving DI benefits. This is known as reverse offset or reverse jurisdiction. If SSA recognizes the reverse offset or reverse jurisdiction plan, the DI benefits are not offset. If workers' compensation or public disability benefits are incorrectly determined to involve reverse offset, the beneficiary, and any auxiliaries on the record, can be overpaid. We will determine SSA's effectiveness in applying reverse offset.

## ***Accuracy of Critical Payment System Payments***

The Critical Payment System pays retroactive Title II benefits in critical cases, and special situations when MBR payments are not being made or are being made, but additional benefits are due. This system releases over \$200 million in payments, annually. The system can pay one-time or continuing monthly payments. Our review will assess the accuracy of Critical Payment System payments.

## ***Accuracy of Federal Employees' Compensation Act Offset***

FECA requires that SSA reduce, or offset, DI payments when workers are also eligible for workers' compensation or public disability benefits to ensure that, when combined with DI payments, total benefits do not exceed 80 percent of the worker's average earnings. Our review will determine the accuracy of DI payments to beneficiaries who receive FECA payments.

## ***Beneficiaries with Date of Birth Discrepancies***

SSA requires that claimants submit evidence to establish their eligibility for benefits. During an initial claims application, SSA obtains and records evidence of age. A date of birth discrepancy occurs when a claimant's alleged date of birth, or the date of birth on the Numident, disagrees with the claimant's allegation or the submitted evidence. A material discrepancy is a difference that affects entitlement to benefits. When this occurs, SSA must determine a correct date of birth. SSA's determination must demonstrate the reasoning and weight given to various pieces of evidence, and explain why the evidence is considered sufficient to establish a claimant's date of birth. The determination must also clearly justify the decision that the evidence in the file establishes the date of birth. We will determine whether SSA has adequate controls to ensure it resolves date of birth discrepancies for Title II beneficiaries.

## ***Cross-Program Recovery to Collect Benefit Overpayments***

Cross-program recovery is the process of collecting overpayments by withholding the payable benefits individuals are to receive from another benefit program SSA administers. The *Social Security Act* limits use of cross-program recovery to the collection of SSI overpayments from OASDI benefits if (a) individuals were no longer eligible for SSI payments, and (b) collection each month was limited to 10 percent of the OASDI benefit amount payable in that month. In 2007, we found SSA did not always collect SSI overpayments using cross-program recovery. We will assess SSA's cross-program recovery of benefit overpayments as authorized by the *Social Security Protection Act of 2004*.

## ***Deceased Beneficiaries Who Have Different Dates of Death on the Social Security Administration’s Numident and Payment Records***

To identify and prevent erroneous payments to deceased beneficiaries, SSA’s Death Alert, Control, and Update System (DACUS) matches reports of death received from Federal, State, and local agencies against the MBR and SSR. In addition, DACUS also records death information on SSA’s Numident—a master file that contains personally identifiable information for each individual issued an SSN. When there is a different date of death on the Numident and the MBR or SSR, DACUS produces an alert to SSA employees to resolve the discrepancy. In a 2012 audit, we found SSA needed to improve its controls to ensure it resolves such discrepancies between the Numident and the MBR/SSR. This review will determine whether SSA has adequate controls to resolve different dates of death recorded on the Numident and MBR or SSR.

## ***Delay of Automated Earnings Reappraisal Operation***

The Automated Earnings Reappraisal Operation is the process that automatically screens the earnings records of current beneficiaries to identify changes in earnings information that may indicate the beneficiary should receive increased benefit payments. In the past, cases have occurred where this operation increased a beneficiary’s payments, but in reality, SSA should have ceased the benefits because the disabled beneficiary had returned to work and was no longer eligible for any benefits. By increasing the ongoing payments prior to conducting a work CDR, SSA was increasing the amount of the overpayment it later recorded. SSA has a pilot program to delay the earnings reappraisal operation for cases with a pending work CDR. SSA’s goal is to prioritize and review cases with unreported earnings before they compute and issue any benefit increase. We will determine the effectiveness of SSA’s pilot for delaying Automated Earnings Reappraisal Operation benefit increases.

## ***Federal Employees Who Have a Title II or XVI Overpayment***

The amount of SSI payments can be affected by changes in the beneficiary’s earned income, marital status, and living arrangements. These changes cause over- and underpayments when not reported and many overpayments go uncollected and are written-off. In a previous audit, we identified an SSA employee who received Title II benefits and had an overpayment on his record, however SSA was not collecting on the overpayment because they could not locate the beneficiary. This review will identify Federal employees with Title II or XVI overpayments to determine whether SSA collected the debt.

## ***Federal Salary Offset***

The *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) amended the *Social Security Act* to allow SSA to use Federal salary offset to collect delinquent Title II debts. The *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) authorized the use of Federal salary offset to collect Title XVI delinquent debts. This process is where the “salary paying” Federal agency withholds an amount from an employee’s wages, and pays that amount to the creditor agency to reduce the debtor’s overpayment. The Federal employer may withhold up to 15 percent of disposable pay. In FY 2006, SSA implemented such offsets to recover delinquent debts. Our review will assess SSA’s implementation of Federal salary offset.

### ***Higher Retirement Benefits Payable to Families of Disabled Beneficiaries***

The total amount of benefits payable to families of disabled wage earners may be less than the amount payable if disabled beneficiaries elect reduced retirement benefits at age 62. When disabled beneficiaries attain age 62, SSA employees should determine whether the total family benefits are higher if the wage earner elects reduced retirement benefits. Finally, when the disabled beneficiary attains full retirement age, SSA must take manual action to increase the disabled wage earner's monthly benefit. We will determine whether SSA has adequate controls to inform disabled beneficiaries that their families are eligible for higher retirement benefits. We will determine whether SSA has adequate controls to inform disabled beneficiaries that their families are eligible for higher retirement benefits.

