

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES



SOCIAL SECURITY

November 6, 2009

The Honorable Michael J. Astrue
Commissioner

Dear Mr. Astrue:

The Reports Consolidation Act of 2000 (RCA) (Pub. L. No. 106-531) 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 review is enclosed. RCA requires that the Social Security Administration (SSA) place the final version of this Statement in its Annual Performance and Accountability Report.

In FY 2009, we continued our focus on the management and performance challenges from previous years. Those challenges are listed below.

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

As the FY progressed, the environment in which SSA operated, and its corresponding challenges, shifted. For example, SSA issued a new strategic plan that identified its current challenges. In addition, SSA was provided new funding and accountability requirements under the American Recovery and Reinvestment Act of 2009 (ARRA). Accordingly, we reevaluated the top management and performance challenges facing the Agency and developed a new list of eight challenges.

- Implement ARRA 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

Many of the issues highlighted in our previous list of management challenges are addressed in our new list. For example, the disability process, Social Security number protection, improper payments, customer service, and information technology infrastructure are recurring themes. They continue to be on our list since we believe they continue to be challenges for SSA. However, these management challenges have been renamed in a manner we believe better defines the action needed for improved performance in these areas.

Our updated list also includes some new challenges. For example, ARRA created new and critical workloads for the Agency, such as a one-time recovery payment of \$250 to SSA beneficiaries. Paying millions of individuals accurately is a challenge on its own. This is compounded by the additional challenge of completing this new task while simultaneously addressing the Agency's many other workloads. Also, the President has emphasized the need for transparency and accountability in the Government. The Administration is developing an Open Government Directive that will instruct executive departments and agencies to take specific actions toward bringing greater openness in Government, and the Agency will need to adhere to the Directive once it is released.

Further, we have highlighted a management challenge related to the hearings backlog. We have discussed this challenge in previous years but as part of the overall disability workload, not as a separate challenge. Given the magnitude of the hearings backlog, and the plans the Agency has put in place to address this workload, we believe it is appropriate to have a separate management challenge.

My office will continue to focus on these issues in FY 2010. We will also continue to assess SSA's operations and the environment in which it operates to ensure our reviews focus on the most salient issues facing the Agency.

I congratulate you on the progress made in FY 2009 in addressing these challenges. I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,



Patrick P. O'Carroll, Jr.
Inspector General

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

A-02-09-19175



November 2009

IMPLEMENT THE *AMERICAN RECOVERY AND REINVESTMENT ACT* EFFECTIVELY AND EFFICIENTLY

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA) (Pub. L. No. 111-5). The Social Security Administration (SSA) was provided funds under ARRA to address three major efforts.

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

In the Office of Management and Budget's (OMB) initial implementing guidance for ARRA (OMB M-09-10), the following requirements were established to meet crucial 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.

We believe the replacement of the NCC and having the systems capacity needed to meet its workload are challenges for the Agency. In our May 2009 report, *The Social Security Administration's Ability to Address Future Processing Requirements*, we asked the Agency to focus its efforts related to the new NCC on detailed plans (1) to acquire, construct and operate a new Data Center; (2) to estimate costs for the use and/or disposal of the existing NCC; and (3) for IT requirements for the next 5, 10, and 20 years. Further, SSA should identify the underlying factors that allowed the existing NCC to deteriorate to its current condition and implement the necessary controls to prevent this situation from recurring at the new NCC.

Another challenge faced by SSA was to assist in providing one-time ERPs of \$250 to certain adult Old-Age, Survivors and Disability Insurance (OASDI) and SSI recipients. SSA was required to certify which beneficiaries were entitled to the ERPs. SSA had to ensure the beneficiaries met a number of criteria, including that they resided in 1 of the 50 States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, or the Northern Mariana Islands. Also, to be eligible for the one-time payments, the beneficiaries had to be eligible for benefits for any of the 3 months before the month of enactment (that is, November 2008, December 2008, and January 2009). If individuals received both OASDI and SSI, they would receive only one \$250 payment. In addition, SSA had to process its unique payments, prepare payment files for the Department of the Treasury (Treasury), annotate payments to its program files, and prepare beneficiary notices. Lastly, SSA was responsible for any post-certification actions (for example, non-receipt reports, returned payments, and stop-payment actions) for the ERPs issued to its beneficiaries.

SSA received \$90 million to be used for the costs associated with administering the ERPs. One of the challenges identified by SSA was to properly account for the use of the \$90 million in ARRA funding to cover the administrative costs involved in identifying, notifying, and issuing the ERPs to eligible individuals.

SSA Has Taken Steps to Address This Challenge

In response to ARRA and OMB Guidance, SSA developed an ARRA Risk Management Plan. The Plan outlined the major challenges and risk mitigation activities facing SSA in implementing the requirements of ARRA. The challenges fell into five major categories: Overall Recovery Act Implementation, One-Time ERP Administrative Expenses, One-Time ERP Payments, Disability and Retirement Workloads, and Replacement of the NCC. The major challenges are further defined by challenges specific to each. For example, SSA has identified the following challenges for replacement of the NCC.

