

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES



December 6, 2013

The Honorable Carolyn W. Colvin
Acting Commissioner

Dear Ms. Colvin:

The *Reports Consolidation Act of 2000* (Pub. L. No. 106-531) requires that Inspectors General summarize and assess the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. The *Reports Consolidation Act* also requires that the Social Security Administration (SSA) place the final version of this Statement in its annual *Agency Financial Report*.

In Fiscal Year (FY) 2013, we continued our focus on the management and performance challenges from the previous year. The challenges are listed below.

- 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
- Strengthen Strategic and Tactical Planning

We used multiple sources to determine the status of each of the identified challenges. For example, we used statistics reported by SSA and Office of the Inspector General audits of SSA's operations. We also used the FY 2013 independent auditor's report, which contained the results of SSA's financial statement audit. The report concluded that SSA had two significant deficiencies in internal control. These issues are discussed in detail in the enclosure.

My office will continue focusing on these issues in FY 2014. We will also continue assessing SSA's operations and the environment in which SSA operates to ensure our reviews focus on the most salient issues facing the Agency.

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,

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

Patrick P. O'Carroll, Jr.
Inspector General

***Fiscal Year 2013
Inspector General Statement
on the
Social Security Administration's
Major Management and Performance Challenges***



December 2013

Reduce the Hearings Backlog and Prevent its Recurrence

Challenge

While the Social Security Administration (SSA) had a plan to eliminate the hearings backlog by 2013, the number of pending cases has increased, and the average processing time remains above the goal of 270 days.

Hearing Backlog: The Agency's first goal in its *Fiscal Year (FY) 2008-2013 Agency Strategic Plan (ASP)* is to eliminate the hearings backlog and prevent its recurrence. Its long-term outcome is to reduce the number of pending hearings to 466,000 cases and reduce the average processing time to 270 days by the end of FY 2013. However, SSA will not achieve the backlog goal since there were about 848,000 pending claims, and average processing time was 382 days at the end of FY 2013. In a FY 2011 report, we stated that the Agency would meet its hearings backlog goal if it accurately predicted administrative law judge (ALJ) productivity and availability, the number of hearing receipts, and senior attorney adjudicator (SAA) decisions. While ALJ productivity and availability were within a few percentage points of Agency projections, hearing receipts exceeded Agency projections by 15 percent or more each year, and there were fewer SAA decisions than anticipated in FYs 2012 and 2013.

The Agency dropped the 466,000 pending claims backlog goal from its FY 2013-2016 ASP and focused instead on reducing the average wait time for a hearing decision to 270 days by the end of FY 2013. While the Agency will not meet the 270-day goal, it has reduced the average wait times. For example, average processing time in FY 2008 was 514 days; by the end of FY 2013, it was 382 days.

Adjudicatory Capacity: In FY 2007, the Agency issued an interim final rule allowing SAAs to issue fully favorable on-the-record decisions, thereby conserving ALJ resources for the more complex cases that require a hearing. In our June 2013 report on the *Effects of the Senior Attorney Adjudicator Program on Hearing Workloads*, we stated that while the SAA Program contributed to an increase in adjudicative capacity and improved average processing time over the years, the number of SAA on-the-record decisions had been declining, and the quality of these decisions had dropped. We recommended the Agency evaluate the benefits of conducting focused quality reviews on ALJ and SAA on-the-record decisions. In this way, common on-the-record issues can be identified and appropriate training developed.

Management Oversight: Our January 2013 audit, *Identifying and Monitoring Risk Factors at Hearing Offices*, highlighted the Agency's efforts to identify problematic workload trends among ALJs. We recommended that this new monitoring approach be made a permanent part of management oversight and the Agency create additional monitoring of hearing office trends that may identify potential processing and management problems. In addition, we identified case rotation problems at hearing offices in a March 2013 audit, *Hearing Office Case Rotation among Administrative Law Judges*. We recommended that the Agency continue monitoring hearing offices that had rotation issues and remind hearing office managers that ALJ coverage of remote sites should be consistent with its rotation policy.

Agency Actions

In the Agency's FY 2013-2016 ASP, SSA identified four strategies to achieve its hearings timeliness goal:

- eliminate the oldest cases first;
- expedite cases that do not require a hearing;
- enhance electronic tools that improve productivity and quality; and
- target national resources to meet workload demands.

In FY 2007, the Agency implemented an Aged Claim initiative that emphasized processing the oldest claims in the backlog. In FY 2008, there were over 135,000 claims 900 days or older in the backlog. With a sustained emphasis to process cases on a first-in, first-out basis, the Agency eliminated the oldest cases in its backlog, and by the end of

Other Information

FY 2013, it had about 1,270 cases that were 700 days or older. Since implementing the initiative, the Agency has processed nearly 900,000 aged cases that were 700 days or older.