### ***Identifying Deceased Beneficiaries in U.S. Territories***

While reviewing the data in our audit, *Using Medicare Claim Data to Identify Deceased Beneficiaries*, we determined that about 10 percent of the beneficiaries had a U.S. territory address and had not used Medicare in the previous 3 years. We excluded this group from our review because these beneficiaries did not have an address that was in close proximity to one of our offices. However, based on the results of our review, we believe it would be beneficial to review this population of beneficiaries. We will identify deceased beneficiaries in U.S. territories who continue receiving Social Security benefits.

### ***Ineligible Spouses or Parents with Substantial Income Increases After Reported Separations from Supplemental Security Income Recipients***

Income earned by a recipient's spouse or parent may count as income for the recipient in regards to SSI eligibility. SSI recipients have falsely reported a separation because of a deeming spouse or parent's substantial earnings affected their SSI payment and/or eligibility. SSA is required to document proof of an alleged separation or an explanation of why such proof is not available. In many cases, SSA employees interviewing recipients accept an allegation of a reported separation without additional proof. We will determine whether SSA is effectively determining the accuracy of recipients' reports of separations from spouses or parents who have substantial earnings after the reported separation.

## ***Manually Posted Supplemental Security Income Overpayments to Surviving Spouses***

SSA relies on recipient self-disclosure of financial resources. Since individuals' income, resources, and living arrangements may change often, SSA is required to frequently reassess and verify recipients' eligibility and payment amounts. Failure to report payment changes is the primary cause of overpayment errors. One of the situations where an overpayment occurs is when a deceased member of a "couple" has an overpayment that should transfer to the surviving spouse. When a payment occurs (a) during the same period to an individual and his/her eligible spouse, and (b) the payment results in an overpayment, each is responsible for repayment of his/her own overpayment. Under these conditions, each individual is also responsible for the other person's overpayment. If the individuals are no longer eligible as a couple, each person remains responsible for any overpayment that occurred while they were considered a couple. We will determine whether SSA manually posted SSI overpayments to surviving spouses.

## ***Match of Master Earnings File Death Information Against the Numident and Social Security Administration Payment Records***

SSA recorded death information received from certain sources on its MEF through the mid-1970s. The MEF includes a Date of Death data field. We obtained information indicating that approximately 30 million numberholders have a death entry in the MEF. The median year of death for these 30 million numberholders is 1968. Preliminary review of the 30 million records indicates that approximately 20 percent of the MEF death entries are not reflected on the numberholders' Numident record, indicating that as many as 6 million deceased numberholders do not have corresponding death entries on the Numident/Death Master File (DMF). We will determine the status of numberholders with a death entry on the MEF but no death entry on their Numident and the validity of any SSA payments issued to those numberholders.

## ***Non-Responders to the Social Security Administration's Foreign Enforcement Questionnaires***

U.S. citizens and noncitizens who meet certain eligibility requirements, can receive OASDI benefits while living abroad. As of December 2010, there were approximately 548,000 OASDI beneficiaries residing in foreign countries, receiving about \$321 million in monthly benefit payments (about \$3.85 billion, annually). As of April 2011, representative payees were serving about 35,000 beneficiaries residing in foreign countries. SSA uses Foreign Enforcement Questionnaires to contact beneficiaries and representative payees, annually or biennially. Our review will determine whether SSA complied with its policies and procedures when processing non-responders to the Foreign Enforcement Questionnaire and took action, as appropriate, when issues were identified that affected benefit eligibility.

## ***Office of Personnel Management Death Data Not on the Social Security Administration's Systems***

The Office of Personnel Management (OPM) does not share its death information with SSA. In January 2014, we signed a Memorandum of Understanding with OPM to receive over 2.5 million of OPM's death records. We will verify the SSNs, names, and dates of birth from OPM's death file and match them with SSA's Title II and XVI payment records to identify beneficiaries and recipients who are in current pay status but are deceased per OPM's record. We will also identify dates of death that are not posted to SSA's DMF for individuals who are not currently receiving benefits.

## ***Old-Age, Survivors and Disability Insurance Benefits Affected by Federal Pensions***

The *Social Security Act* includes two provisions that reduce Social Security monthly benefits paid to individuals who receive a pension based on Federal, State, or local government employment not covered by Social Security. The Windfall Elimination Provision eliminates "windfall" Social Security benefits for retired or disabled workers and their families receiving pensions from employment not covered by Social Security. Under this provision, SSA uses a modified benefit formula to determine a wage earner's monthly Social Security benefit. The Government Pension Offset provision reduces monthly Social Security benefits for spouses, divorced spouses, and surviving spouses who receive a pension based on their own work for a Federal, State, or local government not covered by Social Security. The Government Pension Offset reduction is generally equal to two-thirds of the government pension. Our review will identify OASDI beneficiaries whose payments may be affected by Federal pensions not covered by Social Security. Our review will identify OASDI beneficiaries whose payments may be affected by Federal pensions from employment not covered by Social Security.

## ***Overpayment Waiver Trends by Field Offices***

In FY 2013, SSA waived \$421 million in overpayments (2.5 percent of all debt). Our review will identify trends in field offices that grant overpayment waivers and identify inconsistencies in the types of cases where waivers were granted.

## ***Overpayments Being Collected Through Long-Term Repayment Plans***

Under Title II, SSA policy states that full withholding of benefits should be proposed to collect an overpayment. However, if the individual requests withholding a lesser amount, payments may be made in installments. We plan to determine the amount of debt that may be uncollectable because SSA enters into repayment agreements with lengthy payback periods.