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

SSA has developed risk mitigation activities to address each of the identified challenges and has begun to implement them.

SSA has made considerable progress toward meeting its challenge of administering the ERPs mandated under ARRA. It facilitated the issuance of ERPs to more than 50 million eligible individuals in May 2009, which injected about \$13 billion into the economy. SSA certified these payments to facilitate Treasury's disbursement within 120 days after the legislation was enacted on February 17, 2009. We found SSA had taken significant actions to properly identify eligible beneficiaries and develop the necessary systems and policy changes to ensure payments were disbursed in accordance with ARRA. In addition, SSA's planned controls and procedures should have reduced the significant risk of improper payments or fraud, waste, and abuse.

On May 7, 2009, Treasury began disbursing the economic recovery payments to eligible beneficiaries—about 5 weeks before the statutory deadline. Before this, SSA completed a number of actions, including (1) sending notices to about 52.2 million eligible beneficiaries; (2) adding a Webpage on its Internet site containing a video about the payment and 34 frequently asked questions; and (3) developing a new national 800-number network message that explained the ERP to callers. However, we identified a number of matters SSA needed to address related to the ERPs. For example, SSA's system to identify, select, and certify the ERPs to Treasury and its related policies and procedures to administer these payments had not been fully developed, tested, or documented when SSA began disbursing ERPs. Also, while SSA took many steps related to the disbursement of ERPs, a small number of the payments were sent erroneously to deceased and imprisoned individuals.

In reference to SSA's challenge to properly account for the \$90 million provided to administer the one-time ERP, we found SSA implemented a comprehensive process to identify and report costs incurred to administer the ERPs. We believe SSA sufficiently addressed OMB's requirements, which allowed for transparency and accountability in the use of ARRA administrative funds and provided SSA the ability to identify and track the expenditures separately from its regular appropriations. SSA also timely submitted required weekly reports summarizing administrative costs it incurred.

REDUCE THE HEARINGS BACKLOG AND PREVENT ITS RECURRENCE

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 continues to increase—from 293 days at the end of Fiscal Year (FY) 2001 to 491 days at the end of FY 2009. Additionally, the pending hearings workload grew to 722,822 cases by the end of 2009—up from 392,387 cases at the end of FY 2001.

The first strategic goal in SSA's Strategic Plan for FYs 2008-2013 is to reduce the number of pending hearings to 466,000 by FY 2013, a level that will ensure a sufficient number of cases is available for hearings while reducing the average processing time to 270 days. While the number of hearings pending has grown greatly over this decade, it decreased in FY 2009 from approximately 761,000 at the beginning of the FY to almost 723,000 by the end of the FY.

While eliminating the hearings backlog was SSA's primary focus in FY 2009, it became more difficult with an increase in hearing requests. In FY 2009, SSA received over 622,000 hearing requests—an increase of over 33,000 requests from FY 2008. According to the Agency, this is the highest annual total SSA has ever received. ARRA provided SSA \$500 million to process increasing retirement and disability workloads. The Office of Disability Adjudication and Review (ODAR) was allocated a portion of the ARRA funds to hire additional staff in FYs 2009 and 2010.

Our July 2009 review, Office of Disability Adjudication and Review Management Information, determined that if SSA follows its current administrative law judge (ALJ) hiring plan and the current average ALJ productivity level remains constant, ODAR's pending level should fall below the desired pending level by FY 2013. However, we completed this report before SSA estimated it could receive an additional 350,000 disability applications in FY 2010. Since a number of these applications will be denied and eventually appealed, the Agency will need to adjust its backlog reduction plans to ensure it accounts for this increase in workload.

SSA Has Taken Steps to Address This Challenge

Since May 2007, SSA has been implementing a plan to eliminate the backlog of hearing requests and prevent its recurrence. The plan includes initiatives for (1) compassionate allowances, (2) improving hearing office procedures, (3) increasing adjudicatory capacity, and (4) increasing efficiency with automation and improved business processes.

Compassionate Allowances - The compassionate allowances initiative, implemented nationwide in October 2008, seeks to identify cases where a disease or condition is so consistently devastating that SSA can presume a claimant is disabled once a valid diagnosis is confirmed. SSA launched the expedited decision process covering 50 rare diseases and 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. At the end of FY 2009, less than 1 percent of hearings pending was 850 days or older. Under the Senior Attorney program, staff other than ALJs 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 issued 36,366 decisions.

Our September 2009 review of Aged Claims at the Hearing Level found ODAR's aged claim initiative had successfully targeted the oldest pending claims and focused hearing offices' efforts on this workload. Moreover, the related initiatives, including realignment of service areas, case transfers, video hearings, and the National Hearing Centers, assisted ODAR 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 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.

