

Social Security Administration  
Office of the Inspector General  
Office of Audit

Fiscal Year 2010  
Work Plan

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I am pleased to present the Office of Audit's Fiscal Year (FY) 2010 Annual Work 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 management to the Congress, Agency and other key decision makers. For FY 2010, the Office of the Inspector General has identified the following management challenges.

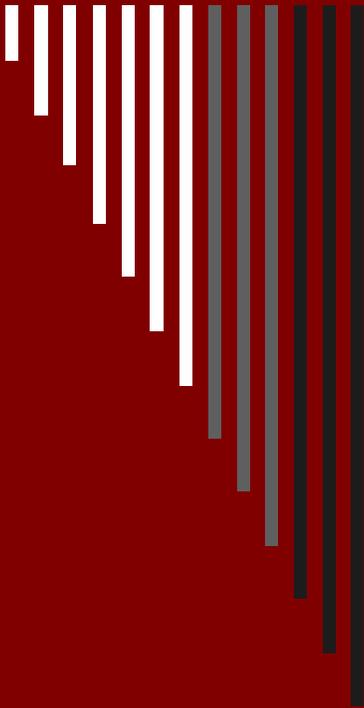
- Implement the *American Recovery and Reinvestment Act* Effectively and Efficiently
- Reduce the Hearings Backlog and Prevent its Recurrence
- Improve the Timeliness and Quality of the Disability Process
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Invest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

The Plan describes 108 reviews we plan to complete in FY 2010 and 115 reviews we plan to begin in FY 2010. 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 in the upcoming year.

Steven L. Schaeffer  
Assistant Inspector General for Audit  
October 1, 2009





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# Office of Audit 2010 Work Plan

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# Acronyms

ALJ	Administrative Law Judge
ARRA	<i>American Recovery and Reinvestment Act of 2009</i>
CDR	Continuing Disability Review
DDS	Disability Determination Services
DHS	Department of Homeland Security
DI	Disability Insurance
DSI	Disability Service Improvement
eCAT	Electronic Claims Analysis Tool
ERP	Economic Recovery Payment
ESF	Earnings Suspense File
ETA	Electronic Transfer Account
FISMA	<i>Federal Information Security Management Act of 2002</i>
FSP	Financial Service Provider
FY	Fiscal Year
GAO	Government Accountability Office
HALLEX	Hearings, Appeals and Litigation Law
HAVA	<i>Help America Vote Act of 2002</i>
HAVV	Help America Vote Verification
HOPE	Homeless Outreach Projects and Evaluation
IRS	Internal Revenue Service
IRTPA	<i>Intelligence Reform and Terrorism Prevention Act of 2004</i>
IT	Information Technology
MADAM	Master Data Access Method
MBR	Master Beneficiary Record
MEF	Master Earnings File
NCC	National Computer Center
OASDI	Old-Age, Survivors and Disability Insurance
ODAR	Office of Disability Adjudication and Review
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PII	Personally Identifiable Information
QDD	Quick Disability Determinations
RIB	Retirement Insurance Benefit
RVP	Representative Video Project
SEI	Self-Employment Income
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSNVS	Social Security Number Verification Service
SSR	Supplemental Security Record
TIN	Tax Identification Number
TY	Tax Year
VA	Veterans Affairs
VoIP	Voice over Internet Protocol
WC	Workers' Compensation
WIPA	Work Incentives Planning and Assistance

## Executive Overview

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, the 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) 2009, we issued 104 reports with over \$7.5 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, the Congress, the Office of Management and Budget (OMB), and other interested parties. Our list of management challenges had not changed significantly for several years, however, in FY 2009, SSA's environment changed considerably. For example, passage of the *American Recovery and Reinvestment Act of 2009* (ARRA) has added additional workloads and reporting responsibilities. At the same time, SSA is addressing its hearings backlog, and dealing with rising workloads. These changes, combined with SSA's issuance of a new strategic plan this year, led us to revise our list of SSA's major management and performance challenges. In addition, a recent Project on Government Oversight report on OIG accountability raised concerns that agencies' management challenges may not be clear and specific. Therefore, we have reworded our challenges in a more actionable manner.

Given the extent of the hearings backlog, and the attention it has garnered, we have separated SSA's **Management of the Disability Process** into two separate challenges: **Reduce the Hearings Backlog and Prevent its Recurrence**, and **Improve the Timeliness and Quality of the Disability Process**.

Also, effective implementation of ARRA is an important part of the current administration's recovery plan for the American economy. SSA received over \$1 billion under ARRA. Because of the large amount of money involved, the importance of the successful implementation of the program, and the increased workloads and reporting responsibilities, we have developed a new challenge statement to **Implement the *American Recovery and Reinvestment Act* Effectively and Efficiently**.

As part of our analysis of SSA’s major management challenges, we cross walked the Commissioner’s priorities and the Social Security Advisory Board’s reports to the areas identified by our prior and ongoing work. The following table demonstrates that our perspective aligns with other key decision makers.

Commissioner Priorities	OIG Major Management Challenges	Social Security Advisory Board
Eliminate the Hearing Backlog  Improve the Speed and Quality of our Disability Process	Reduce the Hearings Backlog and Prevent its Recurrence  Improve the Timeliness and Quality of the Disability Process	Disability Process
Preserve the Public’s Trust in Our Programs	Reduce Improper Payments and Increase Overpayment Recoveries  Invest in Information Technology Infrastructure to Support Current and Future Workloads  Strengthen the Integrity and Protection of the Social Security Number  Improve Transparency and Accountability	Supplemental Security Income Process  Platform  Retirement Process
Improve Our Retiree and Other Core Services	Improve Customer Service  Implement the <i>American Recovery and Reinvestment Act</i> Effectively and Efficiently	Service Delivery Process  People

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 the OIG’s Offices of Investigations, Counsel to the Inspector General, External Relations, and Technology and Resource Management.

This Plan describes 108 reviews we intend to complete and 115 reviews we intend to begin in FY 2010 in the following issue areas.

- Implement the *American Recovery and Reinvestment Act* Effectively and Efficiently
- Reduce the Hearings Backlog and Prevent its Recurrence
- Improve the Timeliness and Quality of the Disability Process
- Reduce Improper Payments and Increase Overpayment Recoveries

- Improve Customer Service
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Strengthen the Integrity and Protection of the Social Security Number
- Improve Transparency and Accountability

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.

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

# Implement the *American Recovery and Reinvestment Act* Effectively and Efficiently

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On February 17, 2009, the President signed into law the *American Recovery and Reinvestment Act of 2009* (ARRA), P.L. 111-5. The Administration stated its commitment to invest ARRA funds with an unprecedented level of transparency and accountability so Americans know how their tax dollars are being spent.

Under ARRA, the Social Security Administration (SSA) was provided

- \$500 million to replace SSA's National Computer Center (NCC),
- \$500 million to process disability and retirement workloads as well as information technology (IT) acquisitions and research in support of these workloads, and
- \$90 million to reimburse costs for processing a one-time, \$250 payment to individuals receiving Social Security and Supplemental Security Income (SSI) benefits.

Congress provided \$2 million for the Office of the Inspector General (OIG) to oversee SSA programs, projects, and activities funded by ARRA. In addition, we will review, as appropriate, concerns raised about specific investments using funds made available by ARRA.

SSA will have various challenges in awarding, disbursing, and monitoring ARRA funds. These challenges include the following Office of Management and Budget (OMB) ARRA accountability objectives.

- Funds are awarded and distributed promptly, fairly, and reasonably.
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and timely.
- Funds are used for authorized purposes, and instances of fraud, waste, error, and abuse are mitigated.
- Projects funded under ARRA avoid unnecessary delays and cost overruns.
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

Specific challenges facing SSA are as follows.

## **Overall ARRA Implementation**

Ensure ARRA requirements and related OMB implementation guidance are followed and ensure ARRA projects are properly managed.

## **One-Time Economic Recovery Payment (ERP) Administrative Expense**

Properly account for the use of the \$90 million in ARRA funding to cover the administrative costs involved in identifying eligible individuals, notifying the eligible individuals, and issuing the payments to the eligible individuals.

## **One-Time ERPs**

Develop a process for selecting the ERP recipients that ensures the right individuals receive payments and that minimizes any improper payments.

- Effectively communicate to the public information about the ERP.
- Identify and pay ERPs to beneficiaries not paid during the initial process.

## **Disability and Retirement Workloads**

- Hire and train sufficient personnel and fund additional overtime to enhance SSA's ability to (1) eliminate the hearings backlog and prevent its recurrence, (2) improve the speed and quality of the disability process, and (3) improve retiree and other core services.
- Make investments in technology that enhance SSA's ability to (1) eliminate the hearings backlog and prevent its recurrence, (2) improve the speed and quality of the disability process, and (3) improve retiree and other core services.
- Measure the effect of ARRA funding on the (1) hearings backlog, (2) speed and quality of the disability process, and (3) improvements to retiree and other core services.

## **Replacement of the NCC**

- Ensure proper overall project management.
- Ensure proper site selection, facility design, and infrastructure construction oversight.
- Ensure IT investments support SSA's strategic IT vision and plan.
- Ensure the new facility complies with the *National Environmental Policy Act*.

In Fiscal Year (FY) 2010, we plan to complete 16 reviews and begin 2 reviews in this area.

## **We Plan to Complete the Following Reviews in FY 2010**

Contracts Issued Under the *American Recovery and Reinvestment Act* (2 Reviews)

Economic Recovery Payments for Social Security and Supplemental Security Income Recipients

National Computer Center Replacement Strategy Implementation (4 Reviews—1 Each Quarter)

Quick Response Evaluation: Office of Acquisition and Grants' Staffing to Process *American Recovery and Reinvestment Act* Acquisitions

Quick Response Evaluations: The Social Security Administration's Disability and Retirement Workload Accomplishments Under the *American Recovery and Reinvestment Act* (6 Reviews)

The Social Security Administration's Use of *American Recovery and Reinvestment Act* Funds to Administer Economic Recovery Payments

The Social Security Administration's Use of Data Center Industry Best Practices in its National Computer Center Replacement Strategy

## **We Plan to Begin the Following Reviews in FY 2010**

Economic Recovery Payments—Catch-Up Payments

Health Information Technology Investments Under the *American Recovery and Reinvestment Act*

**Contracts Issued Under the *American Recovery and Reinvestment Act* (2 Reviews)**

*Objective*

To review contracts and awards made as a result of ARRA funding to determine whether they were properly awarded, accounted for, and monitored.

*Background*

ARRA was developed, in part, to preserve and create jobs and promote economic recovery. The critical importance of ARRA, and the funds it will make available to stimulate the American economy, require heightened management attention on acquisition planning.

**Economic Recovery Payments for Social Security and Supplemental Security Income Recipients**

*Objective*

To determine whether SSA accurately disbursed the ERPs to eligible beneficiaries under ARRA.

*Background*

ARRA provided for a one-time ERP of \$250 to eligible adult Social Security and SSI recipients. ARRA also provided for a one-time payment to Veterans Affairs (VA) and Railroad Retirement Board beneficiaries. Individuals eligible for benefits in November 2008, December 2008, or January 2009 received the ERP. If individuals were receiving multiple benefits from Social Security, SSI, VA, and/or the Railroad Retirement Board, they were to receive only one \$250 ERP. SSA was mandated to disburse about \$13.25 billion in ERPs to 53 million beneficiaries within 120 days after the law was enacted on February 17, 2009.

**National Computer Center Replacement Strategy Implementation (4 Reviews—1 Each Quarter)**

*Objective*

To provide quarterly status reports on SSA's implementation of its NCC Replacement Strategy.

*Background*

Under ARRA, SSA received \$500 million designated for the replacement of its NCC. Each quarter a contractor with the appropriate skill sets will evaluate SSA's progress toward implementing its strategy for a new data center. In addition, the contractor will report any delays or other problems SSA is encountering or may encounter and assess the potential impact of such delays or problems. The contractor will make recommendations for remedying such problems.

## **Quick Response Evaluation: Office of Acquisition and Grants' Staffing to Process *American Recovery and Reinvestment Act* Acquisitions**

### *Objective*

To determine whether SSA's Office of Acquisition and Grants has sufficient qualified staff to process acquisitions funded with ARRA funds.

### *Background*

ARRA requires that the Recovery Accountability and Transparency Board determine whether there are sufficient qualified acquisition and grant personnel to oversee ARRA funds and whether personnel whose duties involve acquisitions or grants made with ARRA funds receive adequate training.

We will be administering a survey questionnaire developed by the Board to determine the adequacy of staffing levels, and the qualifications and training of SSA personnel responsible for ARRA contracts and grants. SSA needs sufficient qualified staff to responsibly plan, evaluate, award, and monitor contracts and handle the increased acquisition workload.

## **Quick Response Evaluations: The Social Security Administration's Disability and Retirement Workload Accomplishments Under the *American Recovery and Reinvestment Act* (6 Reviews)**

### *Objective*

To determine whether ARRA funds were used for authorized purposes and contributed to improved disability and retirement claims performance.

### *Background*

ARRA provided \$500 million to process the additional disability and retirement workloads SSA is receiving as a result of the economic downturn. SSA allocated ARRA resources to fund work years in its Office of Operations, Office of Disability Adjudication and Review (ODAR), and State disability determination services (DDS).

## **The Social Security Administration's Use of *American Recovery and Reinvestment Act* Funds to Administer Economic Recovery Payments**

### *Objective*

To determine whether expenses charged against the \$90 million provided to SSA to administer the ERPs were appropriate.

### *Background*

ARRA provides for a \$250 ERP to Social Security beneficiaries and SSI recipients whose address of record is 1 of the 50 States, the District of Columbia, Puerto Rico, Guam, U.S. Virgin Islands, American Samoa, or Northern Mariana Islands. SSA was required to identify the individuals entitled to receive payments and provide the Secretary of the Treasury information to disburse the payments.