### ***Overpayments to Widows***

The OASDI program provides monthly benefits to retired or disabled workers and their families, and to survivors of deceased workers. If a worker chooses to receive benefits before reaching full retirement age, the amount of the benefit payable to the worker's widow(er) is capped by the retirement insurance benefit limitation provision. Under this provision, the benefit to a widow or widower is reduced to the amount the deceased worker would be receiving if alive, or 82.5 percent of the deceased worker's primary insurance amount, whichever is larger.

### ***Parole and Probation Violators and the Clark Case***

On April 13, 2012, the Federal District Court Southern District of New York issued the final order in Clark vs. Astrue. We will sample and review 275 cases from a population of 86,251 individuals identified as Clark Court Order class members. We will (a) determine whether these individuals were properly included as class members for the Clark Court Order, (b) assess the appropriateness of any related reinstatement, and (c) assess the appropriateness of payment of retroactive benefits.

### ***Payments to Numberholders Whose Deaths Were Recorded in California Death Records from 1970 Through 2003***

Based on comparison of 1980s California death information with SSA records, we submitted 22 fraud referrals to our Office of Investigations and identified approximately \$3 million in overpayments. We also identified approximately 64,000 numberholders who do not have a date of death on their Numident, but their personally identifiable information matched deceased numberholders listed in the California DMF. We will determine the appropriateness of continued benefit payments to individuals who, according to California Department of Public Health vital statistics data files, died in California during the expanded timeframe of January 1970 through December 2003.

### ***Payments to Student Beneficiaries Who Attend Schools that Operate on a Quarterly Basis***

The *Social Security Act* provides benefits to children of insured wage earners upon the retirement, death, or disability of the wage earner. Generally, child beneficiaries may receive benefits until they marry or reach age 18. After age 18, children can receive student benefits if they attend an elementary or secondary school full-time. For schools that operate on a quarterly basis and require the student to enroll each quarter, student benefits end the month after the student's current quarter. Our review will evaluate the effectiveness of SSA's controls over the payments to students who attend a school that operates on a quarterly school year basis.

## ***Recipients Who Change Their Living Status to Reinstate Their Supplemental Security Income Payments***

OI receives numerous SSI fraud cases based on living arrangements. For example, when filing for benefits, a recipient reports he/she is married and living with his/her spouse. When the spouse files for DI or retirement benefits, this causes the SSI recipient to lose eligibility. A few months later, the SSI recipient will falsely report the couple separated. SSA will remove the spouse from the record and return the SSI recipient to current pay status. Our review will identify instances where SSI recipients changed their living status to reinstate their SSI payments.

## ***Redeterminations and Modernized Supplemental Security Income Living Arrangements***

In FY 2012, SSA began using both the Modernized SSI Claims System and the SSR living arrangement information for redetermination selections. Before FY 2012, SSA only used SSR information for redetermination selections. We will determine how much SSA saved by expanding its redetermination selections to include Modernized SSI Claims System living arrangement information and determine whether further improvements can be made to reduce improper payments.

## ***Retirement Claim Denials Due to Lack of Insured Status***

Insured status is the earnings requirement an individual must meet to establish entitlement to retirement benefits. To meet insured status, an individual must have the required number of quarters of coverage on his/her earnings record. Generally, a fully insured individual has 40 quarters of coverage in the year in which they attain age 62. Before denying a retirement claim for lack of insured status, SSA completes all development for lag earnings, resolves all earnings discrepancies and coverage issues, and resolves gaps in the earnings record. Also, SSA should not disallow a claim for lack of insured status if the individual will obtain insured status within 4 months of the month of adjudication and the evidence of earnings for the qualifying quarter is available. In a 2014 audit of *Spouses Eligible for Higher Retirement Benefits*, we found that four spouses had been improperly denied retirement benefits for lack of insured status when they applied for reduced spousal benefits. We will determine whether SSA properly denied retirement applications for lack of insured status.

## ***Social Security Administration Payments to Individuals with Multiple Cross-Referred Social Security Numbers***

Our review will identify all instances where SSA knows the Agency issued multiple SSNs to individuals (as noted when SSA cross references multiple Numident records to each other) and review earnings and claims activity on these records.

### ***Statutory Benefit Continuation***

When a CDR indicates the beneficiary no longer meets the medical requirements for disability benefits, SSA discontinues benefits after 60 days. However, beneficiaries are legally allowed to continue receiving benefits (statutory benefit continuation) through levels of appeal. If the final cessation decision is upheld, the payments the individual has received during the appeals process are considered overpayments the individual owes SSA. OIG reviews in 2006 found that SSI recipients and DI beneficiaries were overpaid approximately \$190 million. These overpayments were incurred because of SSA's lengthy appeals process (at the time about 21 months).

However, only 33 percent of these overpayments were collected or were being collected at the time of our review. This review will (1) identify the cost that is charged to the DI Trust Fund and the general fund when disability payments are made to beneficiaries while they are appealing a medical cessation decision and (2) determine the status of corrective actions taken by SSA to address recommendations in prior audit reports on the impact of statutory benefit continuation during the appeals process.

### ***Supplemental Security Income Overpayments Inadvertently Deleted by Erroneous Cross Program Recovery Transactions***

We have identified several thousand instances where SSA improperly processed manual actions to stop Title II cross-program recovery, which may have inadvertently led to the erroneous deletion of millions of dollars in SSI overpayments. Our review will determine whether improperly processed transactions to stop partial withholdings inadvertently (and erroneously) deleted the overpayments from the SSR.