The Agency hired 27 ALJs in FY 2013. However, in FY 2013, the Agency lost 86 ALJs through attrition. In addition, Office of Disability Adjudication and Review staffing levels were down about 4 percent from the start of the FY. As a result, the Agency will need to continue using technology to increase adjudicatory capacity, including expanded use of video hearings and video-only National Hearing Centers that process cases from some of the most heavily backlogged hearing offices. In FY 2013, the Agency held over 179,000 video hearings, which is over 25,700 more than the number of video hearings held in FY 2012.

The Agency has implemented a new “How MI Doing?” tool that provides each ALJ a list of favorable cases reviewed by the Appeals Council under its own motion authority. This new capability builds on the information already available through “How MI Doing?” It further improves the feedback to ALJs, which should help them ensure their decisions comply with policy.

Improve the Timeliness and Quality of the Disability Process

Challenge

SSA needs to address millions of initial disability and reconsideration claims, as it continues to have backlogs of initial disability claims and continuing disability reviews (CDR).

Disability Claims Backlog: Over the past 2 years, SSA has received a large influx of initial and reconsideration claims. It received about 3.2 million initial and 832,000 reconsideration claims in FY 2012 and approximately 3 million initial and 784,000 reconsideration claims in FY 2013. As a result, SSA had a large number of initial claims pending completion. As of September 2013, SSA had over 698,000 initial disability claims pending.

DDS Personnel Issues: Some disability determination services (DDS) are facing high attrition rates, hiring freezes, and employee furloughs, which affect SSA's ability to process its disability workload. Because of hiring freezes, DDSs are not allowed to replace lost staff. At the end of FY 2013, Nevada was still furloughing DDS employees.

CDR Backlog: In our March 2010 report on *Full Medical Continuing Disability Reviews*, we stated that SSA estimated a backlog of over 1.5 million medical CDRs at the end of FY 2010. As a result, we estimated that from Calendar Years (CY) 2005 through 2010, SSA made benefit payments of between \$1.3 and \$2.6 billion that it could have avoided had State DDSs conducted the medical CDRs when they were due. SSA had a backlog of 1.2 million medical CDRs at the end of FY 2012. As of the end of FY 2013, SSA had a backlog of 1.3 million medical CDRs.

Agency Actions

SSA's Strategy: In November 2010, SSA released its *Strategy to Address Increasing Initial Disability Claim Receipts* to reduce the initial claims backlog to a pre-recession level of 525,000 by FY 2014. The multi-year Strategy included

- increasing staffing in the DDS and Federal disability processing components;
- improving efficiency through automation;
- expanding the use of screening tools to assist in identifying claims likely to be allowed; and
- refining policies and business processes to expedite case completion.

As part of the Strategy, SSA created Extended Service Teams, in Arkansas, Mississippi, Oklahoma, and Virginia to assist States by taking claims from those with the highest pending levels. In FY 2010, SSA hired 237 additional employees in the Federal disability processing components that support the DDSs.

SSA also provided funding for States to hire additional DDS employees. In total, SSA gained more than 2,600 DDS employees in FYs 2009 and 2010. However, SSA did only limited critical hiring from FYs 2011 to 2013. As a result, SSA lost over 2,800 DDS employees from FYs 2011 to 2013.

With the loss of DDS employees and a high level of initial disability claims receipts in FY 2013, SSA no longer expects to achieve an initial claims pending level of 525,000 by FY 2014. In fact, pending initial disability claims rose to over 698,000 in FY 2013, and SSA expects it to exceed 900,000 by the end of FY 2014. We are reviewing the actions SSA is taking to address the initial disability claims backlog.

Disability Case Processing System: The Agency is developing a Disability Case Processing System (DCPS), which is 1 system that will replace the existing 54 systems that support the DDSs. DCPS will integrate case analysis tools and health information technology (IT). A common case processing system will help SSA timely distribute policy changes. Per SSA, it will provide consistent case processing abilities between the DDSs, which should have a positive effect on processing times and the consistency of disability decisions. SSA began testing the initial version of DCPS in the Idaho DDS in September 2012. In FY 2013, SSA tested, trained, and implemented the

second software release to the Idaho and Illinois DDSs. SSA expects to test additional software releases in two other DDSs in FY 2014 with expanded implementation through FY 2016.

Cooperative Disability Investigations: We have continued working with SSA to address the integrity of the disability programs through Cooperative Disability Investigations (CDI). The mission of the 25 CDI units is to obtain evidence that can resolve questions of fraud in SSA's disability claims. The program is managed jointly by SSA's Office of Operations and the Office of the Inspector General. Since the program's inception in FY 1998 through the end of FY 2013, its efforts have resulted in \$2.5 billion in projected savings to the title II Disability Insurance and title XVI Supplemental Security Income (SSI) programs, as well as over \$1.6 billion in projected savings to non-SSA programs.