## **The Social Security Administration's Use of Data Center Industry Best Practices in its National Computer Center Replacement Strategy**

### *Objective*

To research industry best practices for identifying, selecting, acquiring, and operating a new Data Center to meet SSA's future processing needs taking into account the Agency's current data infrastructure. Also, to determine whether SSA followed best practices (in regards to site selection, building plan development, construction, IT procurement, and data center operations) in making its decisions related to the proposed new data center.

### *Background*

The existing NCC was constructed in 1979 and is located at SSA Headquarters. The NCC provides data processing and electronic communications support to over 1,300 SSA field offices nationwide.

In February 2008, Lockheed Martin provided SSA a report documenting the current and future status of the NCC. With current trends, the facility will reach maximum capacity in 3 to 5 years. SSA decided to build a new data center. The General Services Administration will manage the design and construction activities for the project. SSA will work closely with the General Services Administration and participate in the new data center's design and construction.

# Reduce the Hearings Backlog and Prevent its Recurrence

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At the forefront of congressional and Agency concern is the timeliness of SSA's disability decisions at the hearings adjudicative level. The average processing time at the hearings level has increased—from 293 days at the end of FY 2001 to 493 days at the end of August 2009. Additionally, the pending hearings workload grew to approximately 734,000 by the end of August 2009—up from 392,387 cases at the end of FY 2001.

In his May 23, 2007 testimony to Congress, the Commissioner of Social Security announced a plan to eliminate the backlog of hearing requests and prevent its recurrence. The Commissioner's plan focused on (1) compassionate allowances, (2) improving hearing office procedures, (3) increasing adjudicatory capacity, and (4) increasing efficiency with automation and improved business processes. The Agency's goal is to eliminate the hearings backlog by 2013 and improve average processing time to 270 days. Achieving these goals will depend on a number of factors, including available resources and expected workloads. For example, in August 2009, SSA estimated that the Agency may receive 350,000 more initial disability claims than originally projected for FY 2010, which will affect ODAR's hearing workload projections.

**Compassionate Allowances.** The compassionate allowances initiative, implemented nationwide in October 2008, seeks to identify cases where the disease or condition is so consistently devastating that SSA can presume the claimant is disabled once a valid diagnosis is confirmed. SSA launched the expedited decision process with 50 conditions—25 rare diseases and 25 cancers.

**Improve Hearing Office Procedures.** Reducing aged cases is one of the two initiatives SSA has in place to improve hearing office procedures, the second being adjudication of cases by Senior Attorneys. Under the aged claim initiative, SSA focused on eliminating cases 1,000 days or older in FY 2007, cases 900 days or older in FY 2008, and cases 850 days or older in FY 2009. This initiative has refocused the hearings process on ensuring the oldest cases are processed first. Under the Senior Attorney program, staff other than administrative law judges (ALJ) issue fully favorable on-the-record decisions to expedite the decision and conserve ALJ resources for the more complex cases and cases that require a hearing. In FY 2009, SSA reported the Senior Attorneys had issued approximately 33,000 decisions as of August 2009.

**Increase Adjudicatory Capacity.** SSA has seven initiatives aimed at increasing adjudicatory capacity. One initiative is hiring new ALJs. In FY 2009, ARRA provided SSA \$500 million to assist with increases in retirement and disability workloads, of which \$123 million was allocated to ODAR. This, in addition to the FY 2009 SSA appropriation, will allow SSA to hire approximately 157 ALJs and 1,146 additional staff hires in FY 2009.

**Increase Efficiency with Automation and Improved Business Process.** At the beginning of FY 2009, SSA had 27 initiatives related to automation and business processes. One initiative was an electronic file assembly process called ePulling. This initiative involved the development of customized software to identify, classify, and sort page-level data, reorganize the images after classification, and identify duplicates. Another initiative is expanding the use of video equipment at hearings to increase ALJ productivity and decrease ALJ travel. This video initiative also includes a Representative Video Project (RVP), which will allow claimant representatives to use their equipment to participate in hearings from their own offices.

We will continue to work with SSA as it proceeds with its initiatives. For example, in our September 2009 review of the aged claim initiative, we found that ODAR's aged claim initiative had been successful in targeting aged claims and focusing hearing offices' efforts on this workload. Moreover, the related initiatives, including realignment of service areas, case transfers, video hearings, and the National Hearing Centers, have also assisted regions and hearing offices in processing the aged case backlog. We also noted that the aged cases had built up over time because of (1) a lack of resources, (2) conflicting workload priorities, and (3) lost or time-consuming claims. Overall, we found that sustained leadership and focus, clear workload milestones, flexibility in moving workloads between offices, and use of management information reports has allowed ODAR to reduce aged claims and return to its earlier policy of hearing the oldest claims first.

Our June 2009 evaluation of the ePulling initiative found ODAR was facing challenges with the accuracy of the ePulling software, which in turn was increasing ePulling's case preparation times. In addition, we found ODAR needed to establish a sufficient assessment methodology for measuring ePulling's impact on the hearings process since such a methodology is critical to future decisions on expanding the use of ePulling to other hearing offices. One of our recommendations was for SSA to perform a complete assessment of the ePulling project results before expanding the use of the process in other hearing offices. SSA agreed with our recommendation, noting that both the Agency and the vendor had made numerous software enhancements that would be assessed before a decision was made to expand the project. In August 2009, ODAR management decided to discontinue the ePulling initiative.

In FY 2010, we plan to complete 11 reviews and begin 12 reviews in this area.

## **We Plan to Complete the Following Reviews in FY 2010**

Congressional Response Report: Hearing Backlog Cases in Missouri

Congressional Response Report: Hearing Office Disposition Rates

Congressional Response Report: Hearing Request Dismissals

Disability Impairments on Cases Most Frequently Reversed by Administrative Law Judges

Hearing Office Performance and Staffing

Office of Disability Adjudication and Review's Decision Writing Process

Role of the Representative Video Project in Reducing the Hearings Backlog

Rotation of Claims Among Administrative Law Judges at Hearing Offices

Senior Attorneys Adjudicator Program

Training Provided to Administrative Law Judges

Use of Video Hearings to Reduce the Hearing Case Backlog

## **We Plan to Begin the Following Reviews in FY 2010**

Attorney Fee Payments—Agreements and Petitions

Availability and Use of Vocational Experts

Cost Savings if Attorneys Are Required to File Claims and Appeals Online

Electronic Records Express

Factors that Result in the Subsequent Allowance of Cases Denied by Disability Determination Services

Follow-up: Administrative Law Judges' Caseload Performance

Lessons Learned from Informal Remands to the Disability Determination Services

Prisoner Hearings and the Use of Video Equipment

Quality Controls over Office of Disability Adjudication and Review Decisions

Role of National Hearing Centers in Reducing the Hearing Backlog

Service Area Realignment and Case Transfers

Training Provided to Hearing Office Management and Staff

## **Congressional Response Report: Hearing Backlog Cases in Missouri**

### *Objective*

To address the request of Senator Claire McCaskill regarding SSA's ability to (1) achieve its goal of eliminating the backlog in 2013 and (2) ensure disabled Missourians get a fair portion of the Agency's resources.

### *Background*

An August 4, 2009 letter from Senator Claire McCaskill requested that we determine whether SSA's (1) plan—including hiring ALJs and support staff and distributing and balancing the pending cases among hearing office and the National Hearing Centers—will enable it to achieve its goal of eliminating the backlog by 2013, and (2) current backlog plans and ongoing initiatives (for example, new ALJ and support staff hiring, case transfers, video hearings, and National Service Centers) are sufficient to ensure disabled Missourians get a fair share of the Agency's resources.

## **Congressional Response Report: Hearing Office Disposition Rates**

### *Objective*

To address a request from Senator George Voinovich regarding factors that affect hearing offices' disposition rates.

### *Background*

A June 19, 2009 letter from Senator Voinovich requested that we review hearing offices whose daily disposition rates fall below the average to determine why ALJ productivity rates at those offices lag behind other hearing offices and identify what steps might be taken to remedy the situation.

## **Congressional Response Report: Hearing Request Dismissals**

### *Objective*

To address the request of Senator Claire McCaskill regarding ODAR's dismissals of hearing requests to ensure that disabled individuals are afforded the rights and protections required by law and regulations.

### *Background*

An August 4, 2009 letter from Senator Claire McCaskill requested that we review ODAR hearing request dismissals to ensure that disabled individuals are afforded the rights and protections required by law and regulations.

## **Disability Impairments on Cases Most Frequently Reversed by Administrative Law Judges**

### *Objective*

To identify the impairments in initial disability cases most frequently reversed by ALJs and evaluate the characteristics of these cases.

### *Background*

Of the approximately 7.7 million initial disability determinations made by DDSs in Calendar Years 2004 through 2006, about 4.7 million (61 percent) were denials. Approximately 1.6 million of the DDS denials were appealed to ODAR. ALJs reversed approximately 950,000 of those denials.

## **Hearing Office Performance and Staffing**

### *Objective*

To determine the staffing ratio and combination of staff skills in ODAR hearing offices that maximizes hearing office performance.

### *Background*

SSA's disability programs have grown significantly over the last 5 years. As a result, a backlog of disability cases has formed, particularly at the ALJ hearing level. SSA's FY 2009 strategic goal to eliminate the hearings backlog and prevent its recurrence has two objectives: (1) increase capacity to hear and decide cases, and (2) improve workload management practices throughout the hearings process.

ODAR has over 6,000 ALJs, managers, and staff in its hearing offices. While ALJs review, hear, and decide claims, they are supported by managers and hearing office staff who prepare notices, conduct initial case screening and preparation, maintain a control system to track and process cases, develop additional evidence, schedule hearings, and write decisions. ODAR has modernized its hearing offices and now processes claims using an electronic folder. Hearing office staff requires new technical skills to operate in this electronic environment.

ODAR's goal is to have adequate staffing in each hearing office to ensure an even workload. If a hearing office does not have the right number or combination of support staff for each ALJ, or adequate training for its support staff, the hearing office's productivity and timeliness could suffer.

## **Office of Disability Adjudication and Review's Decision Writing Process**

### *Objective*

To determine the effectiveness of Findings Integrated Templates and Decision Writer Productivity Improvement Initiative on the timeliness and quality of written decisions.

### *Background*

ALJs provide instructions on their decisions to decisionwriters so they can draft the decisions. The ALJ reviews and signs the final written decision. In FY 2008, the Commissioner implemented two decision-writing initiatives. The first mandated the use of Findings Integrated Templates, which were created to improve the quality and timeliness of decisions. The second is the Decision Writer Productivity Improvement Initiative, created to improve the timeliness of decisions.

## **Role of the Representative Video Project in Reducing the Hearings Backlog**

### *Objective*

To assess the role of the RVP in expanding the use of video hearings and reducing the backlog.

### *Background*

In FY 2008, SSA began piloting the RVP to determine whether the placement of video conferencing equipment at claimant representative offices is a good model for encouraging greater use of video equipment. Under RVP, claimant representatives are allowed to purchase video conferencing equipment for private locations. This equipment is then used to connect remotely with an ALJ to conduct a hearing.

## Rotation of Claims Among Administrative Law Judges at Hearing Offices

### *Objective*

To determine whether claims are assigned to ALJs on a rotational basis as stipulated in ODAR's Hearings, Appeals and Litigation Law (HALLEX) manual to ensure a fair distribution of workloads and minimize potential conflicts of interest.

### *Background*

ODAR's rotational policy is based on the *Administrative Procedures Act* and is intended to benefit claimants by ensuring an unbiased distribution of cases. The rotational policy is necessary to

- ensure there is no pre-selection of ALJs by the claimant and/or their representative;
- distribute the workload evenly, thereby improving hearing office efficiency;
- adhere to SSA's policy of public service; and
- keep up office morale.

## Senior Attorneys Adjudicator Program

### *Objective*

To assess the effectiveness of the Senior Attorneys Adjudicator Program in assisting with the reduction of the hearings backlog.

### *Background*

The Senior Attorneys Adjudicator Program allows certain attorneys to issue fully favorable on-the-record decisions to expedite cases and conserve ALJ resources for more complex cases or cases that require a hearing.

Guidance for the Program was issued in a November 2007 Chief Judge Bulletin. Per this Bulletin, all hearing office Senior Attorney Advisors and Supervisory Attorney Advisors as well as attorneys in the regional offices at the GS-13 level and above are authorized to issue fully favorable decisions. Local hearing office management assigns cases for review by the attorney adjudicators and decides the amount of time attorney adjudicators will devote to adjudicating fully favorable decisions. Attorney adjudicators will also continue to draft decisions for ALJs. This program was recently extended for another 2 years.

## Training Provided to Administrative Law Judges

### *Objective*

To assess (1) ALJ experiences with training conferences and other forms of training, (2) overall training opportunities available to ALJs, (3) the role of State bar membership and continuing legal education requirements, and (4) SSA's tracking of training information.

### *Background*

During our audit of the *Association of ALJ Training Conference Costs*, we learned that ODAR was not monitoring ALJ training. Without such monitoring, it is possible that ODAR is duplicating training efforts or missing opportunities for enhanced training of its workforce. As a result, ODAR may not be providing the training necessary to maintain the most qualified cadre of ALJs serving the public. Following our earlier conference audit, ODAR now provides in-house training to the new ALJs and plans to provide ongoing training to the entire ALJ corps. Our review will be designed to assist ODAR management in its understanding of the current training status of its workforce and identify best practices in regions that could be used for training on a national basis.

## Use of Video Hearings to Reduce the Hearing Case Backlog

### *Objective*

To determine whether ODAR's use of video hearings increases hearing office productivity and provides claimants more timely service.