### ***Supplemental Security Income Overpayments that Cannot be Prevented Because of Legislation***

SSI overpayments detected in 2013 totaled more than \$3 billion. However, some of the SSI overpayments cannot be prevented because of current legislation. For example, the law requires that SSI payments be made on the first of the month based on the recipient meeting all eligibility requirements for that particular month. However, changes in the recipient's status can occur during the month, which causes the recipient's eligibility to change. Therefore, SSA cannot prevent the overpayment. SSA is required to do an annual estimate of improper payments under IPERA. SSA's estimate does not include improper payments that cannot be prevented. Our audit will quantify how much SSA pays in SSI funds that become overpayments because they cannot be prevented because of legislative provisions.

## ***Supplemental Security Income Recipients Who Have Life Insurance Policies with Unverified Cash Surrender Values***

SSA considers a life insurance policy as a resource if it generates a cash surrender value. SSA field office staff determine whether a life insurance policy owned by an SSI applicant or recipient generates a cash surrender value amount. If the field office cannot determine the cash surrender value, it can use a certain percentage of a policy's face value to compute the estimated amount. We will assess SSA's effectiveness in determining the value of recipients' life insurance policies with cash surrender values.

## ***The Social Security Administration's Processing of the Delinquent Debt Trigger File***

SSA processes the Delinquent Debt Trigger File semiannually in March and September. This operation selects cases involving Title II overpayments without collection activity for at least 180 days and produces alerts in SSA's processing centers. The Delinquent Debt Trigger File automatically terminates collection efforts on delinquent cases with debts under \$600 and where adjustment is not possible. We will determine whether SSA is pursuing delinquent debts before a non-collection determination.

## ***The Social Security Administration's Reporting of High-Dollar Overpayments Under Executive Order 13520 in Fiscal Years 2014 and 2015***

As part of the requirements of Executive Order 13520, each agency identified by OMB shall provide the agency's Inspector General a quarterly report on the "high-dollar" overpayments. An overpayment is considered high-dollar if it exceeds 50 percent of the correct amount of the intended payment where the total payment to an individual exceeds \$5,000 as a single payment or in cumulative payments for the quarter or the payment to an entity exceeds \$25,000 as a single payment or in cumulative payments for the quarter. We will review the Accountable Official's Quarterly High-dollar Overpayment Report, as required by Executive Order 13520, for the quarters ended December 2013 and March, June, and September 2014 to determine whether the (1) method used to identify high-dollar overpayments detected overpayments that met the Executive Order criteria and (2) Agency complied with all requirements of the Executive Order. For the FY 2015 report, we will review the Quarterly report for the quarters ended December 2014 and March, June, and September 2015.

## ***The Social Security Administration's Reporting of Improper Payments in the FY 2014 Agency Financial Report***

On July 22, 2010, the President signed into law IPERA, which amended the *Improper Payments Information Act of 2002* (IPIA). OMB issued guidance on this Act on April 14, 2011. According to the OMB guidance, each FY, the IG should determine whether the agency is complying with IPIA as amended by IPERA. We will determine whether the figures presented in the FY 2014 Agency Financial Report are reasonable and whether SSA complied with all requirements of IPIA as amended by IPERA.

### ***The Social Security Administration's Underpayment Process***

SSA considers underpayments to be improper payments for the OASI, DI, and SSI programs. An underpayment is any monthly benefit amount (or portion of a monthly benefit amount) due a person that SSA has not paid. Underpayments usually result from unpaid accrued benefits or unnegotiated checks. Our review will determine whether SSA appropriately paid underpayments under the Title II and XVI programs.

### ***The Social Security Administration's Use of Administrative Sanctions***

SSA can impose administrative sanctions against any person who (1) knowingly makes, or causes to be made, fraudulent or misleading statements or omissions of material fact for use in determining benefit eligibility or amount, with a knowing disregard for the truth or (2) fails to report an event that is material to eligibility or benefit amount if the person knows or should know that failure to report is misleading. In September 2008, we completed a review of SSA's use of administrative sanctions in the OASDI program that found SSA imposed only 275 Title II administrative sanctions from October 2000 through March 2008. SSA formed the Administrative Sanctions Workgroup, which developed a new process to streamline the administrative sanctions process and ensure consistent field office application. Our review will determine whether (1) SSA has increased its use of administrative sanctions in the OASDI program and (2) the extent SSA is using administrative sanctions in the SSI program.

### ***The Top 10 Cities with Public Employees Who Participate in Social Security Fraud***

On January 7, 2014, 106 individuals were indicted, including 102 disability beneficiaries, 2 recruiters, 1 attorney, and 1 disability consultant in a case where former New York City employees alleged nearly identical descriptions of mental impairments. We will determine whether the type of disability fraud identified in this case is indicated in claims data from other major cities.

### ***Title II Beneficiaries Whose Benefits Have Been Suspended and Have Death Information on the Numident***

To identify and prevent erroneous payments to deceased beneficiaries, SSA matches death reports received from Federal, State, and local agencies against its payment records. In a 2011 audit, we estimated that 4,699 beneficiaries remained in suspended pay status despite the death information on their Numident. We also estimated that 2,976 of these beneficiaries were improperly paid approximately \$23.8 million. Finally, we found that the personally identifiable information for approximately 2,715 beneficiaries was at risk of being released to the public. Our prior audit included several recommendations for corrective action that SSA agreed with. We will determine whether SSA has adequate controls to ensure it resolves death information on the Numident for suspended beneficiaries.