Reduce Improper Payments and Increase Overpayment Recoveries

Challenge

SSA is responsible for issuing over \$800 billion in benefit payments annually to about 60 million people. 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.

SSA is one of the Federal agencies with a high amount of improper payments. In FY 2012, the last FY for which data were available, SSA reported about \$6.8 billion in over- or underpayments, and the Agency incurred an administrative cost of \$0.07 for every overpayment dollar it collected. Further, SSA needs to adhere to requirements in Executive Order 13520 – *Reducing Improper Payments* – and the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) (Pub. L. No. 111-204) to address improper payments. Additionally, the Office of Management and Budget (OMB) recently issued guidance on implementing the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) (Publ. L. No. 112-248), so SSA will need to take additional actions related to reducing improper payments.

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

For example, according to SSA, in FY 2012,

- the Old-Age, Survivors and Disability Insurance (OASDI) overpayment error was \$1.7 billion or 0.2 percent of program outlays, and the underpayment error was \$740 million or 0.1 percent of program outlays and
- the SSI overpayment error was \$3.4 billion or 6.3 percent of program outlays, and the underpayment error was \$948 million or 1.8 percent of program outlays.

For FYs 2012 through 2014, SSA's goal is to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; and for SSI, the Agency's goal is to achieve over- and underpayment accuracy rates of 95 and 98.8 percent, respectively.

Executive Order 13520, IPERA, and IPERIA: In November 2009, the President issued Executive Order 13520 on reducing improper payments; and in March 2010, OMB issued guidance for implementing it. Also, in July 2010, IPERA was enacted. In April 2011, OMB issued guidance on implementing IPERA. As a result, all agencies with high-risk programs—those with significant improper payments—are required to intensify their efforts to eliminate payment errors. OMB designated SSA's programs as high-risk. In January 2013, IPERIA was enacted; and it requires, among other things, that such agencies as SSA use available databases with relevant information on eligibility to prevent improper payments.

Overpayment Recoveries: Once SSA determines an individual has been overpaid, it attempts to recover the overpayment. According to SSA, in FY 2013, the Agency recovered \$3.46 billion in overpayments at an administrative cost of \$0.07 for every dollar collected and ended the FY with an uncollected overpayment balance of \$16.4 billion.

Agency Actions

Improper Payment Causes: One of the major causes of improper payments in the OASDI program is benefit computation error. SSA has developed automated tools to address the more troublesome computation issues. Another major cause of improper payments in the SSI program is recipients' failure to provide accurate and timely reports of new or increased wages. In response, SSA developed a monthly wage reporting system incorporating

touch-tone and voice-recognition telephone technology. SSA also implemented its Access to Financial Institutions project to reduce SSI payment errors by identifying undisclosed financial accounts with balances that placed recipients over the SSI resource limit.

Debt Collection Tools: SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing with 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.

CDRs: The CDR is a powerful tool for reducing improper payments. Through completion of CDRs, SSA periodically verifies that individuals are still disabled and eligible for disability payments. Available data indicate that SSA saves about \$9 for every \$1 spent on CDRs, including Medicare and Medicaid program effects.

Improve Customer Service

Challenge

The Agency faces several challenges as it pursues its mission to deliver Social Security services that meet the changing needs and demographics of the American public.

Increased Workload with Reduced Staff: Each day, almost 182,000 people visit SSA field offices, and more than 445,000 people call SSA for a variety of services, such as filing a claim, updating information, and asking questions. In FY 2013, SSA completed over 5 million retirement, survivor, and Medicare claims; over 3.1 million Social Security and SSI initial disability claims; and 231,000 SSI aged claims.

In the last 3 years, SSA has lost over 10,000 employees. The Acting Commissioner reports these losses have occurred unevenly nationwide, threatening some offices' viability. SSA's diminished workforce, coupled with hiring restrictions, comes at a time when demands for its services are as high as they have ever been.

The projected retirement of its employees continues to present a challenge to SSA's customer service capability. SSA estimates that about 45 percent of its employees, including 60 percent of its supervisors, will be eligible to retire by FY 2022. SSA also projects it will lose more than 2,000 employees, annually, over the next 10 years, because of retirement. This loss of institutional knowledge may adversely affect SSA's ability to deliver the quality service the public expects. In its May 2013 report on management challenges SSA faces in meeting its mission-related objectives, GAO noted that despite the ongoing retirement wave and hiring freeze, SSA has not updated its succession plan since 2006.

Changing Customer Expectations: Technology is rapidly changing, and the public expects to complete more business with SSA online. Internet services and the use of mobile devices and social media continue to increase. At the same time, the nation is becoming more diverse. The Census Bureau projects the U.S. Hispanic population will nearly triple, from 46.7 to 132.8 million, between 2008 and 2050. As SSA enhances its service delivery strategies, it must consider the increasing multilingual and multicultural population it serves.