### *Background*

SSA initiated the video hearing process to increase ALJ productivity and decrease ALJ travel to remote sites. ALJ productivity is particularly critical as the Agency attempts to work down a backlog of cases awaiting a hearing. Video hearings allow claimants and other participants at different locations to conduct hearings via television. For example, a video hearing allows ALJs to remain at their hearing office in one city while the claimant visits an SSA-maintained remote site in another city more convenient to his/her home. These video hearings could (1) increase ALJ productivity since they would spend less time traveling to remote sites, and (2) shorten the time claimants wait for hearings to be scheduled. Moreover, video hearings can reduce travel costs since ALJs do not need to travel to the remote sites. The video hearing process also allows expert witnesses to participate remotely, potentially reducing scheduling delays and hearing-related travel costs.

# Improve the Timeliness and Quality of the Disability Process

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For more than a decade, SSA has pursued several initiatives to improve the disability claims process. One of SSA's more recent initiatives—Disability Service Improvement (DSI)—was designed to produce correct decisions on disability claims as early in the process as possible. DSI was expected to reduce both appeals of denied claims and future backlogs. DSI produced mixed results, and the Commissioner of Social Security ultimately suspended many aspects of DSI. One aspect of DSI, Quick Disability Determinations (QDD) was found to produce timely and accurate decisions and was rolled out nationally in FY 2008.

In addition to the hearings backlog, SSA is facing a considerable increase in initial and reconsideration claims at the DDSs. At the end of FY 2008, there were about 550,000 initial claims pending. However, in FY 2009, initial receipts began increasing as a result of the economic downturn. By the end of the third quarter of FY 2009, receipts were 13 percent higher than FY 2008, and initial claims pending were about 25 percent higher than in FY 2008. As of June 2009, initial claims pending had grown to about 714,000. SSA estimates that if the increase in initial claims receipts continues, the claims pending could reach over 1 million by FY 2010. Reconsideration claims are also up 12 percent as compared to FY 2008. SSA is developing a multi-year plan to reduce the initial claims backlog to an optimum level. Along with the increased receipts, some DDSs are facing high attrition rates, hiring freezes, and employee furloughs, all of which impact SSA's ability to process the disability workload.

SSA is also facing a large backlog of full medical continuing disability reviews (CDR). From FY 2003 to FY 2008, the number of full medical CDRs conducted by SSA decreased by 60 percent. As a result, the backlog of full medical CDRs reached approximately 1.4 million at the end of FY 2008. The backlog of CDRs means that beneficiaries who no longer qualify for disability are receiving payments improperly.

ARRA provided SSA with \$500 million to assist with increases in retirement and disability workloads. These funds will allow the components involved in the disability process—the Office of Operations, DDSs and ODAR—to hire additional employees and work overtime.

We will continue to work with SSA as it improves the disability process and addresses the workload backlogs. For example, in our December 2008 report on *Disability Claims Overall Processing Times*, we reported how long it took, on average, for a claimant to go through the entire disability process from the claimant's perspective. We believe the processing times determined in our review will assist SSA and the Congress in making decisions about the disability programs. Our May 2009 report on the *National Rollout of Quick Disability Determinations* provided SSA an independent confirmation that QDD was working as intended. We found that SSA allowed 93 percent of claims selected for QDD and generally made medical determinations for these claims within the recommended 20-day timeframe.

In our March 2009 evaluation, *Impact of State Employee Furloughs on the Social Security Administration's Disability Program*, we reported to SSA the impact that furloughs and other DDS issues, such as hiring freezes, have on SSA's disability programs as well as the flow of money in the economy. For example, we reported that the California DDS will encounter a shortfall of capacity by 10 percent because of furlough days. As a result, processing of approximately 2,375 disability cases will be delayed each month. This would translate to about 776 allowances. Therefore, we estimate that the payment of about \$648,000 in benefits will be delayed to newly disabled claimants and from flowing into the economy on a rolling monthly basis. We asked SSA to continue to urge States to ensure DDSs are operating at full capacity or pursue other options to avoid these delays by shifting work away from States that are implementing furloughs.

We will also continue to work with SSA to address the integrity of the disability programs through the Cooperative Disability Investigations program. The program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability claims. The program is managed in a cooperative effort between SSA's Offices of Operations, Inspector General, and Disability Programs. Since the program's inception in FY 1998 through June 2009, the 20 Cooperative Disability Investigations units, operating in 18 States, have been responsible for over \$1.3 billion in projected savings to SSA's disability programs and over \$777 million in projected savings to non-SSA programs.

In FY 2010, we plan to complete 17 reviews and begin 23 reviews in this area.

## **We Plan to Issue the Following Reports in FY 2010**

Accuracy of Diagnosis Codes in the Social Security Administration's Databases

Administrative Costs Claimed by the Arizona, Florida, Iowa, Kansas, and Ohio Disability Determination Services (5 Reviews)

Alabama Disability Determination Services' Business Process for Adjudicating Disability Claims

Full Medical Continuing Disability Reviews

Impact of Technical Denials on the Disability Evaluation Process

Military Service Casualty Cases

Quick Response Evaluation: Disability Insurance and Supplemental Security Income Claims Approved But Not Paid

Quick Response Evaluation: Individuals Receiving Disability Based on Affective Disorders

Quick Response Evaluation: Use of Medical Board Disciplinary Action Data in Obtaining Medical Evidence from Treating Physicians

Role of the Disability Design Prototype in the Disability Process

The Impact of State Budget Issues on the Social Security Administration's Disability Programs

The Social Security Administration's Definition of Disability

The Social Security Administration's Progress in Reducing the Initial Claims Backlog

## **We Plan to Begin the Following Reviews in FY 2010**

Accuracy of Special Disability Workload Decisions

Administrative Costs Claimed by the California, Illinois, Maryland, Nevada, and South Carolina Disability Determination Services (5 Reviews)

Claimants Not Pursuing Appeal

Compassionate Allowances

Disability Benefit Payments to Individuals Diagnosed with a Condition Where Medical Improvement is Expected

Disability Determination Services' Examiner Attrition Rates

Disability Determination Services' Procedures to Ensure Quality Consultative Examinations

Disability Determination Services' Reconsideration Denials

Incentive Payments at Disability Determination Services

Indirect Costs Claimed by the New York Division of Disability Determination

Medical Consultant Assessments

Medical Release Forms

Plans for Achieving Self Support

Potential Impact of Disability Determination Services' Medical Consultants' Conversion from Contractors to Employees

Quick Response Evaluation: Request for Program Consultation

Revising the Social Security Administration's Vocational Assessment Process

Uneffectuated Medical Cessations

Use of Mailer Continuing Disability Reviews

Vocational Rehabilitation Best Practices

## **Accuracy of Diagnosis Codes in the Social Security Administration's Databases**

### *Objective*

To determine the validity of disability diagnosis codes recorded on the Master Beneficiary (MBR) or Supplemental Security Records (SSR).

### *Background*

The diagnosis code is an integral part of each disabled individual's permanent record. The code refers to the basic medical condition that rendered the individual disabled.

The disability determination, including selection of the diagnosis code, is made by DDS' medical examiners based on information in an applicant's case folder. SSA uses the diagnosis code with other fields for a variety of purposes, such as determining what type of CDR will be performed. For example, a diagnosis code related to a particular body system may be more likely to be scheduled for a full medical CDR than a mailer CDR. SSA managers also use the diagnosis code to identify specific populations that may have to be medically redetermined as a result of new legislation.

## **Administrative Costs Claimed by the Arizona, Florida, Iowa, Kansas, and Ohio Disability Determination Services (5 Reviews)**

### *Objective*

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.

### *Background*

The Disability Insurance (DI) program provides benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the SSI program to provide a nationally uniform program of income to financially needy individuals who are aged, blind, and/or disabled. Disability determinations under both DI and SSI are required to be performed by an agency in each State in accordance with Federal law and underlying regulations. In carrying out its obligation, each State agency is responsible for determining claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

## **Alabama Disability Determination Services' Business Process for Adjudicating Disability Claims**

### *Objective*

To assess the Alabama DDS' business process for adjudicating disability claims.

### *Background*

DDSs in each State or other responsible jurisdiction perform disability determinations under SSA's DI and SSI programs. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. To assist in making proper disability determinations, DDSs purchase consultative medical examinations to supplement evidence obtained from the claimants' physicians or other treating sources.

The Office of the Commissioner provided the OIG an anonymous September 25, 2008 letter that raised issues about the Alabama DDS' process for adjudicating disability claims. As part of our review, we plan to interview DDS managers and contracted medical consultants. We will also gather and analyze relevant data to objectively evaluate the issues raised in the letter.

## **Full Medical Continuing Disability Reviews**

### *Objective*

To determine the financial impact on the Trust and General Funds as a result of SSA conducting fewer DI and SSI full medical CDRs.

### *Background*

SSA conducts periodic CDRs to ensure only those who remain disabled continue to receive benefits. A full medical CDR is a medical review of a beneficiary's disability and ability to work to determine whether the individual is still eligible for DI and/or SSI payments.

Between FYs 2003 and 2008, full medical CDRs decreased by almost 60 percent. The number of FY 2009 CDRs is also expected to remain at reduced levels. At the end of FY 2009, SSA estimates that the backlog of CDRs will be approximately 1.4 million. By performing fewer CDRs, SSA has not identified potential cost savings. SSA attributes the decline in CDRs to budget constraints.

## **Impact of Technical Denials on the Disability Evaluation Process**

### *Objective*

To (1) identify the types of non-medical technical denials at all stages of the disability evaluation process, and (2) determine the percent/ratio of such technical denials issued for disability claims at each adjudicative level.

### *Background*

A technical denial is a disability claim that is denied for a reason other than an unfavorable medical decision. Technical denials include non-medical decisions such as excess income or resources for SSI applicants or lack of insured status for DI applicants.

Technical denials can occur at the field office, DDS, ALJ hearing, Appeals Council review, and Federal court review levels.

## **Military Service Casualty Cases**

### *Objective*

To assess SSA's efforts to streamline the disability process for military service casualty cases.

### *Background*

SSA's Military Casualty Initiative provides expedited disability claim services to wounded service members and their families. SSA established procedures to expedite disability claims for any military service personnel injured October 1, 2001 or later, provided the injury occurred while on active duty. SSA and DDS staffs are instructed to process military service casualty cases under the terminal illness procedures, which must be handled expeditiously.

## **Quick Response Evaluation: Disability Insurance and Supplemental Security Income Claims Approved But Not Paid**

### *Objective*

To identify DI and SSI claims approved but not paid.

### *Background*

In testing data for another audit, we found an individual who filed a disability claim in 2003 but was denied by the DDS. He appealed and was allowed by ODAR in 2006 for both DI and SSI. However, as of 2009, he was only in current payment status for SSI. We contacted SSA field office staff who confirmed this individual should have been in pay status under DI. This audit will determine whether there are other similar cases.

## **Quick Response Evaluation: Individuals Receiving Disability Based on Affective Disorders**

### *Objective*

To determine why some DDSs more frequently award disability benefits based on an affective disorder diagnosis.

### *Background*

A disability evaluation based on mental disorders requires the documentation of a medically determinable impairment(s) concerning an individual's ability to work, and whether these limitations have lasted or are expected to last for a continuous period of at least 12 months. Affective disorders are characterized by a disturbance of mood, accompanied by a full or partial manic or depressive syndrome.

## **Quick Response Evaluation: Use of Medical Board Disciplinary Action Data in Obtaining Medical Evidence from Treating Physicians**

### *Objective*

To determine whether SSA is obtaining States' medical board disciplinary action information to determine the reliability of medical evidence submitted from claimants' treating physicians.

### *Background*

Medical evidence from an individual's treating physician may be used by (1) a State DDS to make an initial disability determination, (2) an ALJ during the hearing process, or (3) as evidence for SSA's CDRs. Each State maintains data on licensed physicians, including medical board disciplinary actions. Medical evidence provided by treating physicians who have been disciplined or had their license revoked may be questionable when determining a claimant's initial or continuing disability.

## **Role of the Disability Design Prototype in the Disability Process**

### *Objective*

To assess the role of the Disability Design Prototype States in the context of the current disability process and determine whether the Prototype has assisted the Agency with its disability workloads.

### *Background*

Since 1999, SSA has been running a Prototype demonstration at DDSs in Alabama, Alaska, Colorado, Louisiana, Michigan, Missouri, New Hampshire and Pennsylvania, as well as in parts of New York

and California. Under the Disability Design Prototype (1) the Disability Adjudicator determines the disability issue at the initial claims level; (2) the reconsideration step of the appeals process was eliminated for disability issues; and (3) appeals on the disability issue are sent for a hearing decision at the first step in the appeals process.

## **The Impact of State Budget Issues on the Social Security Administration's Disability Programs**

### *Objective*

To identify State budget issues, including furloughs, that are impacting SSA's disability programs.

### *Background*

In March 2009, we issued a report, *Impact of State Employee Furloughs on the Social Security Administration's Disability Programs*. We found that furloughs of DDS employees will impact SSA's ability to process its disability workload. Additionally, because fewer disability decisions will be made in States with DDS furloughs, there will be a negative impact on the flow of money in the U.S. economy. Since this initial report was issued, other States have furloughed DDS staff, and other State budget issues have emerged that may impact SSA's disability programs.

## **The Social Security Administration's Definition of Disability**

### *Objective*

To determine how SSA disability programs have changed since their establishment.

### *Background*

Modernizing Federal disability programs is on the Government Accountability Office's (GAO) high-risk list. GAO noted that, "SSA's and VA's disability programs are based on definitions and concepts that originated over 50 years ago, despite scientific advances that have reduced the severity of some medical conditions and have allowed individuals to live with greater independence and function in work settings."