## ***Title II Benefits Withheld Pending a Title XVI Windfall Offset Determination***

When beneficiaries are entitled to OASDI and SSI for the same months, any retroactive OASDI benefits must be reduced by any SSI payments that should not have been paid. In a 2011 audit, we found that 35,398 beneficiaries had windfall offset actions that were not processed; 17,067 beneficiaries had windfall offset actions that were incorrectly processed; and 60,051 beneficiaries had windfall offset actions that were correctly processed but not in a timely manner. We will determine whether SSA has adequate controls to ensure Title II benefits that had been withheld pending windfall offset determination were paid accurately and timely.

## ***Title XVI Overpayments Pending a Collection Determination by the Social Security Administration***

When a debtor is receiving benefits, SSA tries to recover the overpayment by offsetting future benefits. When the debtor is no longer receiving benefits, SSA attempts to collect the debt through letters, billings, or debt collectors. We obtained 14,192 Title XVI overpayments established during FYs 2008 through 2012 where SSA has taken no action (collection, waiver, etc.) to reduce the overpayment. The overpayments ranged from \$1,000 to almost \$158,000, for a total of almost \$61 million. We will determine why SSA has not taken actions to resolve these outstanding Title XVI overpayments.

## ***Underpayments as a Result of the Social Security Administration Incorrectly Documenting Co-Owned Bank Accounts***

The resource limit for the SSI program is \$2,000 for a single individual and \$3,000 for an individual with a spouse. When an SSI recipient co-owns a bank account with someone who is not eligible for SSI payments, SSA assumes all the funds in the account belong to the recipient. If the recipient co-owns a bank account with someone who is also an SSI recipient, the Agency assumes the funds in the account belong to both recipients in equal shares. During an audit, we found some cases where the recipient co-owned a bank account with their spouse and SSA counted the total balance in the bank account for both the recipient and the spouse when it should have only counted half the amount for each person. Our review will determine whether SSA is correctly documenting co-owned bank accounts for SSI recipients and their spouses.

## ***Underpayments Payable to Widows Eligible for a Higher Monthly Benefit Amount***

Title II of the *Social Security Act* provides benefits to retired and disabled workers, including their dependents and survivors. Normally, the eligibility year to compute the primary insurance amount is the year the wage earner dies, becomes disabled, or attains retirement age. However, the Act requires an alternative computation for widows when a wage earner dies before age 62. Our review will determine whether SSA has adequate controls to ensure it establishes the correct primary insurance amount for widows when a wage earner dies before age 62.

### ***Unprocessed Manual Recalculations for Title II Payments***

When the Agency learns—from individuals or through its own processes—an earnings record may be incorrect, an SSA employee with authority to make initial determinations regarding wage evidence reviews the evidence and takes corrective actions to change the earnings record. This recalculation—effective the same month as the original computation—may change the amount of benefits the numberholder receives. Our August 2008 report estimated that SSA did not adjust Title II benefits or assess over- or underpayments when earnings were removed from 5,440 beneficiaries' earnings records—resulting in about \$5 million in improper payments. Based on our recommendations, the Agency completed its automatic Earnings Reappraisal Operation run with software enhancements. We will determine whether SSA (1) adjusted Title II benefits when earnings were removed from beneficiaries' earnings records and (2) calculated and assessed over- and underpayments when appropriate.

### ***Using Medicaid Claims Data to Identify Deceased Recipients***

This review will determine whether SSA could use Medicaid claim data to identify Title XVI recipients who are deceased. Our audit population will consist of recipients age 90 or older, in current payment status, and living in one of the top five Medicaid States (California, Florida, Illinois, New York, and Texas). Because the Centers for Medicare and Medicaid Services' Medicaid information is limited, we will match non-usage files with State Medicaid records to identify those recipients who have not used Medicaid for the last 2 years.

### ***W-2 Earnings for Individuals Related to Disabled Workers***

In 2007, we conducted a review that identified instances of fraud where DI beneficiaries earned wages, but concealed those wages under their spouses' SSNs. This review will use data analytics to identify similar fraud cases that occurred after our prior review.

### ***Young Adult Supplemental Security Income Recipients Who Change Residences and/or Living Arrangements***

Under the SSI program, a change in a recipient's living arrangements, marital status, and/or parent status may affect his/her SSI eligibility or monthly benefit amount. According to U.S. Census research, only 20 percent of adults ages 18 to 29 were married in 2010, compared to 59 percent in 1960. Further, adult living arrangements, such as cohabitation, have grown more prevalent in recent decades. The decline in marriage, with an increase in cohabitation, may result in more frequent changes in residence or living arrangements for those adults ages 18 to 29. Such changes in non-disability information could affect an SSI recipient's monthly payment or eligibility. Our review will determine the accuracy of SSA's non-disability eligibility data for 18- to 29-year-old SSI recipients.

# Reduce the Hearings Backlog and Prevent Its Recurrence

SSA's FY 2014-2018 *Agency Strategic Plan* has a goal to "Serve the public through a stronger, more responsive disability program," which includes the objective of improving the quality, consistency, and timeliness of disability decisions. The hearings process is a key piece of the Agency's disability process, providing the public with an opportunity to appeal an earlier State DDS decision. However, SSA has experienced a growing hearing backlog and increasing case processing times in recent years, causing the public to wait longer for decisions. SSA's pending hearing backlog grew from about 694,000 cases at the end of June 2010 to approximately 955,000 at the end of June 2014. Average processing time on hearings has also increased from 415 days in June 2010 to 437 days in June 2014.

The Agency continues to focus its efforts on reducing the backlog and improving timeliness through a variety of initiatives including

- increasing adjudicatory capacity through additional hiring of ALJs;
- targeting and reducing the volume of aged cases; and
- expanding the use of video hearings to reduce ALJ and claimant travel for hearings while also balancing workloads across the nation.

