

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES



November 9, 2017

Nancy A. Berryhill
Acting Commissioner

Dear Ms. Berryhill:

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*.

MANAGEMENT AND PERFORMANCE CHALLENGES

As we planned our audit work for Fiscal Year (FY) 2017, we identified the following seven management and performance challenges.

- Reduce Disability Backlogs and Improve Decisional Quality
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Modernize Information Technology Infrastructure
- Secure Information Systems and Protect Sensitive Data
- Strengthen the Integrity and Protection of the Social Security Number
- Strengthen Planning, Transparency, and Accountability

As we reviewed SSA's disability programs this year, we determined our concerns would be better defined by a renamed challenge. Accordingly, we renamed the *Reduce Disability Backlogs and Improve Decisional Quality* challenge to *Improve Administration of the Disability Programs*.

We further discuss the management and performance challenges in the attached document. In the description of each challenge, we define the challenge, outline steps the Agency has taken to address it, and detail actions SSA still needs to take to fully mitigate the issue. We used multiple sources to determine the status of each of the identified challenges. For example, we used statistics SSA reported and Office of the Inspector General audits of SSA's operations. We also used the FY 2017 independent auditors' report, which contained the results of SSA's financial statement audit. The report concluded that SSA had three significant deficiencies in internal controls over financial reporting.

OTHER INFORMATION

The Office of Audit will continue focusing on these issues in FY 2018 and 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,



Gale Stallworth Stone
Acting Inspector General

Enclosure

*Fiscal Year 2017
Inspector General Statement
on the
Social Security Administration's
Major Management and Performance Challenges*



November 2017

IMPROVE ADMINISTRATION OF THE DISABILITY PROGRAMS

CHALLENGE

While the number of pending initial disability claims has decreased, the Agency still faces challenges with pending hearings and appeals. Continued focus is necessary to simplify work incentive regulations and create new opportunities for returning beneficiaries to work.

The Social Security Administration's (SSA) Fiscal Year (FY) 2014-2018 *Agency Strategic Plan* has a goal to "Serve the public through a stronger, more responsive disability program," which includes the objective of improving the quality, consistency, and timeliness of disability decisions while leveraging technology to improve the disability process. SSA's field offices, regional operations, hearing offices, and Appeals Council as well as State disability determination services (DDS) process these disability workloads.

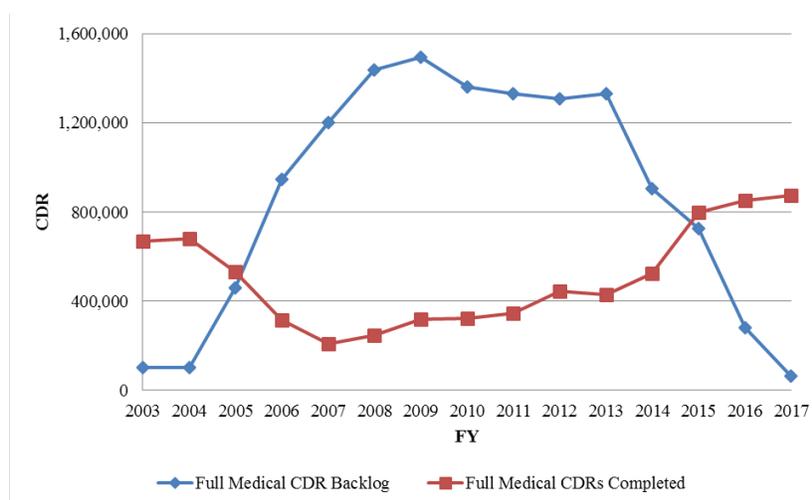
PENDING DISABILITY CLAIMS

While the number of pending claims has declined in recent years, SSA had approximately 523,000 initial disability claims pending at the end of FY 2017. At the end of FY 2016, there had been almost 568,000 initial disability claims pending. In FY 2017, SSA received over 2.4 million initial and 583,000 reconsideration claims and completed almost 2.5 million initial and 596,000 reconsideration claims.

CONTINUING DISABILITY REVIEW BACKLOG

The high number of initial disability applications in previous years forced the dedication of DDS resources to processing initial applications rather than conducting medical continuing disability reviews (CDR). As a result, SSA has had a backlog of full medical CDRs since FY 2002. As we stated in our August 2014 report on *The Social Security Administration's Completion of Program Integrity Workloads*, SSA had a backlog because it had not completed all full medical CDRs when they became due. As a result, SSA missed potential savings. Had SSA conducted full medical CDRs at historic levels, we estimated it would have identified billions of dollars in additional Federal benefit savings. With increased program integrity funding in recent years, SSA has increased the number of full medical CDRs completed and the backlog was down to about 64,000 cases at the end of FY 2017. SSA expects to eliminate the backlog by the end of FY 2018.

Figure 1: Full Medical CDR Backlog and Completions, FYs 2003 Through 2017



RETURN TO WORK

The *Ticket to Work and Work Incentives Improvement Act of 1999* (Pub. L. No. 106-170) established the Ticket to Work and Self-Sufficiency Program (Ticket Program). The purpose of the Ticket Program is to assist disabled beneficiaries in returning to work. Under the Ticket Program, SSA provides disabled beneficiaries a Ticket they can present to qualified organizations to obtain vocational rehabilitation or employment services.