The Social Security Advisory Board's October 2003 report on SSA's definition of disability concluded, "The Social Security disability programs had their origins in the 1950s—a world vastly different from today's world in several important respects including the nature of available work, the educational levels of the work force, medical capacity to treat disabling conditions, and the nature and availability of rehabilitative technology. Over the course of the past half-century, there have been a number of changes in the disability programs. But the core design of the program, rooted in a definition of disability as inability to do substantial work, has remained unchanged."

## **The Social Security Administration's Progress in Reducing the Initial Claims Backlog**

### *Objective*

To evaluate SSA's progress in reducing its initial claims backlog to an optimum pending level.

### *Background*

Because of the economic downturn, initial receipts have drastically increased since November 2008. According to SSA, if receipts continue at the current pace, pending levels could be over 1 million by FY 2010. Accordingly, the Commissioner asked that the Office of Disability Determinations develop a multi-year plan to achieve an optimum pending level, which has been defined as 525,000 cases. A cross-component workgroup, led by the Office of Disability Determinations, will be charged with developing the plan.

# Reduce Improper Payments and Increase Overpayment Recoveries

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Workers, employers, and taxpayers who fund 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.

Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to millions of people, even the slightest error in the overall process can result in millions of dollars in over- or underpayments. In FY 2008, SSA issued over \$647 billion in Old-Age, Survivors and Disability Insurance (OASDI) and SSI benefit payments to about 54 million people. A January 2009 OMB report, *Improving the Accuracy and Integrity of Federal Payments*, noted that 12 Federal programs—including SSA's OASDI and SSI programs—accounted for about 90 percent of the improper payments in FY 2008.

The reduction of improper payments is one of SSA's key strategic objectives. In addition, Congress passed the *Improper Payments Information Act of 2002*, and OMB issued implementing guidance clarifying the definition of an improper payment and OMB's authority to require that agencies track programs with low error rates (that is, less than 2.5 percent) but significant improper payment amounts.

We issued a report on overpayments in SSA's disability programs that estimated that SSA had not detected about \$3.2 billion in overpayments, and we also estimated that SSA paid about \$2.1 billion in benefits annually to potentially ineligible beneficiaries. Although SSA tries to achieve a balance between stewardship and service, it is a challenge because of the funding needed to conduct an adequate number of medical and work-related CDRs. Although the Agency had special funding for CDRs in FYs 1996 through 2002 and SSA's data show that CDRs save about \$10 for every \$1 spent to conduct them, the Agency has cut back on this workload.

SSA has been working to improve its ability to prevent over- and underpayments by agreeing to and then implementing OIG audit recommendations. For example, in March 2008, we issued a report identifying \$7.6 million in overpayments to auxiliary beneficiaries because SSA's records did not have their Social Security numbers (SSN) on its payment records; and as a result, the Agency's data matching efforts did not detect that these individuals were incorrectly paid. When we issued the report, SSA had already recovered \$3.1 million (41 percent) of the improper payments.

We also issued a report in April 2009 that estimated that approximately \$3.1 billion was overpaid to about 173,000 disabled beneficiaries because of work activity. Although the Agency identified about \$1.8 billion of these overpayments to approximately 141,000 beneficiaries, we estimated about \$1.3 billion in overpayments to approximately 49,000 beneficiaries went undetected by SSA. As of March 2009, the Agency had recovered about \$615 million of the approximately \$3.1 billion overpaid due to work activity. Furthermore, we estimated about 24,000 of the 49,000 beneficiaries were no longer entitled to disability benefits because of work activity. Finally, we estimated SSA would continue to incorrectly pay about \$382 million annually to individuals who are no longer entitled to disability benefits if it does not take action.

In FY 2010, we plan to complete 15 reviews and begin 32 reviews in this area.

## **We Plan to Complete the Following Reviews in FY 2010**

Accuracy of Fiscal Year 2009 Title II Disability Insurance Benefit Payments Involving a Workers' Compensation Offset

Beneficiaries Whose Benefits Have Been Suspended Pending a Verification of Death

Disabled Beneficiaries with Wages in the Earnings Suspense File

Disabled Individuals Hiding Self-Employment Income

Discharging Overpayments Based on Bankruptcy Petitions

Federal Employees Receiving Both *Federal Employees' Compensation Act* and Disability Insurance Payments

Field Office Input of Earnings Reported by Disability Insurance Beneficiaries

Follow-up: Controls over the Write-Off of Title XVI Overpayments

Follow-up: Pending Workers' Compensation

Follow-up: The Social Security Administration's Controls over the Old-Age, Survivors and Disability Insurance Waiver Approval Process

Manual Computations of Supplemental Security Income Payments

Retroactive Title II Payments to Released Prisoners

Supplemental Security Income Payments to Parents Who Are Not Supporting a Child

Supplemental Security Income Recipients Who May be Eligible for Veterans Affairs Benefits

Supplemental Security Income Recipients with Wages in the Earnings Suspense File

## **We Plan to Begin the Following Reviews in FY 2010**

Accuracy of Title II Survivor Benefit Payments Issued Through the Social Security Administration's Manual Adjustment, Credit and Award Process System

Benefits to Supplemental Security Income Recipients Claimed as Dependents on Federal Tax Returns

Corporate Officers Receiving Disability Insurance or Supplemental Security Income Payments

Credit Information for Supplemental Security Income Recipients with Excess Income and/or Resources

Cumulative Administrative Waivers Totaling More Than \$500

Development of Supplemental Security Income S2 Alerts and K6/K7 Diaries

Direct Express: Residency Violations

Disabled Individuals Potentially Eligible as Auxiliary Beneficiaries

Field Office Input of Earnings Reports by Supplemental Security Income Recipients

Follow-up: Adjustment to Widows' Benefits

Follow-up: Collection of Old-Age, Survivors and Disability Insurance Overpayments to Representative Payees for Deceased Beneficiaries

Follow-up: Controls over Old-Age, Survivors and Disability Insurance Replacement Checks for Beneficiaries Who Previously Double Negotiated Benefit Checks

Follow-up: Individuals Receiving Benefits Inappropriately Under Multiple Social Security Numbers

Follow-up: Supplemental Security Income Overpayments to Recipients in Title XIX Institutions

Follow-up: Supplemental Security Income Recipient Marriages Not Recorded on the Social Security Administration's Systems

Improper Payments to Student Beneficiaries

Individuals Eligible for Retirement Benefits

Match of Disability Insurance Records with Ohio's Workers' Compensation Payment Data

Non-Use of Direct Express Card by Supplemental Security Income Recipients

Old-Age, Survivors and Disability Insurance Benefits Affected by Government Pensions

Overpayment Assessments Where Notices Were Not Issued to Beneficiaries/Recipients

Overstated Earnings and their Impact on Title XVI Recipients

Payments to Deported Numberholders

Processing Internal Revenue Service Alerts

Proper Allocation of Back Pay

Streamlining the Medicare Non-Usage Project

Supplemental Security Income Living Arrangements When There is an Address Change

Supplemental Security Income Recipients Who Allege Being Separated or Divorced

Supplemental Security Income Recipients with Unreported Real Property

The Social Security Administration's Processing of Centers for Medicare and Medicaid Services' Medicare Advantage Plan Enrollments, Disenrollments and Yearly Updates

The Supplemental Security Income Financial Account Verification Process

Unrecovered Payments Issued After Beneficiaries' Deaths

## **Accuracy of Fiscal Year 2009 Title II Disability Insurance Benefit Payments Involving a Workers' Compensation Offset**

### *Objective*

To determine whether SSA accurately offset benefits on FY 2009 DI claims that involved State workers' compensation (WC) benefits.

### *Background*

Workers injured on the job may qualify for DI benefits in addition to benefits under Federal and State WC programs. To prevent workers from receiving more in disability payments than they earned before they became disabled, Congress enacted the WC offset provision. This provision requires that SSA reduce DI benefits by the amount of any other disability benefit paid. This is a complex workload and tends to be error-prone. SSA has taken actions to improve the accuracy of these claims.

## **Beneficiaries Whose Benefits Have Been Suspended Pending a Verification of Death**

### *Objective*

To determine whether SSA is resolving benefit suspensions based on unsubstantiated reports of death in a timely manner.

### *Background*

When SSA receives an unsubstantiated notice a beneficiary is deceased, benefits are suspended. SSA staff is required to verify the month and year of death and terminate benefits accordingly. If the beneficiary is alive, benefits are resumed.

## **Disabled Beneficiaries with Wages in the Earnings Suspense File**

### *Objective*

To determine whether beneficiaries receiving Title II disability payments have unreported wages posted to the Earnings Suspense File (ESF).

### *Background*

The *Social Security Act* requires that SSA maintain records of wage amounts employers pay to individuals. Employers report their employees' wages to SSA at the end of each Tax Year (TY). Wages on those employer reports containing invalid names and/or SSNs cannot be posted to an individual's earnings record in SSA's Master Earnings File (MEF). Instead, these wages are placed in the ESF—a repository for unmatched wages.

SSA sends correspondence to employees to resolve SSN and/or name discrepancies on reported earnings. The correspondence provides the wage earner with information about the reported name/SSN and wage amount and requests that the reported information be reviewed, verified or corrected where possible, and returned. A review of the names and addresses found on these letters may assist SSA in locating individuals receiving disability benefits while also working. These data could then be used to update earnings records and identify potential overpayments.

## **Disabled Individuals Hiding Self-Employment Income**

### *Objective*

To identify individuals who were self-employed while receiving DI benefits but concealed the income.

### *Background*

Wages and self-employment income (SEI) are used to determine eligibility for retirement, survivors, disability, and health insurance benefits as well as calculate benefit amounts. Self-employed individuals report SEI to the Internal Revenue Service (IRS) on their Federal income tax forms. The IRS sends this information to SSA where it is recorded on an individual's earnings record.

Reporting earnings under another individual's SSN could make an individual appear to be eligible for DI benefits when he or she is not. To receive DI benefits, individuals must not be able to engage in substantial work activity. Therefore, DI recipients may be inclined to deliberately conceal work by reporting their SEI under someone else's SSN.

## **Discharging Overpayments Based on Bankruptcy Petitions**

### *Objective*

To evaluate the effectiveness of SSA's procedures for determining whether overpayments should be discharged when beneficiaries file bankruptcy petitions.

### *Background*

To obtain relief from repayment of debts, an individual may petition the bankruptcy court to discharge the debts or schedule a repayment plan. SSA is subject to contempt citations if it makes collection efforts after a bankruptcy notification. According to SSA policy, bankruptcy cases with overpayment amounts below specific levels are waived.

## **Federal Employees Receiving Both Federal Employees' Compensation Act and Disability Insurance Payments**

### *Objective*

To determine whether *Federal Employees' Compensation Act* recipients are reporting compensation received for lost wages that may result in a reduction of their DI benefits.

### *Background*

The *Social Security Act* requires that disability benefits be reduced when a worker is also eligible for periodic or lump-sum WC payments, so the combined amount of WC and Social Security disability benefits does not exceed 80 percent of the worker's average current earnings. The combined payments after the reduction, however, will never be less than the amount of Social Security disability benefits before the reduction.

## **Field Office Input of Earnings Reported by Disability Insurance Beneficiaries**

### *Objective*

To determine whether SSA is effectively identifying, receipting, and timely inputting unverified wages for DI beneficiaries.

### *Background*

Beneficiaries' reporting of wages is an important part of the DI program since these wages can impact the benefits payable to an individual. Federal law requires that a receipt be provided if a beneficiary, their representative payee, or an authorized representative reports a change in the beneficiary's work activity for DI or concurrent cases. SSA then uses this information to adjust the individual's benefits.

The timely reporting and processing of earnings information is essential to reduce the likelihood of overpayments, which are costly and create an additional administrative burden on SSA. Moreover, overpayments create a burden on beneficiaries since untimely processing may lead to sudden changes in the beneficiary's eligibility and the need for repayment of prior benefits.

## **Follow-up: Controls over the Write-Off of Title XVI Overpayments**

### *Objective*

To determine whether SSA implemented corrective actions recommended in our prior audit report and whether those changes were effective in improving controls over write-offs of Title XVI overpayments.

### *Background*

When SSA detects it has overpaid a recipient, it first attempts full and immediate recovery, while affording the debtor due process in resolving the overpayment. If these efforts fail, SSA offsets the overpayment against any current and future payments, as appropriate. For those SSA debtors not receiving payments, SSA attempts to negotiate a repayment agreement. SSA may also collect the overpayment from other Federal payments. However, in certain circumstances, when SSA determines an overpayment is not collectible, it may elect to terminate future collection efforts and write-off the debt. At a later date, if SSA determines a debt is collectible, it may change or delete the write-off decision.

Our prior review found that SSA personnel did not always comply with Agency policies and procedures to ensure its decisions to write off Title XVI overpayments were appropriate. We estimated that personnel did not fully comply with SSA's policies and procedures in 33,283 FY 2004 overpayment write-offs totaling about \$48.8 million.

## Follow-up: Pending Workers' Compensation

### *Objective*

To determine the status of corrective actions SSA has taken to address recommendations in our June 2003 report, *Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments*.

### *Background*

Our June 2003 audit determined SSA had a significant backlog of pending WC cases, resulting in an estimated \$121 million in Title II overpayments. We followed up on this audit in September 2005 and found that the Agency had not implemented recommendations aimed at reducing the backlog. In fact, the volume of cases with WC claims pending for 2 or more years increased 27 percent from 179,000 in July 2001 to 227,615 in January 2005.

## Follow-up: The Social Security Administration's Controls over the Old-Age, Survivors and Disability Insurance Waiver Approval Process

### *Objective*

To determine the extent to which the Agency implemented recommendations from our February 2006 report, *The Social Security Administration's Controls over the Old-Age, Survivors and Disability Insurance Waiver Approval Process*.