Increase Adjudicatory Capacity - SSA has six initiatives aimed at increasing adjudicatory capacity. One initiative is hiring new ALJs. In FY 2009, \$30 million in ARRA funds was allocated to ODAR. This, in addition to the increased FY 2009 SSA appropriation, allowed SSA to hire 148 ALJs and 1,009 support staff in hearing offices in FY 2009 as well as fund additional overtime. We have ongoing work in this area.

Increase Efficiency with Automation and Improved Business Process - SSA has 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 includes a new Representative Video Project, which will allow claimant representatives to use their equipment to participate in hearings from their own offices.

Our June 2009 evaluation of Electronic File Assembly reviewed the ePulling initiative and found ODAR was facing challenges with the accuracy of the ePulling software, which in turn was increasing 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 was 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 in terms of their effect on productivity before a decision was made to expand the project. In August 2009, ODAR management decided to discontinue the ePulling initiative.

IMPROVE THE TIMELINESS AND QUALITY OF THE DISABILITY PROCESS

SSA is facing a considerable increase in initial claims receipts because of the declining economy. At the end of FY 2008, initial claims pending at disability determination services (DDS) were around 550,000. However, in FY 2009, initial receipts were approximately 13 percent higher than the previous year. As a result, initial claims pending grew to about 780,000 cases at the end of FY 2009. SSA expects 350,000 more initial disability claims than first projected for FY 2010 and estimates that the pending level could reach over 1 million by FY 2010. SSA also estimates that initial claims will continue to increase and remain at historically high levels for the next several years.

Along with increased receipts, some DDSs are facing high attrition rates as well as challenges in hiring due to State hiring freezes and furloughs, all of which impact SSA's ability to process the disability workload. Eleven States implemented furloughs involving DDS employees in FY 2009, and nine states had various restrictions on hiring. Prior Inspector General work in this area showed that the California DDS will encounter a reduced capacity of 10 percent due to furlough days. As a result, the processing of approximately 2,375 disability cases per month would be delayed.

SSA is also facing a large backlog of full medical continuing disability reviews (CDR). Between FYs 2004 and 2008, the number of full medical CDRs conducted by SSA decreased by approximately 65 percent. At the end of FY 2009, SSA had a backlog of approximately 1.4 million CDRs that were due but were not released to the DDSs for processing, and this number is estimated to increase in FY 2010. The backlog of CDRs means that beneficiaries who no longer qualify for disability are receiving payments improperly resulting in the Disability Insurance Trust Fund and General Fund losing billions of dollars.

SSA Has Taken Steps to Address This Challenge

SSA is developing a multi-year plan to address the increase in initial disability claims and reduce the initial claims backlog to an optimum level. The multi-year plan provides for

- increased adjudicatory capacity in the DDSs and Federal processing components;
- improved efficiency through automation;
- expedited IT investments to optimize systems performance;
- expanded use of screening tools to assist in identifying likely allowances; and
- refined policies and business processes to expedite case processing.

To increase adjudicatory capacity, SSA hired approximately 2,600 DDS employees in FY 2009. SSA is also looking at alternatives for increasing DDS support staff, including medical consultants who provide expert advice on disability claims. In addition to DDS hiring, SSA funded DDS overtime with both its FY 2009 appropriation and ARRA funds. SSA has also approved Extended Service Teams in Arkansas, Oklahoma, Mississippi, and Virginia to assist other states in processing disability claim receipts. In addition, SSA is increasing staffing levels in its Federal components to provide support to DDSs that are most adversely impacted by the increase in receipts.

As part of this multi-year plan, SSA is refining and expanding the Quick Disability Determinations (QDD) and compassionate allowance processes to better identify and fast-track disability claims that are most likely allowances. SSA's QDD process and compassionate allowances initiative have provided some claimants more timely disability decisions and freed up some resources to process the increased number of disability claims. Prior Inspector General work in this area has shown that QDD was working as intended with medical determinations for these disability claims being made generally within the recommended 20-day time frame.

We will also continue to work with SSA to address the integrity of the disability programs through the Cooperative Disability Investigations (CDI) program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability claims. The CDI 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 FY 2009, the 20 CDI units, operating in 18 States, have been responsible for over \$1.3 billion in projected savings to SSA's disability programs and over \$816.4 million in projected savings to non-SSA programs.