Budget: The Acting Commissioner has acknowledged that SSA is facing its toughest fiscal challenge in nearly 30 years. SSA has stated that the current level of funding will lead to a loss of employees. Consequently, SSA expects its national 800-number service to deteriorate because it does not have a sufficient number of employees to answer calls. For example, the national 800-number average telephone wait time exceeded 10 minutes in FY 2013, an increase of over 5 minutes from FY 2012.

With additional budget cuts, SSA believes its public service will decline, and improper payments will rise. To reduce costs, SSA reported it consolidated 44 field offices, closed 503 contact stations, and put on hold its plans to open 8 hearing offices and 1 teleservice center. Further, SSA has reduced the hours that field offices are open to the public, restricted hiring, and reduced overtime.

Direct Deposit: SSA uses direct deposit for about 98 percent of Social Security benefits and 94 percent of SSI payments. In October 2011, we began tracking allegations that indicated individuals other than the beneficiaries or their representatives had directed benefit payments away from the beneficiaries' bank accounts. As of September 30, 2013, we had received over 42,000 reports concerning inappropriate changes to beneficiaries' direct deposit accounts.

Representative Payment Program: Providing oversight to ensure representative payees properly manage the Social Security benefits and SSI payments of vulnerable beneficiaries and recipients is a critical customer service performed by SSA. SSA appoints representative payees to receive and manage the benefits of beneficiaries and recipients who are incapable of managing or directing the management of their finances because of their age or mental or physical impairment. SSA reported approximately 5.9 million representative payees serve approximately 8.4 million beneficiaries and recipients and manage about \$72 billion in payments. Our audits and investigations continue identifying problematic representative payees.

Agency Actions

SSA has implemented the following initiatives to improve customer service: establishing the Office of the Chief Strategic Officer, developing a service delivery plan, clarifying correspondence, expanding the use of online services, improving telephone services, expanding video services, strengthening controls over direct deposit, and improving the Representative Payment Program. The Office of the Chief Strategic Officer should help SSA plan for the future, taking into account customer expectations and available resources. We discuss this further in the *Strengthen Strategic and Tactical Planning* section of this report, which begins on page 16.

Service Delivery Plan: In February 2013, SSA published its *Service Delivery Plan*, which identified 22 key initiatives for providing the American public with quality service over the next 10 years. The Plan highlights SSA's commitment to improving (1) services readily used by the public, (2) the systems it uses to serve the public, and (3) operations' payment accuracy and efficiency.

More recently, SSA decided not to move forward with the *Service Delivery Plan*. It is working with the National Academy of Public Administration to develop a new long-term plan. SSA intends to publish the long-range plan in late 2014.

Correspondence: SSA mails approximately 250 million notices to the public each year, making correspondence one of SSA's most common forms of service delivery. SSA intends to improve its notices to ensure they are clear and concise. SSA planned improvements for the readability, clarity, and tone of SSI notices. Additionally, SSA reported it is improving language for its highest volume notices, such as the letter acknowledging receipt of a hearing request.

Online Services: One of SSA's priorities is to provide the public more service options through a wide range of online services. In FY 2013, SSA reported it would explore ways of expanding the use of the Spanish iClaim to international users by including features to collect information related to foreign work, international direct deposit, and U.S. residency.

SSA continues expanding its nation-wide marketing campaign for its Internet services through public service announcements. SSA also uses social media and targeted keyword searches on Google and Bing to direct the public to its online service options. In May 2013, SSA launched a mobile-friendly Website for smartphone users. In August 2013, SSA launched a new tablet-friendly public Social Security Website.

In January 2013, SSA expanded its services with a MySocialSecurity account—a personalized online account through which more than 60 million Social Security beneficiaries and SSI recipients can instantly access their benefit verification letter, payment history, and earnings records. Beneficiaries can also change their address and start or change direct deposit information online.

Telephone Services: SSA serves about 60 million people per year over the telephone. SSA is replacing its national 800-number infrastructure with a new system, the Citizen Access Routing Enterprise 2020. SSA reports the new technology will help eliminate lengthy navigation menus, better forecast call volumes, anticipate staffing needs, and distribute incoming calls across the network so callers can reach an agent more quickly.

Video Services: SSA is expanding its video services for individuals living in rural areas or places that do not have public transportation. Video services enable SSA to provide service to people at such sites as hospitals, libraries, community centers, American Indian Tribal centers, and homeless shelters. Video services also reduce travel costs and lost work hours. As of December 2012, SSA had expanded its video services to 262 additional field offices, for a total of 299 locations. Additionally, SSA provided 20 video units for DDSs.