### *Background*

Our 2006 audit identified concerns that OASDI overpayments were waived when there were indications the beneficiaries may have caused the overpayments and/or had the financial ability to repay portions of the waived debt. Also, SSA did not comply with its waiver approval policies and procedures for overpayments exceeding \$500. The Agency agreed to do the following.

- Alert employees to follow policies and procedures when approving waivers for OASDI overpayments that exceed \$500 when beneficiaries are without fault for the overpayment and recovery of the overpayment would defeat the purpose of the DI program or be against equity and good conscience.
- Ensure required secondary peer review and sign-off occurs for waivers of overpayments greater than \$2,000.
- Remind employees to properly document all waiver approval decisions.
- Provide training to ensure compliance with Agency policies and procedures for granting OASDI overpayment waivers for amounts exceeding \$500.

## Manual Computations of Supplemental Security Income Payments

### *Objective*

To determine whether SSA's internal controls are adequate to ensure that manual computations of SSI payments are properly calculated and reviewed in accordance with SSA's policies and procedures.

### *Background*

In some cases, SSA's automated system cannot compute an accurate SSI payment. Therefore, the payment must be manually computed, and the system must be forced to pay the manually computed amount.

Manually computed benefits are highly susceptible to error. In fact, a prior study by SSA of a random sample of force-due cases raised concerns that these cases may not have received the proper level of attention and oversight. If not controlled carefully, these payments can cause significant over- or underpayments.

## Retroactive Title II Payments to Released Prisoners

### *Objective*

To determine whether beneficiaries shown in SSA's records as having been convicted of a criminal offense and confined to a penal or mental institution were eligible for retroactive Title II payments they received after their release date.

### *Background*

SSA suspends Title II benefits for a beneficiary convicted of a criminal offense and confined to a penal or mental institution for more than 30 continuous days. SSA will reinstate benefits after a beneficiary has been officially released because of completion of a sentence, parole, or pardon.

A recent OIG investigation identified a field office employee who fraudulently issued over \$13,000 in retroactive Title II benefits to an individual shortly after the individual was released from prison. The individual served approximately 12 consecutive months in prison and was not eligible to receive benefits during that time. SSA correctly suspended Title II benefits during most of the confinement period. However, in collusion with the released prisoner, the field office employee input a transaction that negated the suspension and resulted in a retroactive lump sum payment to the individual in the amount of the previously suspended benefits.

## Supplemental Security Income Payments to Parents Who Are Not Supporting a Child

### *Objective*

To assess SSI payments to parents or relatives serving as representative payees for children they are not supporting.

### *Background*

Under the *Individuals with Disabilities Education Act*, all children with disabilities are entitled to a free public education. States must provide special education and related services at public expense, under public supervision and direction, and without charge. If placement in a public or private residential program is necessary to provide special education and related services to a child with a disability, the program—including non-medical care and room and board—must be provided at no cost to the child’s parents.

Residence in an institution or facility may affect SSI eligibility and/or payment amount. However, in some cases, SSI recipients remain eligible for payments while residing in institutions or facilities if they are participating in educational or vocational training programs. In these cases, the individuals are not considered to be residents of public institutions for determining SSI eligibility.

## Supplemental Security Income Recipients Who May be Eligible for Veterans Affairs Benefits

### *Objective*

To determine whether SSI recipients should be receiving VA benefits instead of SSI payments.

### *Background*

We were alerted to a group of SSI recipients who appeared to be eligible for VA benefits. SSI is a needs-based program and is intended to be a program of last resort. Therefore, it is important to assess the other benefit programs for which an individual is eligible based on his/her activities or based on indirect qualification through family circumstances. According to SSA’s guidelines, an individual is not eligible for SSI if he/she fails to apply for all other benefits (such as VA benefits) for which he/she may be eligible. Generally, VA benefit amounts are greater than SSI payments—making it more advantageous for the individuals.

## **Supplemental Security Income Recipients with Wages in the Earnings Suspense File**

### *Objective*

To determine whether SSI recipients have unreported wages posted to the ESF.

### *Background*

Employers report their employees' wages to SSA at the end of each TY. Wages on employer reports that contain invalid names and/or SSNs cannot be posted to an individual's earnings record in the MEF. Instead, these wages are placed in the ESF—a repository for unmatched wages.

SSA sends correspondence to employees to resolve SSN and/or name discrepancies on reported earnings. The correspondence provides the wage earner with information about the reported name/SSN and wage amount and requests that the reported information be reviewed, verified or corrected where possible, and returned.

A review of the names and addresses found on these letters may assist SSA in locating individuals receiving SSI benefits while also working. These data could then be used to update earnings records and identify potential overpayments.

## Improve Customer Service

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SSA's Strategic Plan recognizes that a high level of customer service is essential to meet the public's needs and expectations. Improved customer service includes SSA's efforts to (1) increase the use of on-line services; (2) provide accurate, clear, and up-to-date information to the public; (3) improve telephone services; and (4) improve services provided by local field offices.

SSA concedes it is at a critical time concerning its ability to deliver quality customer service to the public. SSA is challenged by many factors including shifting demographics, growing workloads, changing customer expectations, and an aging workforce. As a result of the recent economic downturn and the leading edge of baby boomer retirements, SSA is being inundated with retirement and disability claims. SSA is also finding that increasing numbers of individuals expect the Agency to provide services in new ways made possible through the use of technology. Finally, SSA has seen increases in non-traditional workloads, including new provisions of the Medicare program and immigration enforcement.

SSA acknowledges increasing workloads and the loss of expertise due to the retirement of its employees will strain its ability to deliver the quality service the public expects. Over the last few years, the public has dealt with longer waits in local field offices and has faced increased telephone busy rates.

Providing oversight to ensure representative payees properly manage Social Security benefits of vulnerable beneficiaries is a critical customer service performed by SSA. Some beneficiaries are not able to manage or direct the management of their finances because of their youth or mental and/or physical impairment. For such individuals, SSA appoints a representative payee who receives and manages the benefit payments of the beneficiary. As of September 20, 2008, SSA reported there were approximately 5.4 million representative payees who managed about \$52.5 billion in annual benefit payments for approximately 7.3 million beneficiaries. While representative payees provide a valuable service for beneficiaries, SSA must provide appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve. In addition, SSA is required to conduct periodic site reviews of certain types of representative payees. Finally, for representative payees that are problematic or if SSA suspects a representative payee of misuse of benefits, SSA may request an audit or investigation by the OIG.

As recognized by the Social Security Advisory Board, improving customer service takes a workforce comprised of people in the proper organizational alignment and with the skills necessary to manage innovation and deliver quality service. SSA, like many other Federal agencies, is challenged to address its human capital shortfalls. Since January 2001, GAO has identified strategic human capital management on its list of high-risk Federal programs and operations.

The projected retirement of its employees presents a significant challenge to SSA's customer service capability. Over 60 percent of SSA employees deliver direct services, mainly in field offices and teleservice centers. The Agency projects 53 percent of its employees, including 70 percent of supervisors, will be eligible to retire by FY 2017. It is expected this will result in a loss of institutional knowledge that will affect SSA's ability to deliver quality service to the public.

In FY 2010, we plan to complete 19 reviews and begin 16 in this area.

## **We Plan to Complete the Following Reviews in FY 2010**

Aged Beneficiaries in Need of Representative Payees

Bank Accounts Where Representative Payee and Beneficiary Can Access Funds

Benefit Payments Managed by Representative Payees of Children in Foster Care

Benefits Payable to Children Who No Longer Need Representative Payees

Mission-Critical Occupation Core Competencies

Quick Response Evaluation: Electronic Banking Services

Representative Payees for the Social Security Administration (6 Reviews)

Representative Payees Reporting Criminal Convictions

Representative Payees Who Employ Beneficiaries or Provide Employment Services

The Social Security Administration's Hiring and Training of Information Technology Specialists

Title II Payments to Non-Bank Financial Service Providers

Transmitting Customer Correspondence Via Email

Volume Representative Payees for the Social Security Administration (2 Reviews)

## **We Plan to Begin the Following Reviews in FY 2010**

Aged Beneficiaries Whose Benefits Have Been Suspended for Address or Whereabouts Unknown Reasons

Customer Waiting Times in the Social Security Administration's Field Offices

Follow-Up: The Social Security Administration's Management of Congressional Inquiries

Group and Boarding Homes Serving as Representative Payees

Minor Children Receiving Title II or Title XVI Benefits Without a Representative Payee

Organizational Representative Payees for the Social Security Administration (4 Reviews)

Quick Response Evaluation: The Social Security Administration's Plans to Allow Federal Benefits Units to Adjudicate Claims Applications in Foreign Countries

Representative Payee Accounting Report Non-Responders

The Social Security Administration's Compliance with Energy Conservation Policy

The Social Security Administration's Foreign Enforcement Questionnaires

The Social Security Administration's Site Reviews of Organizational Representative Payees

Supplemental Security Income Pending Appeals

Supplemental Security Income Underpayments Payable to Children

## **Aged Beneficiaries in Need of Representative Payees**

### *Objective*

To identify potential vulnerabilities of direct payment to aged beneficiaries and determine whether additional safeguards are needed to ensure these beneficiaries' funds are properly managed.

### *Background*

Adult beneficiaries are presumed capable of managing or directing the management of their benefits. However, if SSA employees have information that beneficiaries may have a mental or physical impairment that prevents them from managing or directing the management of their benefits, they must make a capability determination. A finding of incapability is made when SSA determines that representative payment would be in the beneficiary's best interest. When SSA determines beneficiaries are incapable, it selects representative payees to manage their benefits. Medical statistics state that up to 50 percent of individuals over age 85 may suffer from dementia or Alzheimer's disease. As such, incapable beneficiaries without representative payees may be vulnerable to individuals or organizations who may not be serving their best interests.

## **Bank Accounts Where Representative Payee and Beneficiary Can Access Funds**

### *Objective*

To determine whether beneficiaries who have representative payees are managing their own benefits because of direct access to the funds in their bank account.

### *Background*

According to SSA's policy, a bank account's title must reflect the payee's fiduciary interest in the funds. In addition, the account title must show the beneficiary's ownership interest in the funds but must also not allow the beneficiary to have direct access to those funds. SSA's field offices are responsible for ensuring that direct deposit of benefits to representative payees is established to properly titled accounts.

In a prior audit, we found eight SSI recipients who had representative payees and the recipients (not just the payees) had full access to the bank account where the SSI payments were direct deposited. In effect, these eight SSI recipients could withdraw funds from the bank account even though they were designated as not being capable of managing their own funds.

## **Benefit Payments Managed by Representative Payees of Children in Foster Care**

### *Objective*

To determine whether children in the Maryland foster care program have the appropriate representative payees.

### *Background*

Payments to children in foster care are among the most sensitive made by SSA. It is essential that SSA protect the rights of children and their Social Security benefits. Therefore, it is important that SSA follow its requirements to ensure foster care children have the appropriate representative payee.

In February 2009, we compared foster care data provided by the State of Maryland Department of Human Resources with SSA's beneficiary and recipient records. We determined there are about 1,000 children in Maryland's foster care program receiving SSA payments managed by representative payees. About 600 representative payees are not the foster care agency that is legally responsible for the child. SSA policy states the foster care agency generally is preferred as payee rather than the foster parent because the agency is legally responsible for the child, not the foster parent.

## **Benefits Payable to Children Who No Longer Need Representative Payees**

### *Objective*

To determine whether SSA ensures benefits withheld because a representative payee was not appointed are paid to children when they attain age 18.

### *Background*

SSA does not allow most individuals under age 18 to receive benefit payments directly. SSA appoints representative payees to receive and manage these beneficiaries' payments. When circumstances change or suggest a representative payee may no longer be suitable, SSA may suspend benefits until a representative payee is selected. However, when child beneficiaries attain age 18, they are presumed to be legally competent adults, thus they no longer require representative payees.

## **Mission-Critical Occupation Core Competencies**

### *Objective*

To assess SSA's efforts to identify and address competency gaps for selected mission-critical occupations.

### *Background*

SSA is being challenged to address its human capital shortfalls. By the end of 2012, SSA projects its DI rolls will have increased by 35 percent. Further, the Agency reports 53 percent of its employees will be eligible to retire by 2017. The growing workload and retirement wave are expected to have a significant impact on SSA's ability to deliver quality service to the public.

SSA has identified 14 mission-critical occupations. As of October 1, 2007, 54,367 (88 percent) of SSA's 61,593 employees were serving in mission-critical occupations. For SSA to continue providing the quality service its customers expect, it is imperative that staff in mission-critical occupations possess certain competencies. When there is a difference between the competencies needed and the competencies possessed, a gap exists. Gaps are an indication of the risks associated with not being able to accomplish mission objectives.

GAO and the Congress have emphasized the importance of hiring, retaining, and developing employees according to competencies. Further, OMB and the Office of Personnel Management asked agencies to analyze segments of their workforces, identify competency gaps, and develop plans for closing those gaps.

## **Quick Response Evaluation: Electronic Banking Services**

### *Objective*

To determine whether the Agency is informing beneficiaries of a new electronic banking option, the Direct Express Card.

### *Background*

The Direct Express Card is a debit card sponsored by the Department of the Treasury and operated by JP Morgan Chase bank that is available to Social Security and SSI recipients. The Direct Express Card allows individuals who do not have a bank account to access their funds. The Card can be used to make purchases from participating merchants, get money back from a point-of-sale transaction, and get cash at automated teller machines and financial institutions nationwide.

On December 27, 2006, the Department of the Treasury mailed a letter and brochure to 20,000 Social Security and SSI paper check recipients residing in the Chicago area and rural areas of southern Illinois as part of a pilot to test whether paper check recipients would be interested in signing up to receive their monthly payment via a debit card account.