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

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

SSA is responsible for issuing timely benefit payments for complex entitlement programs to about 60 million people. Over the years, SSA has reported high payment accuracy rates. For example, in FY 2008, SSA reported that 99.7 percent of OASDI payments was free of overpayment error, and 99.9 percent was free from underpayment error. Also that year, SSA reported that 89.7 percent of SSI payments was free from overpayment error and 98.3 percent was free from underpayment error. Given the large overall dollars involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments. For example, for the 5-year period FYs 2004 to 2008:

- SSA paid \$204.5 billion to SSI recipients. Of that total, \$16.6 billion was overpaid, representing 8.1 percent of outlays. Underpayments during this same 5-year period totaled \$3.4 billion or the equivalent of 1.7 percent of outlays.
- SSA paid about \$2.3 trillion to Old-Age and Survivors Insurance (OASI) beneficiaries. Of that total, \$3.7 billion was projected to be overpaid, representing 0.16 percent of outlays. Underpayments during this same 5-year period were projected to be \$2.2 billion or the equivalent of 0.10 percent of outlays.
- SSA paid over \$454.8 billion to Disability Insurance (DI) beneficiaries. Of that total, \$6.3 billion was overpaid, representing 1.4 percent of outlays. Underpayments during this same 5-year period totaled \$1.8 billion, the equivalent of 0.4 percent of outlays.

Additionally, in FY 2008, it took SSA an average of 34 months to recover or waive overpayments in the SSI program, 18 months for the OASI program, and 42 months for the DI program.

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. Further, Congress passed the Improper Payments Information Act of 2002 (Pub. L. No. 107-300), and OMB issued guidance (OMB M-06-23) clarifying the definition of an improper payment and its 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 in April 2006, *Overpayments in the Social Security Administration's Disability Programs*, where we estimated that SSA had not detected about \$3.2 billion in overpayments and 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 for the Agency 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 over the past several years. We are completing work that will determine the financial impact of SSA conducting fewer full medical CDRs.

Similarly, the number of SSI redeterminations conducted by SSA has substantially decreased although the number of SSI recipients has increased. A redetermination is a review of a recipient's non-medical eligibility factors, such as income, resources, and living arrangements. No individual shall be considered eligible for SSI payments for any period during which they have income or resources that exceed the allowable amounts established under the Social Security Act. Between FYs 2003 and 2009, redeterminations decreased by more than 40 percent. We estimated in a July 2009 report, *Supplemental Security Income Redeterminations*, that SSA could have saved an additional \$3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level it did in FY 2003.

SSA Has Taken Steps to Address This Challenge

SSA has identified the major causes of improper payments and has taken steps to address them. For example, one of the major causes of improper payments in the OASDI program is errors attributed to computations. SSA developed automated tools to address the more troublesome computation issues, which include calculations involving the Windfall Elimination Provision. As another example, SSA completed a feasibility test and had begun to roll-out large-scale monthly wage reporting using touch-tone and voice recognition telephone technology. This addresses one of the major causes of improper payments in the SSI program, which is the failure of a recipient or representative payee to provide accurate and timely reports of new or increased wages. SSA has taken additional steps to address another leading cause of improper payments in the SSI program. SSA has used the Access to Financial Institutions process in New York, New Jersey and California since FY 2007 to reduce SSI payment errors by identifying undisclosed financial accounts with balances that place recipients over the SSI resource limit. SSA hopes to expand the use of this process in FY 2010 if additional funding is available.

SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing and follow-up. In addition, SSA uses external collection techniques authorized by the Debt Collection Improvement Act of 1996 (Pub L. No. 104-134) for OASDI debts and the Foster Care Independence Act of 1999 (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset.

SSA has also worked to improve its ability to prevent over- and underpayments by implementing our audit recommendations. For example, in March 2008, we issued a report, *Follow-up on the Impact on the Social Security Administration's Programs When Auxiliary Beneficiaries Do Not Have Their Own Social Security Numbers*, which identified \$7.6 million in overpayments to auxiliary beneficiaries because SSA's records did not have their SSNs on its payment records. 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, *Follow-Up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File*, where we 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 successfully recovered about \$615 million of the approximately \$3.1 billion overpaid because of 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 no longer entitled to disability benefits if it does not take action.

IMPROVE CUSTOMER SERVICE

SSA acknowledges it is at a critical moment concerning its ability to fulfill its mission of delivering quality customer service to the public. SSA is challenged by many factors, including shifting demographics, growing workloads, changing customer expectations, and an aging workforce. Because of the recent economic downturn and the leading edge of baby boomer retirements, SSA is receiving increasing numbers of retirement and disability claims. SSA is also finding that the public expects it to provide services in new ways made possible by technology.

The increasing workloads and loss of expertise due to the retirement of its employees, will strain SSA's ability to deliver the quality service the public expects. SSA's projected retirement of its employees presents a significant challenge to its customer service capability. SSA estimates that 53 percent of its employees, including 70 percent of its supervisors, will be eligible to retire by 2017. This loss of institutional knowledge may adversely affect SSA's ability to deliver quality service to the public. 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. SSA appoints a representative payee who receives and manages the benefit payments for beneficiaries who are not able to manage or direct the management of their finances because of their youth or mental or physical impairment. Our reviews continue to identify problems with SSA's Representative Payment program. Specifically, we found (1) SSA needs to improve its controls to prevent fugitive felons from serving as representative payees; (2) SSA should use certain characteristics to identify representative payees who have an increased risk of benefit misuse; (3) SSA staff could bypass systems controls and establish direct payments for concurrently entitled beneficiaries who had representative payees; and (4) specific individual and organizational representative payees had not complied with SSA's policies and procedures.