SSA also continues to focus on decision quality through its ongoing review of pre-effectuated adjudicator allowances, monitoring of potential anomalies in ALJ workload performance, and expansion of hearing office workload quality measures. For example, the hearing office workload measures now include the percent of adjudicator cases remanded or reversed in subsequent appeals. The Agency has also developed a management tool that allows ALJs and managers to view their workload performance in comparison with other ALJs in the office, region, and nation.

In the past year, our audit work has addressed some of these backlog and quality issues. For example, in our December 2013 audit of hearing office risk factors, we proposed a new method for identifying outlier behavior in hearing offices and shared our methodology and results with Agency managers so they could take appropriate action. In our March 2014 report, we assessed the steps the Appeals Council had taken to address its pending workloads, which was approximately 157,000 cases at the end of FY 2013. We made a number of recommendations related to new productivity goals and additional quality reviews, which the Agency agreed to implement. A separate review of 12 low-allowance ALJs, issued in July 2014, also recommended improved communication and management information related to ALJ decisions that have been reversed or remanded.

Ongoing and planned work will focus our audit resources on Agency efforts to reduce the hearings backlog and improve timeliness, internal review processes to improve the quality of decisions, oversight of third parties at hearings, and potential improvements in the processing of claims to ensure reliable decisional outcomes and reduce overall costs.

### ***Agency Efforts to Reduce Postponed Hearings***

In FY 2012, ODAR reported about 222,266 hearing postponements. Our June 2008 review of the *Timeliness of Medical Evidence at Hearing Offices* and our February 2011 review of the *Office of Disability Adjudication and Review's Scheduling Procedures for Hearings* found that about 19 percent of the hearing postponements in FY 2012 related to ODAR processing the case even faster via a dismissal (12.9 percent) or on-the-record decision (6.3 percent) rather than via a hearing. We plan to assess the role of postponements on the Agency's goal of providing timely hearings to claimants.

### ***Agency Hearings for Deceased Claimants***

SSA allows family members to pursue an appealed Title II claim even if the beneficiary related to the claim has died. SSA policy states "If there is another claimant or person who may be adversely affected by the ALJ's decision, and that individual wishes to proceed with the hearing, and there is no other reason to dismiss the request for hearing, the ALJ must hold a hearing and issue a decision." We plan to identify hearings associated with deceased claimants to assess the number, decisional outcomes, and other characteristics of this workload, while determining whether the Agency processed these cases consistently. We also will assess the characteristics of hearings related to deceased claimants and determine whether the Agency has options for modifying this workload and related payments in a time of reduced budgetary resources.

### ***Agency Progress in Eliminating the Pending Hearings Backlog and Improving Hearing Timeliness***

On May 23, 2007, former Commissioner Astrue initiated a strategy to reduce the Agency's pending hearing backlog, which at that time was 738,000 pending cases with an average waiting time of 505 days. The goal was to eliminate the backlog by FY 2013 (or bring it down to a manageable 466,000 cases) and reduce the average processing time to 270 days. As of May 2014, the backlog was approximately 940,000 cases and growing. Moreover, at the same time, the number of days necessary to process a case was increasing while individual ALJ productivity was decreasing. The Agency's FY 2014-2018 Strategic Plan addresses the role of video hearings, but the document makes little mention of a long-term plan to reduce the backlog and improve hearing timeliness. We will assess the Agency's strategic and tactical plan to reduce the pending hearings backlog.

### ***Amendment of Disability Onset Date at Hearings***

As part of the hearing process, the ALJ may modify the disability onset date before issuing an allowance decision. This modified date, called a "partially favorable decision," reduces the amount of past due benefits paid to the beneficiary. We have identified variances among hearing offices in terms of the percent of cases decided as partially favorable. Our review will analyze the characteristics of the partially favorable cases in various hearing offices to determine whether they were processed consistently.

### ***Claimant Representative Risk Factors***

SSA paid claimant representatives approximately \$1.6 billion in Tax Year 2012. Claimant representatives should be of good character and meet Agency-provided standards of conduct before they provide services to SSA claimants. We plan to compare claimant representative information against various Agency files as well as external sources to learn more about potential issues for follow-up by Agency management. For instance, SSA already compares representative payees against its prisoner files to ensure Agency staff review any representative with a prison record, and State Bar Associations maintain data on the professional status of claimant representatives who are attorneys. We will assess other potential risk factors associated with the claimant representatives directly paid by the Agency.

### ***Greater Video Use by Administrative Law Judges***

In FY 2013, SSA conducted approximately 179,000 video hearings, comprising about 26 percent of all hearings. ALJs conduct video hearings using a variety of equipment and room configurations, including claimant-only-video hearing rooms. The Agency has also established National Hearing Centers around the country to assist hearing offices with case backlogs via video hearings. Video hearings lead to more timely hearings at a lower cost to the Agency, and the Agency has been using ODAR's success with video hearings as a model for other parts of SSA. Our review will assess the steps ODAR has taken to expand the number of video hearings as well as identify additional opportunities the Agency has to expand video capacity using various configurations of video equipment and available space.

### ***Options for Reducing the Number of Cases Awaiting Hearings***

The Agency is facing an increasing workload of initial hearings, with the backlog exceeding 950,000 cases in June 2014. Given the growing backlog, lengthening processing time, and reduced Agency budget, SSA may need to explore alternatives to the current process to reduce the number of cases awaiting an initial hearing. For example, in past years the Agency remanded cases meeting a certain profile to the State DDS offices where it was possible the DDS could issue a new decision without a hearing. Similar ideas and flexibility in processing may be necessary to ensure timely hearings for claimants.