Also, the Department of the Treasury designed the Electronic Transfer Account (ETA) for individuals to receive their Federal payments electronically. ETA is a low-cost account designed for individuals who do not have, and may never have had, a bank account. Once an ETA is opened, instead of getting a check in the mail, payments are deposited into ETAs through direct deposit.

## **Representative Payees for the Social Security Administration (6 Reviews)**

### *Objective*

To review fee-for-service, organizational, or individual representative payees in Birmingham, Dallas, Florida, Kansas City, Ohio, and South Carolina. We will determine whether these payees

- have effective safeguards over the receipt and disbursement of Social Security benefits,
- ensure Social Security benefits were used and accounted for in accordance with SSA's policies and procedures, and
- adequately protect the beneficiaries' personally identifiable information.

### *Background*

A representative payee may be an individual or an organization. SSA selects representative payees for OASDI beneficiaries or SSI recipients when representative payments would serve the individuals' interests. Representative payees are responsible for managing benefits in the best interest of the beneficiary.

## **Representative Payees Reporting Criminal Convictions**

### *Objective*

To determine whether applicants accurately reported their criminal history to SSA when completing representative payee applications. Specifically, we will review applicants' responses about being convicted of an offense that resulted in imprisonment for more than 1 year.

### *Background*

Certain individuals convicted of criminal offenses are prohibited from serving as representative payees. The *Social Security Protection Act of 2004* generally disqualifies individuals from serving as payees if they are convicted of an offense that results in imprisonment for more than 1 year.

When individuals complete the *Request to be Selected as Payee*, they must answer the question "Have you ever been convicted of any offense under federal or state law which resulted in imprisonment for more than one year?" Our review will compare payees' answers to this question to incarceration information in SSA's records to determine whether payees provide accurate information.

## **Representative Payees Who Employ Beneficiaries or Provide Employment Services**

### *Objective*

To review the working and living conditions of Social Security beneficiaries served by representative payees acting as employers or job placement/referral services.

### *Background*

In a letter from Senator Charles E. Grassley, the OIG was asked to provide information on representative payees. Specifically, we were asked to provide information on

- Representative payees serving as a job placement or job referral service.
- Representative payees serving as employers to the beneficiaries they represent.

## The Social Security Administration's Hiring and Training of Information Technology Specialists

### *Objective*

To assess SSA's human capital activities related to the hiring, training, and retention of staff who occupy the mission critical position of IT specialist.

### *Background*

SSA, like many other Federal agencies, is being challenged to address its human capital shortfalls. To minimize the impact of the loss of human capital and address expected workload increases, SSA plans to increase its use of automation to continuously provide superior services to the American public. The IT specialist, identified by SSA as 1 of its 14 mission-critical occupations, is critical to the effective operation of the Agency's present and future systems.

As of October 1, 2007, approximately 3,339 (5 percent) of SSA's 61,593 employees were classified as IT specialists. The Agency projects 42 percent of its IT specialists will retire by FY 2016. It is imperative that SSA focus on its human capital needs as its workloads increase and their complexity requires an increased level of expertise and skill.

## Title II Payments to Non-Bank Financial Service Providers

### *Objective*

To determine the extent to which non-bank financial service providers (FSP) obtained access to OASDI benefits, identify demographic information of the affected individuals, and determine what steps SSA has taken to prevent the transfer or assignment of these payments to non-bank FSPs.

### *Background*

Consumers who use non-bank FSPs typically pay higher costs in the form of transaction fees for financial services than individuals with traditional banking relationships. By using payment address changes or direct deposit, non-bank FSPs, including payday lenders, can gain access to SSA payments.

In June 2008, we issued *Congressional Response Report: Social Security Administration Payments Sent to Payday Loan Companies*. During that review, we determined that SSA deposited the SSI payments of more than 60,000 individuals into accounts established and controlled by non-bank FSPs at 5 specific banks. Monthly SSI payments deposited into these accounts totaled more than \$34 million. Analysis of demographic information on the 60,000 SSI recipients revealed the affected individuals were predominantly minority and disabled—most suffering from various mental conditions. During this review, we will identify the extent to which SSA deposits OASDI benefit payments into accounts at these banks.

## Transmitting Customer Correspondence Via Email

### *Objective*

To identify potential cost savings to SSA if correspondence to claimants was sent via email as opposed to regular mail.

### *Background*

ARRA provides for the one-time payment of \$250 to individuals who receive SSI or Social Security benefits. In April 2009, SSA sent letters to 52 million beneficiaries informing them of the one-time payment. It cost the Agency approximately \$22 million. SSA could have realized substantial savings had it emailed a portion of these beneficiaries about the one-time payment.

According to a 2009 Pew Research Center study, Internet/email usage among 60 to 64 year olds increased from 55 to 62 percent from 2005 to 2008. For most entities, email is preferred over regular mail because email is less expensive, and quicker than regular mail. Moreover, email is less likely to be lost, stolen, destroyed, or misdelivered.

## Volume Individual Representative Payees for the Social Security Administration (2 Reviews)

### *Objective*

To determine whether SSA's internal controls are adequate to ensure volume individual representative payees ensure Social Security benefits are used and accounted for in accordance with SSA's policies and procedures.

### *Background*

We have identified 7 individual representative payees nationwide who serve 80 or more beneficiaries (these individuals serve a total of 842 beneficiaries). We are auditing two individual representative payees (one from the Chicago Region and one from the San Francisco Region). The Agency classifies individual payees who serve 15 or more beneficiaries as individual volume representative payees. Some of these payees serve a significant number of individuals. Certain conditions raise questions about the individual serving a large population of beneficiaries. The audits are intended to determine whether the beneficiaries served by these payees receive the support and benefit their payments are intended to deliver.

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

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SSA's IT systems are critical to meeting its mission and goals, and that mission impacts the lives of nearly all Americans. Therefore, it is imperative that the Agency have a clear IT vision that anticipates its current and future needs. SSA's current IT strategic plans are short-term, tactical plans that do not provide a detailed description of how the Agency intends to address its IT processing needs 10 to 20 years into the future. As SSA progresses in implementing solutions to address its IT processing requirements, it needs to have a more strategic and integrated approach to its IT planning efforts.

SSA's primary IT investment over the next few years is the replacement of the NCC. The NCC houses the infrastructure that supports the Social Security programs provided to the public and other services provided to Federal, State, international and private agencies. 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.

Further, SSA's aging telephone system is being stretched to its breaking point. In FY 2008, SSA's national 800-number network handled about 58 million calls. Call volumes are estimated to reach 68 million by 2010 and have surpassed the Agency's ability to keep pace with its workloads. One way SSA is addressing this need is through the use of Voice over Internet Protocol (VoIP) telephone systems. VoIP places telephone calls through the Internet, which allows SSA to fully integrate its telephone system and computer network. Thus, VoIP provides faster call routing to any geographic location, the ability for calls to follow the users between locations across the network, and quicker access to caller information.

Also, SSA needs to replace its aging on-line and in-office benefit applications. SSA plans to develop new applications to assist in gathering benefit information. The new applications will be simpler for claimants to use and help Agency employees work more efficiently when processing benefit applications. For example, SSA initiated a Self Help eServices pilot that offers field office visitors the option of using field office computers to conduct their business through the Agency's eServices. Self Help computers were available to visitors as early as October 2007, but a national expansion was phased in through February and March 2009 to 58 sites. On these computers, field office visitors can apply for retirement and disability benefits, request benefit verification, perform a change of address, appeal a disability decision, sign up for direct deposit and more.

As reliance on electronic processing and technology grows and the Agency's workload increases, so does the need to ensure SSA's IT infrastructure is designed to meet future needs. SSA needs to focus its efforts on (1) strengthening its IT strategic planning process and related documents; (2) identifying ways to accelerate planning, constructing, and operating the new Data Center; (3) developing contingency plans for addressing its IT processing requirements and disaster recovery procedures in the event the Durham Support Center and/or the new Data Center are not operational within the scheduled timeframes; (4) using industry best practices to aid in its

IT strategic planning; and (5) establishing controls and a detailed strategy for timely maintenance, repairs, upgrades and replacement of critical IT infrastructure in the new Data Center to prevent the current situation at the NCC from recurring.

In FY 2010, we plan to complete 5 reviews and begin 10 reviews in this area.

## **We Plan to Complete the Following Reviews in FY 2010**

Electronic Claims Analysis Tool

The Social Security Administration's Compliance with the *Federal Information Security Management Act* in Fiscal Year 2009

The Social Security Administration's Controls for Ensuring the Removal of Sensitive Data from Excessed Information Technology Equipment

The Social Security Administration's Conversion of its Legacy File Management Systems

The Social Security Administration's Voice over Internet Protocol Contract

## **We Plan to Begin the Following Reviews in FY 2010**

Controls over the Social Security Number Application Process

Employee Access Provided by Top Secret Security Access Software

HSPD-12 Badging Process

Self Help eServices Computer Implementation

The Social Security Administration's Agency-Wide Support Services Contract with Lockheed Martin

The Social Security Administration's Compliance with the *Federal Information Security Management Act* in Fiscal Year 2010

The Social Security Administration's Disaster Recovery Plan

The Social Security Administration's Management of Contract Employees in its Agency-Wide Support Services Contract with Lockheed Martin

The Social Security Administration's Post Implementation Review Process

Use of Social Security Administration Data by Third Parties

## Electronic Claims Analysis Tool

### *Objective*

To assess SSA's Electronic Claims Analysis Tool (eCAT) and its rollout nationwide.

### *Background*

SSA's Office of Disability Programs, working in partnership with the Offices of Disability Systems and Disability Determinations, developed eCAT. ECAT is a policy-compliant, Web-based application designed to assist the adjudicator throughout the sequential evaluation process. The eCAT policy tool aids in documenting, analyzing, and adjudicating the disability claim in accordance with SSA regulations.

Initially, eCAT was implemented in the Boston Region. In 2009, a few other States—such as Colorado, Louisiana, and Michigan—started using it, but it has not yet been made available to all SSA offices nationwide.

## The Social Security Administration's Compliance with the *Federal Information Security Management Act* in Fiscal Year 2009

### *Objective*

To determine whether SSA's overall security program and practices complied with the requirements of *Federal Information Security Management Act* (FISMA) for FY 2009.

### *Background*

FISMA provides the framework for securing the Government's information and IT. All agencies must implement FISMA requirements and report annually to OMB and Congress on the 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. OMB issued FY 2009 FISMA guidance on August 20, 2009.

## The Social Security Administration's Controls for Ensuring the Removal of Sensitive Data from Excessed Information Technology Equipment

### *Objective*

To examine the policies and procedures SSA follows when excessing IT equipment to ensure sensitive information is removed before the IT equipment's disposition.

### *Background*

Federal agencies maintain significant amounts of information concerning individuals known as personally identifiable information (PII). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. Much of this information resides on SSA's IT equipment.

SSA's Information Systems Security Handbook, Section 10, states that before releasing to vendors, disposing of, or donating IT media (for example, disk drives, magnetic tapes, floppies, compact discs), the media must be sanitized or destroyed to prevent unauthorized disclosure of sensitive information. To sanitize IT media, one of the following methods must be used:

- (1) approved overwrite utilities;
- (2) degaussing; or (3) physical destruction.

In cases where a personal computer, hard drive, or other storage device will be sent offsite for repair and its information must be retrievable, the repair contract must include a requirement for non-disclosure by the servicing vendor.

## The Social Security Administration's Conversion of its Legacy File Management Systems

### *Objective*

To determine whether SSA is efficiently and effectively converting its Legacy File Management System.

### *Background*

Modernizing the Agency's processing systems is constrained by an underlying problem that significantly contributes to their current state. The foundation of SSA's IT infrastructure is a database system, called Master Data Access Method (MADAM), that was developed in-house in the 1980s. Almost 30 years later, the system is obsolete, and its functionality is primitive when compared to current commercial technologies and products that are currently available and have been implemented in other areas of Government. The primary reason for MADAM conversion is that SSA is having difficulties recruiting and maintaining technicians who are trained in the outdated programming language.

## **The Social Security Administration's Voice over Internet Protocol Contract**

### *Objective*

To evaluate SSA's VoIP contract with Nortel Government Solutions, Inc. We plan to determine whether the contract is properly administered and managed according to the terms of the contract.

### *Background*

VoIP is the routing of voice conversations over the Internet or any other Internet Protocol-based network. VoIP traffic can be deployed on any Internet Protocol network, including those that lack a connection to the rest of the Internet. SSA awarded a \$41 million, 2-year contract to Nortel Government Solutions Inc., to replace its current telephone system with a system based on VoIP. In general, telephone service via VoIP costs less than its equivalent service from traditional sources and is similar to providers of alternative Public Switched Telephone Network service. Cost savings can result from using a single network to carry voice and data transmissions. This is especially evident where users have existing excess network capacity that VoIP can use at no additional cost.

SSA's prime contractor has numerous subcontractors. The size and complexity of this project will make it a challenge for SSA to manage. The maximum value of the services and supplies SSA will potentially purchase under this contract is between \$20 and \$300 million.

# Strengthen the Integrity and Protection of the Social Security Number

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In FY 2008, SSA processed approximately 6 million original and 12 million replacement SSN cards and received approximately \$671 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 heavily relied on in U.S. society as an identifier and valuable as an illegal commodity. Accuracy in recording workers' earnings is critical because SSA calculates future benefit payments based on the earnings an individual has accumulated over his/her lifetime. As such, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once the numbers are assigned, and accurately posting the earnings reported under SSNs are critical SSA missions.