SSA Has Taken Steps to Address This Challenge

One of the Agency's priorities in addressing its customer service challenges is to increase the use of technology to improve the speed, accuracy, and efficiency of operations as well as provide the public with more service choices. For example, the Agency released a new Internet application, iClaim, to simplify and shorten the on-line filing process and eliminate field office visits. In addition, SSA developed an Internet-based tool that will provide claims status online, which the Agency believes will reduce the 2 million calls received annually requesting case status. In January 2009, SSA launched its Retire Online public service announcement campaign to promote SSA's new online application for retirement benefits. Patty Duke has volunteered to serve as a spokesperson to encourage the baby boomer generation to file for retirement benefits online.

SSA has seen considerable growth in the public's use of electronic services. For example, the use of the Retirement Estimator, which allows SSA's customers to obtain an immediate and personalized estimate of their Social Security retirement benefits, has tripled from about 687,000 to 2.1 million, and on-line retirement applications have increased by approximately 54 percent since FY 2008.

To address its human capital challenges, SSA has implemented various strategies, such as hiring thousands of new employees, conducting leadership development programs, providing ongoing refresher training to managers and employees, and implementing a national coaching program. Additionally, the Agency reported it is using kiosks and personal computers in SSA field offices to provide modern, fast, and user-friendly service. Further, the Agency merged, expanded, realigned, and established new components within the Agency. For example, a new office was established to assess and improve notices issued to the public, which is the most common form of service delivery, totaling 350 million notices, annually.

For its representative payee program, SSA has studies underway to identify indicators of representative payee misuse. It also developed a new representative payee system, implemented a policy change to require management approval when selecting representative payees with a prior history of misuse, and developed an on-line representative payee accounting for benefits. Additionally, SSA reported it performed reviews of problem representative payees and corrected representative payee information in the Agency's records. Further, SSA reported it plans to change its current computer matching process to ensure fugitive felon alerts are generated and resolved, which should help prevent them from serving as representative payees.

INVEST IN INFORMATION TECHNOLOGY INFRASTRUCTURE TO SUPPORT CURRENT AND FUTURE WORKLOADS

SSA will not be able to manage its current workloads and those projected for the future without the proper IT infrastructure. SSA has less than 75 percent of the employees it had 25 years ago, despite core workloads increasing by 50 percent and new workloads being added. The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers. However, the Social Security Advisory Board and others have concerns regarding SSA's physical infrastructure, backup and recovery, processing systems, and telephone service. Another issue of concern is the level of security SSA has over its IT systems and the sensitive data they store.

Physical Infrastructure and Backup and Recovery - SSA is confronted with two critical issues: the vulnerability of its main computer data processing facility—the NCC—and its backup and recovery capability. SSA received over \$500 million from ARRA to replace the NCC. The NCC vulnerability stems from the fact that, while its computing capacity has been expanded over its 30 years of operations, increasing workloads and expanding telecommunication services have severely strained its ability to support the Agency's business. SSA estimates that by 2012, as a stand-alone data center, the NCC will no longer be able to support this expanding workload. Additionally, as noted in an April 2009 Social Security Advisory Board report, significant structural problems and electrical capacity issues have developed that make construction of a new primary computer center imperative. However, the Agency has projected that an NCC replacement will not be brought online before 2015. Finally, current disaster recovery plans use a private company's backup and recovery facilities at an off-site location that allows for the recovery of only 25 to 30 percent of the Agency's production capacity.

Processing Systems are Overburdened - A significant part of the problem with SSA's processing systems is the consequence of a piecemeal approach to systems planning and development. Most software applications have been developed in vertical stovepipes, usually to address a particular program need, which has resulted in the primary claims processing systems not being integrated. The system designed to process OASDI claims is separate from the system used to process SSI claims, most of which are claims for disability benefits. As a result, the Agency's front-line employees have to process case information through an assortment of disjointed tools that sometimes look different from one another, and more significantly, may not propagate data across systems. As a result, identifying information, employment data, contact addresses, etc. may have to be entered as many as three or four times when an individual is applying for disability and SSI.

Modernization of the Agency's processing systems is constrained by an underlying problem. The foundation of SSA's IT infrastructure is an outdated database management system, called the Master Data Access Method (MADAM), which was developed in-house in the 1980s. Continued reliance on MADAM exposes the Agency to significant risks, including delays in its ability to improve its systems functionality.

Inadequate Telephone Service - One of the original goals of the national 800-number was to free staff time in local offices to handle more complex issues. In FY 2009, over 82 million calls were placed to, and 60 million transactions were handled by, the national 800-number. Callers had to wait over 4 minutes for their calls to be answered and experienced a busy rate around 8 percent of the time. The volume of transactions handled by the 800-number is estimated to increase to 64 million by 2010. Without new and faster tools to answer and resolve caller inquiries, wait times and busy rates are likely to climb.