Direct Deposit: In response to fraudulent activity in the direct deposit area, SSA has taken steps to strengthen the controls over the processes used to change beneficiaries' direct deposit account information. In FY 2013, SSA revised its policy for verifying the identities of callers who request to establish, change, or cancel direct deposit payments. Additionally, SSA allowed beneficiaries to block direct deposit changes.

Representative Payment Program: SSA continues a pilot program to ensure individuals convicted of committing or attempting to commit certain crimes do not serve as a representative payee. By the end of FY 2013, SSA's Philadelphia Region had barred over 170 individuals from serving as a representative payee because they had committed 1 or more crimes. To support the pilot program, in FY 2013, SSA implemented an electronic system to obtain third-party criminal information.

Invest in Information Technology Infrastructure to Support Current and Future Workloads

Challenge

SSA faces major challenges to ensure it has sufficient IT controls, provide secure electronic services to meet the growing needs of its customers, and strategically plan to modernize its systems for future service delivery.

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

IT Physical Infrastructure: SSA's National Computer Center (NCC), built in 1979, houses the infrastructure that supports the Social Security programs provided to the public and other services provided to Federal, State, international, and private agencies. Increased workloads and growing telecommunication services have strained the NCC's ability to support the Agency's business. SSA's primary IT investment over the next few years is replacing the NCC. However, the Agency has projected that its new facility will not be operational until 2016.

Development and Implementation of Secure Electronic Services: SSA must provide additional electronic services to meet its customers' growing needs. For FY 2012, SSA had a goal to have 42 percent of its fourth quarter claims filed online. For FY 2013, the fourth quarter goal for online claims was 48 percent. During the fourth quarter of FY 2012, Agency customers filed 44 percent of claims online. During the fourth quarter of FY 2013, Agency customers filed 51 percent of claims online.

While expanding its inventory of electronic services, the Agency needs to ensure its existing and future electronic services are secure. In January 2013, SSA expanded its MySocialSecurity online portal; however, fraudulent accounts were established to redirect Social Security benefits to unauthorized bank accounts. As of the end of FY 2013, we had received—from SSA and other sources—more than 22,000 fraud allegations related to MySocialSecurity accounts.

Logical Access Controls and Security of Sensitive Information: SSA's FY 2009, 2010, and 2011 Financial Statement Audits identified a significant deficiency in the Agency's controls over access to its sensitive information. For example, SSA did not consistently comply with policies and procedures to periodically reassess the content of security access given to its employees and contractors. Moreover, some employees and contractors had greater access to systems than they needed to perform their jobs. Additionally, certain configurations increased the risk of unauthorized access to key financial data and programs. The FY 2012 Financial Statement Audit identified additional concerns and raised the significant deficiency to a material weakness.

While SSA made significant efforts to strengthen controls over its systems and address weaknesses, the auditor's FY 2013 testing continued to identify control issues in both design and operation of key controls. In its audit, the auditor identified four deficiencies that, when aggregated, are considered to be a significant deficiency in the areas of Information Systems Controls.

Agency Actions

IT Physical Infrastructure: SSA has taken steps to address its IT infrastructure challenge and the NCC's sustainability through 2016. For example, SSA conducts regular tours of the buildings with technical experts to identify needed repairs or future replacement projects.

In February 2009, SSA received \$500 million in *American Recovery and Reinvestment Act* (Pub. L. No. 111-5) funding to replace its NCC. In August 2011, the General Services Administration (GSA) purchased a site for SSA's

new data center. In January 2012, GSA and SSA awarded a contract for the design and construction of a new data center. The planned completion of construction is December 2014. After completion of construction and commissioning, IT migration to the new data center will take an additional 22 months. The new data center is expected to be operational in 2016.

Development and Implementation of Secure Electronic Services: At present, SSA offers the public 28 electronic services. Further, SSA has researched Internet authentication solutions to secure online initiatives, such as Ready Retirement, replacement Social Security number (SSN) cards, and other automated services.

In June 2013, SSA established a dedicated MySocialSecurity help desk through the national 800-number to assist the public with MySocialSecurity-related issues. The Agency will also assist with MySocialSecurity at a designated link called MySocialSecurity Contact Us.

Logical Access Controls and Security of Sensitive Information: SSA developed the Profile Quality Program, a group of projects to limit access to the Agency's electronic resources, including sensitive data. As part of this Program, SSA implemented several procedures related to logical access controls and the security of sensitive information. Moreover, SSA implemented Web-based tools for automating SSA's review process of access to sensitive information.

Finally, SSA developed teams to address the other areas that comprise the material weakness in information security. SSA implemented additional policies and procedures and conducted security tests to help resolve the material weakness. This included, but was not limited to, policies and procedures over software change control, configuration management, authorization of hardware and software, and penetration testing.