## Efforts to Protect the Social Security Number

To its credit, over the last decade, SSA has implemented numerous improvements in its SSN assignment, or enumeration process. We acknowledge that with these new procedures/requirements, the enumeration workload has increased in complexity for SSA personnel and resulted in some difficulties or delays for SSN applicants. Despite these challenges, we believe SSA's improved procedures have reduced its risk of improperly assigning these important numbers. Some of SSA's more notable enumeration improvements include the following.

- Verifying the authenticity of all documents evidencing citizenship or lawful alien status before assigning an original SSN.
- Establishing seven Enumeration Centers in Phoenix, Arizona; Sacramento, California; Orlando, Florida; Downtown and North Las Vegas, Nevada; and Brooklyn and Queens, New York that focus exclusively on assigning SSNs and issuing SSN cards.
- Requiring that field office personnel processing SSN applications use the Agency's *SS-5 Assistant*, a Microsoft Access-based application intended to increase control over the SSN application process. This program provides field office personnel structured interview questions and requires certain data to complete the application process. Additionally, SSA plans to implement a Web-based enumeration system, known as the SSN Application Process, in the near future.
- Strengthening the standards and requirements for identity documents presented with SSN applications to ensure the correct individual obtains the correct SSN.

We applaud the Agency for these efforts. Nevertheless, we continue to have concerns regarding SSN assignment and protection. For example, under law, the Agency has few mechanisms to curb the unnecessary collection and use of SSNs. Our audit and investigative work have taught us that the more SSNs are unnecessarily used, the higher the probability that these numbers could

be used to commit crimes throughout society. We are also concerned about the practice of assigning SSNs to noncitizens who will only be in the United States for a few months but, under law, are allowed to obtain SSNs that are *valid for life*. Further, we believe controls over the issuance of SSN Verification Printouts are not sufficient to prevent improper attainment of these sensitive documents and disclosure of PII. We also remain concerned with SSA's plans to expand the Enumeration at Entry process to other classes of noncitizens until it implements significant improvements we recommended in two audit reports issued in 2005 and 2008, respectively.

Finally, SSA is devoting resources to develop an on-line system for issuing replacement Social Security cards. While we support the Agency's decision to offer more services on-line to enhance customer service, we are concerned about the potential for unscrupulous individuals to manipulate such a system. As such, we encourage the Agency to proceed carefully with this initiative, ensuring proper authentication controls are in place before full implementation.

To further enhance SSN integrity, we believe SSA should

- support legislation to limit public and private entities' collection and use of SSNs and improve the protection of this information when obtained,
- continue its efforts to safeguard and protect PII, and
- develop stringent authentication measures to ensure the highest level of security and identity assurance **before** moving forward in offering on-line replacement SSN cards.

### **The Social Security Number and Reported Earnings**

Properly posting earnings ensures eligible individuals receive the full retirement, survivors, and/or disability benefits due them. If earnings information is reported incorrectly or not reported at all, SSA cannot ensure all individuals entitled to benefits are receiving the correct payment amounts. In addition, SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and to calculate the amount of benefit payments. SSA spends scarce resources correcting earnings data when incorrect information is reported. The ESF is the Agency's record of annual wage reports for which wage earners' names and SSNs fail to match SSA's records. As of October 2008, the ESF had accumulated about \$745 billion in wages and 285 million wage items for TYs 1937 through 2006. In TY 2006 alone, the ESF grew by \$84 billion in wages and 10.8 million wage items.

SSA has taken steps to reduce the size and growth of the ESF. The Agency offers employers the ability to verify names and SSNs of their employees using the Agency's *Social Security Number Verification Service* (SSNVS), which is an on-line verification program. SSNVS allows employers to verify the information before reporting their employees' wages to SSA. As of August 2008, SSNVS had processed over 53 million verifications for over 33,000 registered employers.

SSA also supports the Department of Homeland Security (DHS) in administering the E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. As of June 2008, the E-Verify program had processed over 4 million verification requests for about 69,000 employers.

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 employee verification programs, and enhancing the employee verification feedback to provide employers with sufficient information on potential employee issues. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the IRS to achieve more accurate wage reporting. SSA also should continue to work with DHS to help improve the E-Verify program. In June 2008, the Commissioner of Social Security expressed his desire to work with DHS to help resolve some of the weaknesses with the E-Verify program. Specifically, he expressed the need for SSA and DHS to develop a more stringent registration process for E-Verify to reasonably guard against improper users registering and using E-Verify.

In FY 2010, we plan to complete nine reviews and begin five reviews in the area.

## **We Plan to Complete the Following Reviews in FY 2010**

Controls over the Flexiplace Program and Personally Identifiable Information at Hearing Offices

Field Office Workload Related to Tentative Non-Confirmation Responses from the E-Verify Program

Individuals Receiving Social Security Cards After Benefits Have Been Suspended

Monitoring Controls for the Help America Vote Verification Program

Quick Response Evaluation: Follow-Up on Prisoners' Access to Social Security Numbers

Quick Response Evaluation: Social Security Number Replacement Card Non-Receipts

Social Security Number Misuse in Federal Disaster Benefit Programs

Social Security Numbers Assigned to H-1B Visa Holders

The Social Security Administration's Compliance with Social Security Number Replacement Card Issuance Provisions of the *Intelligence Reform and Terrorism Prevention Act*

## **We Plan to Begin the Following Reviews in FY 2010**

Follow-Up: The Social Security Administration's Program for Issuing Replacement Social Security Cards to Prisoners

K-12 Schools' Use and Protection of Social Security Numbers

Questionable, Overstated, and/or Missing Wages in the Master Earnings File

The Effectiveness of the Social Security Number Verification Program

The Social Security Administration's Efforts to Reduce Paper Wage Reports

## **Controls over the Flexiplace Program and Personally Identifiable Information at Hearing Offices**

### *Objective*

To assess the controls over the Flexiplace program and PII at SSA's hearing offices.

### *Background*

Negotiated agreements between SSA and the unions established Flexiplace for ODAR bargaining unit employees. Flexiplace allows ALJs, attorneys, and legal technicians to perform assigned work at a management-approved alternate duty station, which is generally their personal residence. As such, Flexiplace participants take claimants' case files home to review and prepare for hearings. These case files can be in paper form or stored on portable devices and generally include a claimant's SSN, name, address, earnings information, and medical history.

All Flexiplace participants are required to sign, and abide by, their negotiated Flexiplace Program Agreement. While Flexiplace Program Agreements differ among hearing office positions, they share certain basic requirements. For example, participating employees are responsible for adhering to all applicable SSA policies, standards, and procedures, as well as being familiar with current security, privacy, and confidentiality practices. As such, SSA holds participating employees accountable for safeguarding Agency records and any PII in their possession.

## **Field Office Workload Related to Tentative Non-Confirmation Responses from the E-Verify Program**

### *Objective*

To evaluate SSA's field office workload associated with non-confirmation responses generated from the E-Verify program.

### *Background*

SSA participates with DHS in the E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. Under E-Verify, employers will receive notification of SSA Tentative Non-confirmation of employment eligibility when the SSN, name, or date of birth does not match the information in SSA's database or if there is a death indicator. In addition, employers will receive an SSA Tentative Non-confirmation if the new hire indicated he/she was a U.S. citizen, but SSA's records did not confirm this information.

As of FY 2008, E-Verify had processed about 7 million verification requests, of which about 1 million involved non-confirmation responses because of invalid SSNs, no matches on dates of birth and/or names, death indicators, and citizenship status. SSA recently implemented a new program called EV-STAR to resolve non-confirmation responses generated from E-Verify. The system allows field office personnel to transmit case disposition to the employer through E-Verify.

## **Individuals Receiving Social Security Cards After Benefits Have Been Suspended**

### *Objective*

To determine the usefulness of SSN replacement card requests in identifying individuals whose benefits were previously suspended for address or whereabouts unknown.

### *Background*

SSA may suspend benefits when it receives a report that a beneficiary's whereabouts are unknown or if benefit checks have been returned as undeliverable. When this occurs, the field office must attempt to locate the beneficiary so that benefits can be reinstated. When individuals apply for replacement Social Security cards, they are required to provide evidence of identity and a correct, complete address. As a result, SSA could use this address information to issue previously withheld benefits payable to these individuals.

## **Monitoring Controls for the Help America Vote Verification Program**

### *Objective*

To determine whether SSA has effective monitoring controls for the Help America Vote Verification (HAVV) program to ensure States are using the program appropriately.

### *Background*

On October 29, 2002, the President signed the *Help America Vote Act of 2002* (HAVA), which mandates that States verify the identities of newly registered voters. HAVA places requirements on SSA for verifying information to be used in each State's voter registration process. Section 303 of HAVA requires each State to establish a computerized State-wide voter registration list and verify voter information with State Motor Vehicle Administration records or if the individual does not have a driver's license, verify the name, date of birth and last four digits of the SSN with SSA. To comply, SSA developed HAVV, an on-line program that allows States to submit required voter information for verification.

As of December 2008, 46 States and territories had signed user agreements with SSA to match voter registrant information when a voter registration applicant provides the last four digits of their SSN. In FY 2008, 41 of the 46 States and territories submitted about 7.7 million verification requests. Of those, SSA provided a matched response for 5.3 million (69 percent) and a no-match response for 2.4 million (31 percent).

## Quick Response Evaluation: Follow-Up on Prisoners' Access to Social Security Numbers

### *Objective*

To follow up on our audit of *Prisoners' Access to Social Security Numbers* and reassess the extent to which prisoners have access to SSNs through work programs and the potential risks associated with such access.

### *Background*

In our previous audit, we reported prisons in 13 States allowed inmates access to SSNs through various work programs. Although prisons placed controls over SSN access, vulnerabilities remained. In 1999, GAO found that inmates in the Federal Bureau of Prisons and State prison systems had access to personal information (including SSNs) through correctional industry work programs. These inmates performed such duties as data entry, duplicating and scanning medical records, automobile registrations, and unemployment records for Federal, State, or local governments. Pending Federal legislation would prohibit executive, legislative, and judicial agencies from employing prisoners in any capacity that allows prisoners access to SSNs. Furthermore, the Federal Bureau of Prisons prohibits inmates from scanning documents containing sensitive information.

## Quick Response Evaluation: Social Security Number Replacement Card Non-Receipts

### *Objective*

To determine the effectiveness of SSA's controls over non-receipt reports of SSN replacement cards.

### *Background*

OIG's Office of Investigations recently reported that individuals are requesting replacement SSN cards and reporting that they did not receive them. The SSN cards provided to those claiming non-receipt can be excluded on a case-by-case basis from counting toward their annual limit of receiving no more than 3 replacement cards per year and no more than 10 replacement cards in a lifetime.

On the report of non-receipt of an SSN replacement card, SSA field offices can prepare an in-house SSN application for another replacement card as long as certain criteria are met. The replacement for the card not received must be sent to the same address as the previous card or the servicing field office. In instances where fraud is suspected or upon the request of the applicant, SSN replacement cards printed after a report of a non-receipt can be sent to the servicing field office and picked up by the applicant after proof of identity is provided.

## Social Security Number Misuse in Federal Disaster Benefit Programs

### *Objective*

To determine whether SSNs were misused in disaster relief programs.

### *Background*

DHS administers benefit programs in the wake of natural and man-made disasters. Applicants for such benefits provide DHS with certain identifying information, including SSN, name, and date of birth. Because of the nature of disaster situations, applicants often do not possess proof of identity when they file for such benefits. As a result, there is significant fraud in these programs. To minimize such fraud, DHS uses a private database to verify applicants' names and SSNs. However, this control is only effective if the private database has accurate and complete data.

To determine the effectiveness of using a third-party database and prevalence of SSN misuse in DHS' disaster relief benefit programs, DHS' OIG requested we assist in verifying SSNs and other identifying information of approximately 1.5 million applicants. These electronic records identify individuals who applied for disaster relief benefits in the wake of Hurricanes Ike and Gustav, and the Midwest floods of 2008.

## Social Security Numbers Assigned to H-1B Visa Holders

### *Objective*

To (1) assess SSN use by noncitizens with an H-1B work Visa and (2) evaluate SSA's compliance with policies and procedures when processing H-1B SSN applications.

### *Background*

Some U.S. employers use the H-1B Visa program to employ foreign workers in specialty occupations that require theoretical or technical expertise in a specialized field and a bachelor's degree or its equivalent. Typical H-1B occupations include architects, engineers, computer programmers, accountants, doctors, and college professors.

According to a report issued by the U.S. Citizenship and Immigration Services, 13.4 percent of petitions filed for H-1B Visas on behalf of employers were fraudulent, and another 7.3 percent contained technical violations. Types of misrepresentation found included fraudulent educational degrees or experience letters submitted, forged signatures on supporting documentation, Visa holders who never worked at the location submitted on the application, and workers paid below the prevailing wage.

## **The Social Security Administration's Compliance with Social Security Number Replacement Card Issuance Provisions of the *Intelligence Reform and Terrorism Prevention Act***

### *Objective*

To determine whether SSA is complying with the *Intelligence Reform and Terrorism Prevention Act of 2004* (IRTPA) (Public Law 108-458).

### *Background*

IRTPA limits the number of replacement SSN cards an individual may receive to 3 per year and 10 in a lifetime beginning with cards issued on or after December 17, 2005, with certain exceptions. SSA has the authority to allow for exceptions and issue a replacement SSN card beyond the limits.

We have identified 1,649 individuals who received 4 or more SSN cards for the same SSN within 1 year. No one had received 10 or more cards for the same SSN since December 17, 2005. We reviewed 67 of the 1,649 individuals who were issued 4 or more cards in a year and concluded that 36 appeared to receive SSN cards beyond the limit of 3 in a year. The remaining individuals also received more than three cards, but some of the replacement cards were appropriately exempted from the total of three cards in a year.