### ***Outcome of the Agency's Own-Motion Reviews***

Since FY 2011, ODAR's Office of Appellate Operations has been conducting pre-effectuation own-motion reviews, which allows ODAR to remand, and in some cases reverse, the ALJ's decision before SSA pays benefits to the claimant. In the last 3 years, the Office of Appellate Operations has reviewed about 17,000 randomly selected allowances related to all ALJs. In an April 8, 2014 letter to the Acting Commissioner, the House of Representatives' Committee on Oversight and Government Reform recommended that the Agency expand the Appeals Council's use of own-motion reviews and focus these reviews on specific ALJs using "announced, neutral, and objective criteria, including statistical assessments." We will assess the outcomes of ODAR's current own-motion review process to identify the costs and benefits of expanding the random review as well as possible alternative approaches for future reviews.

### ***On-the-Record Decisions Processed by Hearing Offices Within 100 days***

This review will assess the reasons on-the-record cases were decided soon after receipt at the hearing office rather than approved earlier at the DDS. We plan to examine characteristics of on-the-record decisions that ALJs and senior attorney adjudicators completed within 100 days. Our review would look at any change in case characteristics and the role of new medical evidence.

### ***Subsequent Events Related to Denied Claimants***

A number of actions can occur after an ALJ denies benefits to a claimant, including the claimant appealing the ALJ's decision, reapplying for benefits, or returning to work. A review of a sample of prior ALJ denials would provide information on the number of claimants taking each of these actions and the outcomes of these actions. Our work in this area could assist the Agency in understanding the relevant characteristics of claimants taking each of these subsequent actions and the overall impact on the future of the disability program. We will assess the status of claimants initially denied at the hearing level in FY 2011 to determine how many returned to SSA's rolls as well as the number who returned to the workplace.

### ***The Office of Disability Adjudication and Review's Use of the Electronic Bench Book***

The Electronic Bench Book is a Web-based application that provides ODAR decisionmakers a place to document their pre- and post-hearing analyses as well as provide instructions for the decisionwriters. Our review will assess ODAR's use of the Electronic Bench Book.

### ***The Social Security Administration's Screening of Medical Experts***

The medical expert program is designed to provide expert witnesses for ODAR cases pending before an ALJ. Medical experts include physicians and mental health professionals. These individuals, who provide impartial expert opinions at the hearing level of the social security claims process, testify at hearings or provide written responses to interrogatories on claims for DI, SSI, or health insurance benefits under the *Social Security Act*. A regional medical expert program coordinator is required to recruit persons who are qualified to serve as credible expert witnesses, screen the credentials and background of applicants, and provide a list of available experts to hearing offices in that region. Our review will evaluate the Agency's medical expert screening process to ensure Agency staff are complying with policy and issues regarding questionable experts are appropriately flagged, investigated, and resolved.

## **Strengthen the Integrity and Protection of the Social Security Number**

In FY 2013, SSA issued approximately 5.8 million original and 10.3 million replacement SSN cards and received approximately \$689 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and that eligible individuals receive the full benefits due them.

The SSN is relied on heavily as an identifier and is valuable as an illegal commodity. Accuracy in recording workers' earnings is critical because SSA calculates future benefit payments based on the earnings an individual accumulates over his/her lifetime. As such, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once the Agency assigns the numbers, and accurately posting the earnings reported under SSNs are critical SSA missions.

SSA continues to improve its enumeration process. However, given the preponderance of SSN misuse and identity theft in U.S. society, we continue to believe protection of this critical number is a considerable challenge for SSA, as well as its millions of stakeholders. Unfortunately, once SSA assigns an SSN, it has no authority to control the collection, use, and protection of these numbers by other entities. Our audit and investigative work have shown that the more SSNs are unnecessarily used, the higher the probability that individuals could use the number to commit crimes throughout society. For example, K-12 schools unnecessarily collect and use SSNs as a primary student identifier. The Federal Trade Commission estimated that as many as 9 million Americans have their identities stolen each year.

We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States. We are also concerned that other individuals misuse SSNs for identity theft purposes. The SSNs of deceased individuals are also vulnerable to misuse. As such, the public release of the DMF raises concerns.

To help SSA improve the integrity of its records, our planned work will focus on the effectiveness of SSA's controls to ensure key information, such as dates of birth or death, is accurately recorded in its systems. We will also focus on SSA's controls for its planned Internet-based Social Security Number Replacement Card (iSSNRC) application to ensure the application's data is complete, accurate, and valid.

Properly posting earnings ensures eligible individuals receive the full retirement, survivors, and/or disability benefits due them. If employers report earnings information incorrectly or not at all, SSA cannot ensure all individuals entitled to benefits are receiving the correct payment amounts. SSA shares incorrect names/SSNs with employers when they submit their wage file to the agency. In addition, SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and to calculate the amount of benefits.

SSA spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's record of wage reports on which wage earners' names and SSNs fail to match SSA's records. As of November 2013, the ESF had accumulated about \$1.1 trillion in wages and 327 million wage items for Tax Years 1937 through 2011. In Tax Year 2011 alone, SSA added 7.1 million wage items representing \$70 billion in wages to the ESF.

SSA has taken steps to reduce the size and growth of the ESF. In FY 2014, over \$1.1 billion was moved from the ESF to the MEF. The Agency offers employers the ability to verify names and SSNs of their employees using the Agency's SSN Verification Service, an online verification program, before reporting wages to SSA. In FY 2014, approximately 35,800 registered employers submitted about 111.3 million verifications. SSA also supports the Department of Homeland Security's administration of its E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. As of FY 2014, about 500,000 employers had enrolled to use E-Verify at over 1.4 million worksites and these employers had submitted approximately 26 million queries during this period.