Strengthen the Integrity and Protection of the Social Security Number

Challenge

Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits they are due.

In FY 2013, SSA completed approximately 5.8 million original and 10.3 million replacement SSN cards. In addition, the Agency received and processed about 250 million wage items, totaling approximately \$5.7 trillion in earnings. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and eligible individuals receive the full benefits due them.

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

SSN Misuse: To its credit, SSA has implemented numerous improvements in its enumeration process. However, given the preponderance of SSN misuse and identity theft in U.S. society, we continue to believe protection of this critical number is a considerable challenge for SSA. Unfortunately, once SSA assigns an SSN, it has no authority to control the collection, use, and protection of the number by other public and private entities. Our audit and investigative work have shown that the more SSNs are unnecessarily used, the higher the probability that they could be used to commit crimes throughout society. The Federal Trade Commission has estimated that as many as 10 million Americans have their identities stolen each year.

We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States as well as the misuse of SSNs for identity theft purposes. The SSNs of deceased individuals are also vulnerable to misuse. As such, the public release of the Death Master File (DMF) raises concerns. To the extent possible, we believe SSA should limit public access to the DMF to only what is required by law and take steps to ensure its accuracy.

Earnings: SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and to calculate the amount of benefit payments. Properly posting earnings ensures eligible individuals receive the full retirement, survivors, and/or disability benefits due them. If employers report earnings information incorrectly or not at all, SSA cannot ensure all individuals entitled to benefits are receiving the correct payment amounts.

SSA spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's repository of wage reports on which wage earners' names and SSNs fail to match SSA's records. Per the latest available data, the ESF had accumulated over \$1.1 trillion in wages and 326 million wage items for Tax Years 1937 through 2011. In Tax Year 2011 alone, 7.1 million wage items representing \$70 billion were posted to the ESF. From Tax Years 2001 to 2011, the ESF grew by approximately \$734.5 billion in wages and 91.9 million wage items, representing about 65 percent of the total wages and 28.1 percent of the total wage items.

We are concerned about the size and growth of the ESF as it reached over \$1 trillion in wages. Therefore, in 2014, we plan to review the steps SSA has taken to reduce the ESF's size and growth.

Agency Actions

SSA continues improving its enumeration process. For example, SSA has established enumeration centers in some cities—most recently Social Security Card Centers in San Diego and El Cajon, California—that focus exclusively on assigning SSNs and issuing SSN cards. Additionally, SSA routinely enhances its software program for SSN card issuance. This allows SSA to enforce more enumeration policies and decreases the risk of improper issuance of SSNs and SSN cards, and also reduces SSN fraud. SSA has also strengthened its policy for processing requests for

the SSN printout. SSA's new policy requires that requesters provide the same evidentiary documents as required for processing a request for a replacement SSN card.

SSN Verification Service: SSA has taken steps to reduce the size and growth of the ESF. The Agency offers employers the ability to verify the names and SSNs of their employees using the Agency's SSN Verification Service, which is an online verification program, before reporting wages to SSA. In FY 2013, approximately 38,500 registered employers submitted over 111 million verifications.

E-Verify: SSA also supports the Department of Homeland Security in administering the E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. According to DHS, over 470,000 employers have enrolled to use E-Verify, and these employers submitted over 20 million queries in FY 2013.

While SSA cannot control all the factors associated with erroneous wage reports, it may be able to 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 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 Internal Revenue Service to achieve more accurate wage reporting.

Improve Transparency and Accountability

Challenge

SSA faces a number of challenges ensuring accountability, including concerns over its internal controls, systems security, and administrative cost allocations.

Federal Managers' Financial Integrity Act of 1982: OMB Circular A-123, Revised, *Management's Responsibility for Internal Control*, defines internal control as "...tools to help program and financial managers achieve results and safeguard the integrity of their programs." The Circular provides guidance on using the range of tools at the disposal of agency managers to achieve desired program results and meet the requirements of the *Federal Managers' Financial Integrity Act of 1982* (FMFIA) (Pub. L. No. 97-255). FMFIA encompasses accounting and administrative controls, including program, operational, and administrative areas as well as accounting and financial management.

The FY 2013 *Independent Auditor's Report* contained two significant deficiencies in internal control. The full text of the report can be found in SSA's FY 2013 *Agency Financial Report*. We summarize the two control weaknesses below.

Calculation, Recording, and Preventing Overpayments: In FY 2012, the auditor reported a significant deficiency related to Benefit Payment Oversight. In FY 2013, the auditor did not identify this significant deficiency. However, it identified three deficiencies in internal control that, when aggregated, were considered to be a significant deficiency in internal controls related to calculation, recording and prevention of overpayments. Specifically, the auditor noted calculation errors in 38 percent of the overpayment items selected in a statistical sample. Although the impact of these errors was not deemed material, these errors evidence further control weaknesses in the overpayment process. In addition, SSA has a system limitation where overpayment installments extending past year 2049 are not tracked and reported systematically. Finally, SSA was not reconciling data between systems to detect discrepancies, which could lead to payment errors.