Systems Security - SSA's information security challenge is to understand and mitigate system vulnerabilities. Weaknesses in controls over physical and logical access to its electronic information, technical security configuration standards, suitability and continuity of systems operations have been identified. For example, the Agency's control over access to its information was identified as a significant deficiency in FY 2009. While many of these weaknesses have been resolved, SSA needs to monitor these issues diligently to ensure they do not recur. This means ensuring the security of its critical information infrastructure and sensitive data.

SSA Has Taken Steps to Address This Challenge

Physical Infrastructure and Backup and Recovery - To address the existing NCC's capacity issues and the need for a more comprehensive recovery capability, SSA began production at a second processing center, the Durham Support Center, in May 2009. This facility is a co-processing center. Routine operations are now divided between the Durham Support Center and the current NCC. Within 2 years, each facility will continually back up data from the other. This will improve operational capacity and data security for a period of time. The Durham Support Center will also assist SSA with its workloads while the new NCC is being designed and constructed. SSA has also initiated the Accelerated Disaster Recovery Exercise project, which will result in the execution of a disaster recovery exercise at the Durham Support Center in FY 2010.

Processing Systems and Databases - SSA's strategy is to move toward seamless and integrated processing by replacing all external and internal applications over the next 10 years. Seamless and integrated processing would result in users having one entry point for all applications without requiring that they go back and forth between systems to process multiple applications and forms. SSA's data input and collection process would also have a standard look and collection point.

SSA also initiated a Self-Help electronic services pilot to assist with the increase in retirement and disability claims SSA is experiencing in its field offices. SSA's Self-Help process provides computers that field office visitors can use to apply for retirement and disability benefits, request benefit verification, perform a change of address, appeal a disability decision, and more.

Furthermore, it is crucial for SSA to ensure availability and performance of its program databases. The Agency's databases maintain demographic, earnings, and benefit information on almost every American, which is critical in determining issues of eligibility and benefit payment amount. SSA is converting its major program databases from MADAM to an industry-standard, modern database management system to ensure continuity of operations and provide more functionality and flexibility for future workloads. This conversion involves changes to the current database structure. These enhancements will take several years to complete.

Telephone Service - SSA is addressing the need to improve its telephone operations. In March 2008, it awarded a \$300 million contract to build a Voice over Internet Protocol (VoIP) telephone system for about 1,600 field offices. VoIP will allow SSA to fully integrate its telephone system and data network. Thus, VoIP will provide 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.

Additionally, SSA is working to award the Citizen Access Routing Enterprise 2020 contract, which will replace the expiring National 800 Number Network and Call Center Network Solution contracts. The Citizen Access Routing Enterprise 2020 contract will result in a single contract to provide Interactive Voice Recognition automation and call center agent services via SSA's National Toll Free Number.

Systems Security - SSA has addressed systems security in a variety of ways. For example, it created a Critical Infrastructure Protection work group to address compliance with various directives, such as the Homeland Security Presidential Directives and the Federal Information Security Management Act of 2002. Additionally, SSA placed guidance on its Intranet site on how to properly protect personally identifiable information. Lastly, SSA is in the process of acquiring a second, fully functional, co-processing data center to minimize the risks associated with having a single, national computing facility.

STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

In FY 2009, SSA issued approximately 18 million Social Security number (SSN) cards and received approximately \$668 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 eligible individuals receive the full benefits due them.

Since its inception, SSN collection and use has significantly increased nationwide. These unique nine-digit numbers have become commonly used identifiers and, as such, valuable as illegal commodities. Over the last decade, SSA made significant strides strengthening controls in the enumeration process. Additionally, SSA has worked to better protect SSNs in its records. However, once an SSN is assigned, SSA has little control over the collection, use, and disclosure of these numbers by external entities. For example, while the vast majority of wage reports received from employers are accurate, SSA has had limited success correcting and posting wage reports with erroneous employee names or SSNs. To better protect these important numbers and assist SSA in improving the accuracy of its earnings records, we believe Congress and the Agency should continue seeking measures to limit the collection, use, and disclosure of SSNs—in addition to other measures discussed below.

We commend the Agency for the numerous improvements in its enumeration process. Nevertheless, we continue to have concerns regarding SSN assignment and protection. For example, the Agency has no authority to curb the unnecessary collection and use of SSNs. Our audit and investigative work has taught us that the more SSNs are unnecessarily used, the higher the probability they could be used to commit crimes throughout society. We are also concerned that some noncitizens who are authorized to work by the Department of Homeland Security (DHS), but will only be in the United States for a few months, are permitted to obtain SSNs that are valid for life.