While SSA cannot control all the factors associated with erroneous wage reports, it can improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, encouraging greater use of the Agency's SSN Verification Service, and enhancing SSN verification feedback to provide employers with sufficient information on potential employee issues.

### ***Accuracy of Numident Date of Birth Changes***

Since 1936, SSA has assigned over 453 million SSNs. When SSA assigns an SSN, it creates a master record of the numberholder's name, date of birth, place of birth, parents' names, citizenship status, and date of death (if applicable) in the Numident. While all the information included on the Numident is important, the accuracy of the date of birth is imperative because a discrepancy with the date of birth can affect the numberholder's eligibility or entitlement for benefits. Our review will determine whether date of birth changes to the Numident are valid and accurately recorded.

### ***Completeness of the Public Death Master File***

The public DMF contains all deaths reported to SSA from sources other than States. SSA provides the public DMF to the Department of Commerce's National Technical Information Service, which sells the DMF data to public and private customers who can purchase the public DMF and subscribe to periodic updates for an additional cost. We will determine whether the public DMF includes all deaths reported to SSA from sources other than States.

### ***Improper Use of Elderly Individuals' Social Security Numbers for Work Purposes***

According to 2010 Census data, there were about 5.4 million Americans who were 85-years-old and older. For Tax Years 2009 through 2013, 1,088 elderly individuals who appeared to be between 86- and 160-years-old when the wages were earned had 4,063 wages items posted to the MEF, totaling about \$188 million in wages. For Tax Years 2008 through 2010, we found 10,032 deceased elderly individuals (at least age 85) had 24,685 wage items posted to the ESF, totaling \$48.5 million in wages. About 3,100 employers reported the suspended wages. We will (1) assess the extent to which the identities of elderly individuals are being misused for work purposes and (2) determine whether SSA has controls in place to prevent and detect the misuse.

### ***Internet Social Security Number Replacement Card Project (2 Reviews)***

To reduce the number of replacement card requests in field offices and Social Security Card Centers, SSA is developing an iSSNRC application. The iSSNRC will allow adult U.S. citizens who meet certain criteria to request SSN replacement cards online by completing an application and providing data from either their State-issued driver's license or identification card. SSA will not issue replacement cards to individuals who want to change their name, DoB, or citizenship status.

## ***Planning and Analysis***

Reliability of computerized data and the systems that process, maintain, and report these data is critical. Because of the complexity and interconnectivity of systems, protecting government information systems has never been more important. Application controls relate to a specific system and help ensure data and transactions are complete, accurate, valid, confidential, and available. SSA plans to complete the Planning and Analysis phase of the iSSNRC application in FY 2015 and roll out the project in FY 2016. We will determine whether SSA identified, as part of the Planning and Analysis process, appropriate controls to ensure the completeness, accuracy, and validity of the iSSNRC application's data.

## ***Testing***

Having a disciplined process for testing new applications before their implementation is essential to ensure they operate as intended; that unauthorized changes are not introduced; and the application is secure. Once the application has been developed, it should be tested in a structured manner. Our review will determine whether SSA's process for testing the application complies with Federal standards and best practices, and whether SSA followed that process when testing iSSNRC.

## ***Potential Misuse of SSNs Issued to Individuals Under the Diversity Visa Program***

The Diversity Visa Program allows citizens from underrepresented countries to vie for one of the 50,000 visas available through a yearly raffle system. Prospective immigrants need only send a photograph, basic biographical information, and a signature to be entered into the computerized lottery. A recent State Department IG report discussed fraudsters who masqueraded as travel agencies and took control of diversity visas in a country in Eastern Europe. Once an individual was selected for a diversity visa, the criminals received the confirmation code and offered to provide it to the entrant for \$15,000. Victims were threatened with violence and forced to enter sham marriages with individuals interested in immigrating to the United States. Our review will assess potential SSN misuse involving individuals to whom SSA issued SSNs under the Diversity Visa Program.

## ***Special Indicator Codes on the Social Security Administration's Numident File***

In our prior audit, *Effectiveness of Special Indicator Codes on the Social Security Administration's Numident File*, we concluded, "Although SSA policies and procedures instructed field office personnel to add/delete certain Special Indicator (SPIN) codes, employees did not always properly do so. We believe this occurred primarily because field office personnel were not aware of policies and procedures or clear about which SPIN codes they should add/delete." Recent discussions with field office personnel suggest they are still not fully aware of the policies and procedures regarding issuance and use of SPIN codes. We will assess the effectiveness of SPIN codes on SSA's Numident File. We will determine whether field office personnel follow policy and procedures for adding/deleting SPIN codes on SSA's Numident File. In addition, we plan to determine whether the enumeration system responds as it should to the SPIN codes on the Numident.

### ***Wages Reported for Individuals with Fraud Indicators***

To ensure the accuracy of earnings data, SSA has developed fraud indicator codes to identify suspicious individuals, submitters, and employers. When wage reports are submitted by or for individuals with a fraud indicator, the wage items should be investigated and approved before they are posted. SSA also assigns SPIN codes on the Numident to alert employees to special situations, identify fraudulently obtained SSNs, prevent unauthorized disclosure of information, block the issuance of replacement SSN cards and SSN printouts, and verify SSNs. In our audit of *Controls Over the Business Services Online*, we identified 6 individuals who used BSO to submit 119 W-2s totaling about \$188 million in fictitious wages. Our review will determine whether individuals are submitting fictitious wages to obtain Social Security benefits.