Information System Controls: In FYs 2010 and 2011, the auditor reported a significant deficiency in SSA's internal control over information security in its *Opinion on Management's Assertion about the Effectiveness of Internal Control*. In FY 2012, the auditor escalated the deficiency and determined there was a material weakness in internal control related to information security in the areas of monitoring, logical access, and configuration controls. It is the auditor's opinion that SSA made significant progress in strengthening controls over its information systems to address the material weakness reported in FY 2012.

While SSA made these significant efforts to strengthen controls over its systems and address weaknesses, the auditor's FY 2013 testing continued to identify control issues in both design and operation of key controls. In its audit, the auditor identified four deficiencies that, when aggregated, are considered to be a significant deficiency in the areas of information systems controls. The deficiencies noted were in the following areas.

- Threat Identification and Vulnerability Management
- Change Management
- Mainframe Security
- Access Controls/Segregation of Duties.

Administrative Cost Allocation: We also believe SSA can bring greater accountability to its administrative cost allocation. The *Social Security Act* (Pub. L. No. 74-271) authorizes SSA to allocate administrative costs to the four trust funds for which it provides administrative support: Retirement and Survivors, Disability, Hospital, and Supplementary Medical Insurance. SSA uses its Cost Analysis System (CAS) to allocate administrative costs to these four trust and general fund programs administered by SSA, such as the SSI program.

In FY 2012, our contractor completed a series of audits that examined SSA's CAS. Our contractor found CAS had certain risks that SSA needed to address to ensure it provided viable calculations of SSA's administrative costs. For example, SSA had not updated the CAS cost allocation methodology in over 30 years to account for changes in business processes, system technology, or Federal accounting standards. The failure to periodically revisit and update the cost allocation methodology could result in costing assumptions and cost factors that are no longer valid or accurate. Consequently, the equitable and appropriate allocation of SSA's administrative costs to the trust funds could be at risk.

Agency Actions

The Acting Commissioner has made addressing both the material weakness and significant deficiency reported in SSA's FY 2012 *Performance and Accountability Report* a priority. Specifically, SSA has established a protocol to control and follow up on discrepancies or inaccuracies in benefit payments to ensure they are corrected. Effective FY 2013, SSA closely tracks all high-risk error cases identified by the Office of Quality Review to ensure the payment errors are corrected accurately and timely.

Most recently, SSA hired a Deputy Chief Information Officer, a position that had been vacant at SSA. The role of the new Deputy Chief Information Officer is the Agency's IT strategic planning, alignment of IT investments to the Agency's strategic goals and objectives, and management of technology spending and capital planning.

SSA reported it achieved a number of accuracy and process improvements to CAS this year, which include the following.

- A process that more exactly determines costs by workload and more precisely allocates these workloads' costs among the programs that each workload supports.
- Automating calculations that were manual.
- Implementing a more detailed annual process to reconcile cost accounting data (budgetary accounting basis) to accrual-based expenses to ensure there are no material differences.
- Forming a standing executive governance committee to evaluate current methods, instructions, and workloads for component and Agency-level cost accountability processes to account for changes in business processes, system technology, and Federal accounting standards. The workgroup's activities include examining workload counts, work time, and payroll cost assignment by workload and function, and assignment of other costs by workload and function.

Strengthen Strategic and Tactical Planning

Challenge

While near-term planning is important, SSA needs long-range plans that address its long-term challenges, including a rising workload, a decrease in experienced staff, overly complex program policies, and a rising need to provide more services electronically.

Rising Workload: The number of individuals filing for benefits has increased, and SSA predicts it will continue increasing by the millions. Over the next 20 years, nearly 75 million people aged 62 and older will start receiving retirement benefits. The population applying for benefits will expect SSA to provide a greater number of services electronically. SSA realizes it needs to rely more on technology to meet customer expectations and keep up with a rising workload.

Fewer Experienced Staff: As workloads rise, a greater proportion of SSA's workforce will become eligible to retire. Of the 63,947 full- and part-time permanent employees on duty as of October 1, 2012, 22.2 percent was eligible to retire under the regular retirement option in FY 2013. In FY 2017, 32.7 percent of those employees will be eligible to retire, and, by FY 2022, this number will increase to 44.9 percent.

Given the expectation of leaner future budgets, SSA needs to plan to meet its mission with fewer resources. SSA's ASP for FY 2013 – FY 2016 and its *Information Resources Management Strategic Plan for FY 2012 – FY-2016* are near-term planning documents that do not provide plans on how SSA will address its challenges over the next 10 to 20 years and beyond. Both the OIG and Social Security Advisory Board have called for increased long-term planning to address SSA's future challenges.