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. For example, to prevent the issuance of multiple SSNs to noncitizens who apply through both Enumeration at Entry and at an SSA field office, we recommended that SSA implement systems changes to propagate alien registration numbers to the Numidents of all immigrant applicants. Once propagated, we encouraged SSA to enhance system edits to include a search on these numbers rather than through its current methods, which have not always prevented and/or identified multiple SSNs assigned to the same individual. According to SSA, in 2010, the Agency will devote resources to modify its "enumeration scoring routines" to include a check of the alien registration number. We are encouraged by these plans, but believe SSA should defer expansion of Enumeration at Entry until these system changes are implemented.

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 and support its decision not to pursue this initiative until proper authentication controls are in place.

Maintaining the integrity of the SSN and Social Security programs also involves properly posting earnings reported under SSNs. Accurate earnings records are used to determine both the eligibility for Social Security benefits and the amount of those benefits. SSA spends scarce resources correcting earnings data when incorrect information is reported. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for wage earners whose names and SSNs cannot be matched to SSA's records. As of October 2009, the ESF had accumulated approximately 296 million wage items for Calendar Years (CY) 1937 through 2007, representing about \$836 billion in wages. Our review of ESF data compared to the total wages reported by employers showed the ESF continued to grow in both real and relative terms from CY 1999 through CY 2006. In CY 1999, the ESF represented about 3.4 percent of total reported wage items and grew to 4.3 percent by CY 2006.

While SSA cannot control all the factors associated with erroneous wage reports, it can improve wage reporting by informing employers about potential SSN misuse (the use of an SSN by someone other than the SSN holder for work purposes), 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

additional information on potential employee issues. For example, SSA should ensure that feedback provided to employers using its Employee Verification Service and Social Security Number Verification Service (SSNVS) programs is consistent in terms of name/SSN matches and death indicator responses. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates.

SSA Has Taken Steps to Address This Challenge

SSA has implemented numerous improvements in its 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 (1) verifying the authenticity of most immigration and birth records submitted with original SSN applications; (2) establishing the Enumeration at Birth and Entry programs, both of which reduce SSA's reliance on documents that could be counterfeited; (3) opening a number of Social Security Card Centers that focus exclusively on assigning SSNs and issuing SSN cards; and (4) improving its enumeration systems, which assist employees in complying with SSN assignment regulations and policies.

SSA has also taken steps to reduce the size and growth of the ESF. The Agency has issued annual Social Security Statements, increased its electronic wage reporting, expanded the use of its verification program SSNVS, and continued to support DHS in administering the E-Verify program.

Issued Annual Social Security Statements - The Agency issues annual Social Security Statements to individuals so they can review their earnings records for accuracy and completeness. SSA mails the Statements to all workers age 25 and older who are not yet receiving Social Security benefits. In FY 2009, SSA issued about 151 million Social Security Statements.

Increased Electronic Wage Reporting - SSA has been working to eliminate paper wage reports while migrating to an electronic earnings record process because paper wage reports are more error-prone, labor intensive, and expensive to process. SSA encourages employers to use Business Services Online to file Wage and Tax Statements (Forms W-2) for their employees electronically. From January through September 2009, SSA processed over 197 million Form W-2s electronically.

Expanded Use of SSNVS - SSA has been working with the business community to encourage additional employers to use SSNVS. SSNVS allows employers to determine, almost instantaneously, if an employee's reported name and SSN match SSA's records. Increased use of SSNVS helps minimize fraud and improves the accuracy of individuals' earnings records. For FY 2009, SSNVS processed about 99.2 million verifications for approximately 40,000 registered employers.

Collaborated with DHS - SSA has continued to support E-Verify, a DHS program that allows employers to electronically verify whether newly hired employees are authorized to work in the U.S. under immigration law. With SSA's assistance, DHS has made program improvements. For example, in September 2007, E-Verify's Photo Screening Tool was implemented, which allows employers to check the photograph on his or her new hire's Employment Authorization Document or Permanent Resident Card against the 15 million images stored in DHS immigration databases. Further, the Photo Screening Tool helps employers identify instances of identity theft in the employment eligibility process. In addition, in February 2009, DHS began incorporating passport data into E-Verify to help verify citizenship status information in the event of a mismatch with SSA for citizens who present a U.S. passport during the *Employment Eligibility Verification* (Form I-9) process.

IMPROVE TRANSPARENCY AND ACCOUNTABILITY

In a January 21, 2009 memorandum to the heads of Executive Departments and Agencies, the President noted that Government should be transparent since it promotes accountability and provides information for citizens about what their Government is doing. Transparency is characterized by visibility or accessibility of information. Accountability is an obligation to accept responsibility for one's actions.

Transparency - While information on SSA programs and performance is available publicly, improvements can be made to increase the level of transparency. SSA has developed Strategic Plans, Annual Performance Plans (APP), and Performance and Accountability Reports that provide the public information on the Agency's mission, strategic priorities, and operational performance. While these Plans and Reports are accessible on SSA's Website, they can be improved. SSA's APP contains some performance measures that are unclear and do not provide a meaningful assessment of SSA's performance. For example, the performance measure "Update the medical *Listing of Impairments*" does not provide an understanding of the purpose of updating the listing or why it is important for the Agency to do so. As another example, SSA has the performance measure, "Process the budgeted number of Supplemental Security Income non-disability redeterminations." This output-based performance measure does not provide an understanding of the impact or goal of redeterminations. It is difficult to determine the value of redeterminations by just knowing how many SSA plans to complete.