## Improve Transparency and Accountability

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Transparency and accountability are critical factors in the level of trust and confidence the American public has in its Government, including SSA. If tax dollars are not spent 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. In a January 21, 2009 memorandum to the heads of Executive Departments and Agencies, the President noted that Government should be transparent since transparency promotes accountability and provides information for citizens about what their Government is doing.

Sound financial reporting and effective performance measurement support both concepts of transparency and accountability. Per the *Chief Financial Officers Act of 1990*, an audit of SSA's financial statements is overseen by the OIG each year to ensure that SSA provides clear and accurate financial information to the Administration, Congress and the public. Similarly, the *Government Performance and Results Act* requires that the Agency develop objective, quantifiable, and measurable goals and outcome-based performance measures each year, which are reported publicly in annual performance and accountability plans and reports. The plans and reports help hold the Agency accountable to achieving results and the public reporting of the Agency's progress in meeting its goals adds transparency to its operations. In FY 2010, we will evaluate the quality of SSA's performance measures and goals to ensure they are focused on the critical programs and tasks SSA needs to successfully achieve to meet its mission.

Effective internal control helps ensure SSA is accountable to its mission. 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. 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. In FY 2010, we will complete a number of audits that determine the effectiveness of the controls SSA has in place over its programs and systems. For example, we will review the effectiveness of the controls in place over payments released from SSA's Single Payment System.

As part of its efforts to be accountable, SSA must ensure that its partners provide the services they are contracted to provide efficiently and effectively. Each year, SSA enters into a number of contracts and provides a number of grants that help SSA obtain needed services and research. In FY 2008, SSA spent over \$985 million on contracts and grants that provided many services, including guard services, computer system development and support, and research on disability and retirement issues. We will review multiple contracts and grants in FY 2010 to ensure SSA is getting the services for which it paid and has proper internal controls in place to ensure effective oversight of contractors.

We plan to complete 16 reviews and begin 15 reviews in this area.

## **We Plan to Complete the Following Reviews in FY 2010**

Accuracy of Attorney and Non-Attorney Representative Fees Paid Through the Social Security Administration's One-Time Payment System

Collection of Back-Up Withholding Taxes from Vendors

Congressional Response Report: The Social Security Administration's Off-Site Training Conferences

Contract Audits: Bankers Business Management Services, Inc., Hewlett Packard, Paragon Systems, Inc., and Softmart (4 Reviews)

Controls over Changes Made to Direct Deposit Routing Numbers for Title II Beneficiaries

Fiscal Year 2009 Financial Statement Audit

Fiscal Year 2009 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges

Homeless Outreach Projects and Evaluation Demonstration Project

Social Security Administration Employees' Use of Discounted Airfares

The Social Security Administration's Government Purchase Card Program

The Social Security Administration's Performance Measures

The Social Security Administration's Single Payment System

The Work Incentives Planning and Assistance Program

## **We Plan to Begin the Following Reviews in FY 2010**

Acquiescence Rulings

Approval of Employee Outside Activities

Attorney Fees Paid on Concurrent Claims that Result in Beneficiary Overpayments

Contract Audits: AHTNA Engineering Services LLC and Dell Marketing (2 Reviews)

Controls over Administrative Leave Use

Fiscal Year 2010 Financial Statement Audit Oversight

Fiscal Year 2010 Inspector General Statement on the Social Security Administration's Major Management Challenges

Maintenance of Current Addresses for Supplemental Security Income Recipients

Quick Response Evaluation: Cash Flow Projections of the Old-Age, Survivors and Disability Insurance Trust Fund

Retirement Research Consortium Grantees

The Social Security Administration's Administrative Vendor File

The Social Security Administration's Centrally Billed Travel Accounts

The Social Security Administration's Collection of Civil Monetary Penalties

The Social Security Administration's Oversight of the Contractor for Pre-Sort Mail

## **Accuracy of Attorney and Non-Attorney Representative Fees Paid Through the Social Security Administration's One-Time Payment System**

### *Objective*

To determine the accuracy of attorney and non-attorney representative fees paid through SSA's One-Time Payment System.

### *Background*

Before February 28, 2005, attorney and non-attorney representatives in Title XVI cases collected their fees directly from the claimant. However, the *Social Security Protection Act of 2004* required that SSA develop and implement a 5-year, nation-wide demonstration project that temporarily authorized SSA to allow eligible attorney and non-attorney representatives under Titles II and XVI to receive direct payment of fees from SSA by withholding the amounts from claimants' retroactive benefits. Certain situations preclude SSA's system from automatically issuing the fee payment. In such cases, SSA manually issues the payment through its One-Time Payment System.

## **Collection of Back-Up Withholding Taxes from Vendors**

### *Objective*

To determine whether SSA is appropriately collecting back-up withholding taxes from vendors and reporting those taxes to the IRS.

### *Background*

In 1997, the IRS initiated a Tax Identification Number (TIN) matching program that agencies could use to determine whether vendors provided a correct TIN/name

combination. If a vendor fails to provide a TIN or provides a TIN/name combination that does not match information in the IRS' records, and the vendor fails to provide a correct TIN/name combination upon request, the Federal agency is required to initiate back-up withholding of future payments for services. Federal agencies are also required to initiate back-up withholding if instructed by the IRS. The amount of backup withholdings is 28 percent of certain taxable payments.

## **Congressional Response Report: The Social Security Administration's Off-Site Training Conferences**

### *Objective*

To address the request of Chairman John Tanner, Member Sam Johnson, and Ranking Member John Linder regarding the appropriateness of SSA's off-site training conferences.

### *Background*

An August 4, 2009 letter from Chairman Tanner and Representatives Johnson and Linder requested that the OIG review the appropriateness of SSA's off-site training conferences. Specifically, we were asked to (1) examine conferences held during the past 5 years where SSA funds were used or Agency staff was present; (2) determine how much was spent for such training as a percent of SSA's overall administrative expenses as well as the role of off-site training in these funds; (3) discuss the decision-making process for the off-site training and steps to ensure service delivery is not impacted when employees are at these conferences; and (4) provide information regarding conferences planned for FY 2010.

## Contract Audits (4 Reviews)

**Bankers Business Management Services, Inc.:** The contract is to collect, process, and deliver mail at SSA Headquarters. The contract performance period is June 11, 2008 through June 10, 2015. The contract award amount is \$9.5 million.

**Hewlett Packard:** The contract is to purchase computer workstations, peripheral equipment, and maintenance services. The contract period is September 2005 through September 2012. The contract award amount is \$29.8 million with a ceiling of \$115 million.

**Paragon Systems, Inc.:** The contract is to provide guard services at the SSA Main Complex in Woodlawn, Maryland. The contract is for 1 base year and 9 option years. The contract award was effective February 16, 2008. The value of this contract is \$215 million.

**Softmart:** The contract is to deliver software and licenses. The contract performance period is September 2003 through October 2008. The contract award amount is \$99.2 million with a ceiling of \$167 million.

### Controls over Changes Made to Direct Deposit Routing Numbers for Title II Beneficiaries

#### *Objective*

To determine the effectiveness of SSA's controls over multiple changes to direct deposit routing numbers for Title II beneficiaries.

#### *Background*

Approximately 85 percent of all Title II payments are made through direct deposit. When beneficiaries who use direct deposit

change bank accounts, they can call or visit a field office or call SSA's national 800-number to request that their payments be deposited into new bank accounts.

In the past, a small number of SSA employees were caught redirecting beneficiary payments to their own bank accounts. To help prevent such instances of fraud, SSA put controls in place to ensure only appropriate changes are made to a beneficiary's bank account information. Our audit will determine the effectiveness of these controls.

### Fiscal Year 2009 Financial Statement Audit

#### *Objective*

To fulfill our responsibilities under the *Chief Financial Officers Act* and related legislation for ensuring the quality of the audit work performed.

#### *Background*

The *Chief Financial Officers Act* 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 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 OIG and contractor staff. We will monitor the contract to ensure reliability of the contractor's work to meet our statutory requirements for auditing the Agency's financial statements.

## **Fiscal Year 2009 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges**

### *Objective*

To provide a summary and assessment of the most serious management and performance challenges facing SSA in FY 2009.

### *Background*

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 2009 Performance and Accountability Report.

In FY 2009, the Inspector General revised the list of management challenges facing SSA. The current list of major management challenges are

- Implement the *American Recovery and Reinvestment Act* Effectively and Efficiently
- Reduce the Hearings Backlog and Prevent its Recurrence
- Improve the Timeliness and Quality of the Disability Process
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Invest in Information Technology Infrastructure to Support Current and Future Workloads

- Strengthen the Integrity and Protection of the Social Security Number

- Improve Transparency and Accountability

## **Homeless Outreach Projects and Evaluation Demonstration Project**

### *Objective*

To evaluate the results of the Homeless Outreach Projects and Evaluation.

### *Background*

Congress provided \$8 million annually in FYs 2003 through 2005 for SSA to conduct research to provide outreach, support services, and benefit application assistance to homeless and other under-served populations. SSA used this funding to establish the Homeless Outreach Projects and Evaluation (HOPE) Demonstration Project. The HOPE demonstration project focused on assisting eligible homeless individuals in applying for SSI and Social Security disability benefits.

SSA awarded approximately \$21 million in cooperative agreement funding to 41 public and private organizations located in each of SSA's Regions. These grantees were located in Arizona, California, Colorado, Connecticut, Florida, Hawaii, Indiana, Kansas, Louisiana, Massachusetts, Michigan, Minnesota, Nevada, New York, North Carolina, Ohio, Oregon, Texas, Washington, Wisconsin, and the District of Columbia.

## **Social Security Administration Employees' Use of Discounted Airfares**

### *Objective*

To determine whether SSA employees used discounted airfares when traveling for official business.

### *Background*

The General Services Administration contracts with commercial air carriers under its Airline City Pair Program to offer Federal employees traveling on official business two types of discounted airfares. Both are discounted and fully refundable without restriction. The Federal Travel Regulation requires that Federal employees use the Airline City Pair Program when making their air travel reservations.

## **The Social Security Administration's Government Purchase Card Program**

### *Objective*

To determine whether SSA's oversight of its Government Purchase Card Program is effective.

### *Background*

The Government Purchase Card Program was created as a way for agencies to streamline payment procedures and reduce paperwork and administrative costs for simplified acquisitions. SSA began participating in the Government Purchase Card Program in 1988.

SSA reported purchase card use increased from about \$47 million in FY 1999 to almost \$86 million in FY 2008. The number of cardholders ranged between 2,800 and 3,000 at any given time during these FYs.

A March 2008 GAO report, *Governmentwide Purchase Cards – Actions Needed to Strengthen Internal Controls to Reduce Fraudulent, Improper, and Abusive Purchases*, identified internal control weaknesses that exposed the Government to fraud, waste, abuse, and loss of assets. Agencies could not demonstrate that 48 percent of large purchases met the standard of proper authorization, or independent receipt and acceptance. Breakdowns in internal controls, including authorization and independent receipt and acceptance, resulted in numerous examples of fraudulent, improper, and abusive purchase card use.

GAO's review did not include SSA. Our review will determine whether SSA's internal controls are designed to prevent or detect the situations GAO identified at other agencies.

## **The Social Security Administration's Performance Measures**

### *Objective*

To determine whether SSA has performance measures that address its key programs and activities critical to achieving its mission and that are objective, understandable, and outcome-based.

### *Background*

In an April 2003 report, we identified 11 key programs and activities critical to SSA achieving its mission. We determined that the key programs and activities were covered by performance measures that were objective in all 11 key areas, understandable in 10 key areas, and partially outcome-based in 10 key areas. We made several recommendations to improve SSA's performance measures.

SSA has altered its performance measures numerous times since 2003, most recently in its FY 2010 Annual Performance Plan and revised FY 2009 Annual Performance Plan.

## The Social Security Administration's Single Payment System

### *Objective*

To determine the effectiveness of SSA's controls over the release of payments through the Single Payment System.

### *Background*

The Single Payment System automates appointed representative fee payments and other Title II payments that cannot be made through the current Title II system. It was created to ensure the timeliness of attorney fee payments, stop duplicate and erroneous payments and document management information. The system can also be used to make a number of other payments, including payments that meet the following criteria.

- The critical payment system cannot be used, and the case is annotated "Critical Case," "Dire Need," "Hardship" or "Congressional Inquiry."
- Payment is due for a prior period (such as prior year earnings) and the continuing status of the case is deferred.
- A prior month accrual is payable and benefits are terminated or suspended the month after the current operating month.
- The net amount due exceeds \$29,999.99.
- A beneficiary cannot be annotated to the MBR because there are already 20 beneficiaries on the same record.
- To reissue a returned Lump Sum Death Payment or if system limitations prevent processing these payments.
- To pay a death underpayment to a non-beneficiary.
- To issue an excess refund to a non-beneficiary or financial institution.

- To refund Medicare premiums on behalf of a deceased uninsured claimant.
- To pay a limited payability check replacement to a terminated (except for death) beneficiary or non-beneficiary.

## The Work Incentives Planning and Assistance Program

### *Objective*

To determine whether SSA has appropriate oversight and monitoring controls for the Work Incentives Planning and Assistance (WIPA) program. In addition, we will determine whether (1) grant expenditures for the WIPA program are allowable, supported, and in accordance with the terms of the grant award, and (2) grantees have accomplished the grant objectives.

### *Background*

The *Ticket to Work and Work Incentives Improvement Act of 1999* requires that SSA award cooperative agreements (or grants or contracts) to community-based organizations to provide benefits planning, career development, job placement and other assistance to SSA beneficiaries with disabilities. The WIPA program provides Social Security and SSI beneficiaries with disabilities support to achieve a work goal and assists beneficiaries in effectively using work incentives.

There are 104 WIPA projects across the United States and U.S. Territories. Congress has appropriated \$92 million to support WIPA for FYs 2006 through 2009.

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