Customer Service Delivery Planning: In our FY 2011 report on *The Social Security Administration's Customer Service Delivery Plan*, we concluded SSA did not have a long-term customer service delivery plan. We noted that SSA must develop a plan that serves as a roadmap for ensuring the Agency is technologically and structurally prepared with appropriate staff to operate its programs in the future. The plan should also describe how the Agency is preparing to address increased workloads and service delivery in an electronic environment. The plan must identify what the service delivery environment will be in the future, including what services customers will expect and how they will want to receive those services. SSA published a *Service Delivery Plan* in February 2013, but it did not comprehensively describe the service options it will offer in the future or the resources needed to do so.

Social Security Advisory Board Report: At a time when SSA needs to plan to do more with less, the Board believes SSA lacks long-term plans in a number of critical areas. In its March 2011 report, *The Social Security Administration: A Vision of the Future - The First Steps on the Road to 2020*, the Social Security Advisory Board concluded that SSA needed to develop an innovative service delivery plan that reflected the service options currently available and anticipate those that will emerge in the next 10 years. It recommended that SSA take multiple steps to ensure success in 2020, including rethinking its service delivery strategy, performing a comprehensive review of program policy to reduce complexity, establishing a Systems Modernization Plan, and developing a Human Capital Plan.

IT Strategic Planning: In our June 2009 report on *The Social Security Administration's Information Technology Strategic Planning*, we stated that SSA did not have a comprehensive Agency Information Infrastructure Plan to meet potential processing needs for the next 20 years or that would allow the Agency to recover quickly if one or more major component of its processing infrastructure failed or was destroyed. While SSA has an IT planning process, it is decentralized, and SSA officials agreed it needed to be strengthened.

Agency Actions

SSA has produced multiple planning documents, including those required by the *Government Performance and Results Act of 1993* (GPR) (Pub. L. No. 103-62) and the *GPR Modernization Act of 2010* (Pub. L. No. 111-352). These laws mandate that Federal agencies draft strategic and annual performance plans to help improve service

delivery by requiring that Federal managers plan to meet program objectives. SSA is developing its next ASP for FYs 2014-2018.

SSA has a number of planning documents. Specifically, SSA has the following strategic and tactical plans, which are listed on its Budget and Performance Webpage.

- Agency Conference Reporting
- Agency Strategic Plan
- Annual Performance Plan
- Budget Estimates and Related Information
- Information Resources Management Strategic Plan
- Major IT Investments (Exhibit 300s)
- Performance and Accountability Report
- Program Evaluations
- SSA Federal Program Inventory
- Summary of Performance and Financial Information
- Sustainability Plan and Scorecard

Of the 11 documents, 10 cover 1 through 5 years. The Agency's *Strategic Sustainability Performance Plan* includes FY 2020 goals, as required per an Executive Order. While this plan goes beyond a 5-year span, it does not include long-range plans that address SSA's long-term challenges, including a rising workload, a decrease in experienced staff, overly complex program policies, and a rising need to provide more services electronically.

Service Delivery Plan: SSA published its *Service Delivery Plan* in February 2013, which identified 22 key initiatives for providing the American public with quality service over the next 10 years. The plan highlighted SSA's commitment to improving (1) services readily used by the public, (2) the systems it uses to serve the public, and (3) payment accuracy and efficiency of operations.

More recently, SSA decided not to move forward with the *Service Delivery Plan*. It is in the process of developing a new long-term plan with the assistance of the National Academy of Public Administration. SSA intends to publish the long-range plan in late 2014.

Planning Officers: The *Service Delivery Plan*, and SSA's efforts to develop a newer long-term plan, are positive steps towards having a vision of SSA's future operations. This, coupled with the establishment in April 2013 of the Office of the Chief Strategic Officer to oversee all strategic planning across SSA, should help SSA plan for the next 10 years and beyond, taking into account customer expectations and available resources.

SSA established the Office of the Chief Strategic Officer to infuse strategic thinking into the culture, promote innovation, and achieve program performance improvements. The Office will lead the development of the long-term plan on how the Agency will modernized its services and operations by 2025, integrating IT, service delivery, and human capital.

SSA also reported that each Deputy Commissioner is developing a multi-year plan to ensure sustainability and improved effectiveness. Further, each component has been tasked with looking for ways to streamline SSA's organizations and operations, maximizing each employee's contribution, assessing the management structure, and cultivating a work environment and culture that fosters innovative approaches.

Most recently, SSA hired a Deputy Chief Information Officer to oversee the Agency's IT strategic planning, alignment of IT investments to the Agency's strategic goals and objectives, and management of technology spending and capital planning.