As another example, SSA's various performance measures of the disability claims process do not provide a meaningful assessment of the waiting time involved from a claimant's perspective. The Agency lacks a performance measure that details the cumulative time a claimant waits through the entire disability process. SSA only measures different portions of the process a claimant may experience. For example, SSA has a performance measure, "Achieve the budgeted goal for average processing time for hearings," with a goal of 516 days in FY 2009. While 516 days seems like a long time to wait for a decision after a request for a hearing, the time it would take a claimant to get from the initial application for disability benefits to the time a request for a hearing is disposed of is actually much longer. When a claimant's request for a hearing is disposed of, he or she has already waited through the time it took for the initial decision to be made by a DDS and a reconsideration by the DDS of its initial decision. When these parts of the process are added cumulatively, as the claimant experiences the process, a claimant may wait 811 days, or 2.2 years, from the initial application to receipt of a decision. The actual time an applicant spends waiting for a decision at the hearing stage is far greater than the 516-day goal suggested by SSA.

SSA's public planning documents also lack meaningful performance measures that address its efforts to improve its outmoded and inefficient IT infrastructure. For example, while SSA's Strategic Plan states that all the Agency's plans depend on a strong 21st century data center to replace the aged NCC, neither the Strategic Plan nor the APP contains a corresponding performance measure to help the public track SSA's progress in constructing a new data center. Similarly, SSA states in its Strategic Plan that its IT infrastructure is resting on a foundation of aging computer programs, which will make it difficult to implement new business processes and service delivery models unless it makes necessary updates now. While SSA identifies this as a critical workload to provide the service models needed to meet an increasing demand, it does not have a performance measure that tracks its progress in updating its computer programs.

Accountability - Sound internal controls help ensure the Agency is accountable to its mission and relevant laws, regulations, and policies. Internal control comprises the plans, methods and procedures used to meet missions, goals and objectives. OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that SSA develop and implement cost-effective internal controls for results-oriented management.

In the most recent audit of SSA's financial statements, the Office of the Inspector General noted a significant deficiency within SSA's internal controls. SSA management was unable to consistently provide documented evidence that security accesses were reviewed by management to determine that the system datasets, transactions, and resources for mainframe hosted applications, including financially significant systems and related tools, were in-line with the concept of least privilege. To more fully protect SSA from risks associated with the loss of data, loss

of other resources, or compromised privacy of information associated with SSA's enumeration, earnings, retirement, and disability processes and programs, SSA management must further strengthen its security program. Further progress is needed in the area of access assignments to application systems data and programs by SSA personnel.

SSA has other internal control challenges as well. As SSA changes or implements programs, the controls over these programs need to be reviewed and changed to ensure the Agency is accountable and its programs meet their stated purposes. For example, in FY 2009, SSA sent ERPs as part of its implementation of ARRA. When initially implementing the program, SSA's related policies and procedures over the ERPs were not fully developed. A policy was not initially established for ERPs issued to deceased beneficiaries and representative payees who died after SSA's certification, but before the receipt of payments. Also, there were reports that SSA sent stimulus checks to 1,700 inmates who should not have received them because they were incarcerated.

As part of its efforts to be accountable, SSA must ensure its contractors provide the services for which they are contracted efficiently and effectively. SSA enters into a number of contracts and provides a number of grants that help SSA obtain services and research, such as the development and the implementation of demonstration projects, digital document services, and research on disability and retirement issues. In FY 2009, SSA spent over \$1.2 billion on contracts and grants. To help ensure SSA receives the services for which it pays, it needs to establish a greater degree of management oversight by strengthening contract and grant oversight roles and responsibilities, and more clearly defining contractor requirements.

SSA Has Taken Steps to Address This Challenge

SSA has taken steps to bring greater transparency and accountability to its operations. The Agency has continually revised its performance measures and goals to provide the public an indication of its performance. While some measures and goals need to be improved, like those discussed on page 20 of this report, we note the Agency has a tradition of publicly reporting on its performance.

The Agency will have an additional opportunity to improve its transparency and accountability in the near future. For example, ARRA calls for the uses of all ARRA funds to be transparent to the public, and the public benefits of these funds should be reported clearly, accurately, and timely. Also, the President's memorandum on openness and transparency charged the U.S. Chief Technology Officer, together with OMB and the General Services Administration, with creating recommendations for an OMB Directive on open Government. SSA will need to implement this policy once the Directive is finalized and released, which is anticipated in the near future. The Directive will help define the level of openness expected Government wide and within SSA, which should help to improve the level of transparency and accountability within the Agency.