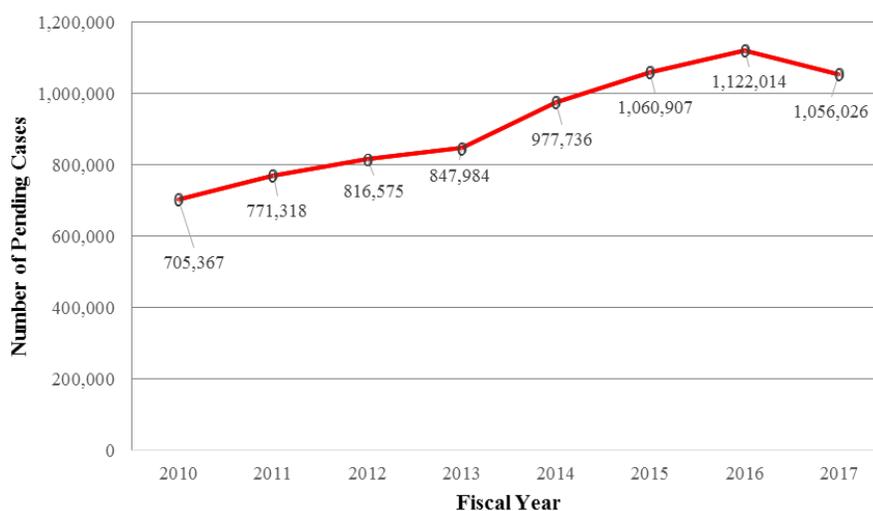
Few Ticket-eligible beneficiaries used their Tickets to receive vocational or employment services. For example, as of August 2017, which is the latest available data, about 3 percent of Ticket-eligible beneficiaries assigned their Tickets or placed them in-use. Most of the individuals who used their Tickets placed them in-use with a State vocational rehabilitation agency under the cost-reimbursement option, the type of service that was in place before the Ticket Program was implemented. While few beneficiaries used their Tickets, SSA incurred significant costs to operate the Ticket Program. For example, SSA has paid contractors over \$234 million to help manage the Ticket Program since its inception. SSA will incur similar costs to help manage the Ticket Program in the future.

While SSA reported significant savings attributed to the suspension or termination of benefits for beneficiaries who assigned or placed their Tickets in-use, most of the savings were attributed to beneficiaries who placed their Tickets in-use with a State vocational rehabilitation agency, the type of service available before the Ticket Program was implemented. Also, an independent evaluation failed to provide strong evidence of the Ticket Program's impact on employment and concluded that many successful Ticket Program participants might have been equally successful without SSA-financed services or with services provided by State vocational rehabilitation agencies under the payment system that predated the Ticket Program.

PENDING HEARINGS AND APPEALS

The hearings and appeals process has experienced worsening timeliness and growing backlogs. For instance, the average processing time for a hearing increased 42 percent from 426 days in FY 2010 to 605 days in FY 2017. Moreover, during the same period, the pending hearings backlog increased 50 percent, from 705,367 cases at the end of FY 2010 to 1.06 million cases at the end of FY 2017. In addition, the Appeals Council's pending workload had increased 19 percent, from 106,664 cases in FY 2010 to 127,134 cases in FY 2016, though it had decreased to 94,471 by end of FY 2017. In addition, average processing time was 388 days in FY 2016—up from 345 days in FY 2010. However, average processing time declined to 342 days in FY 2017.

Figure 2: Pending Hearings, FYs 2010 Through 2017



In January 2016, the Office of Disability Adjudication and Review, which formally became the Office of Hearings Operations on October 2, 2017, issued the *Compassionate and REsponsive Service* (CARES) plan. The CARES plan provides a framework of drivers and initiatives designed to address the growing number of pending hearings and increasing wait times. According to the CARES plan, SSA planned to reach an average processing time of 270 days for hearings by the end of FY 2020. The CARES plan also included a goal to process requests for Appeals Council review in an average of 180 days.

In September 2017, the Office of Hearings Operations released the 2017 updated CARES and Anomaly Plan, which builds on the tactical initiatives laid out in the 2016 Plan, incorporates lessons learned, and introduces new initiatives. The 2017 CARES plan incorporates \$90 million in dedicated 2-year funding that was provided in SSA's 2017 appropriation to address the disability hearings backlog. Further, the Office of Hearings Operations reported that it updated projections to reflect actual enacted budgets and now expects to eliminate the hearings backlog by the end of FY 2022.

AGENCY ACTIONS

COOPERATIVE DISABILITY INVESTIGATIONS

The Cooperative Disability Investigations program continues to be one of the Agency's most successful joint initiatives, combining the efforts of the Office of the Inspector General (OIG), SSA, DDSs, and State or local law enforcement personnel. As of September 30, 2017, the Cooperative Disability Investigations program had 40 units covering 34 States; Washington, D.C.; and the Commonwealth of Puerto Rico. The units work to obtain sufficient evidence to identify and resolve questions of fraud and abuse related to disability claims. From inception in FY 1998 through FY 2017, Cooperative Disability Investigations program efforts nationwide have resulted in \$3.7 billion in projected savings to SSA's Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) disability programs and \$2.7 billion to non-SSA programs. In FY 2017, Cooperative Disability Investigations program efforts nationwide resulted in \$229 million in projected savings to SSA's OASDI and SSI disability programs and \$269 million to non-SSA programs. In addition, in FY 2017, Cooperative Disability Investigations' efforts led to 90 judicial actions, which include criminal convictions, pre-trial diversions, civil settlements, and civil monetary penalties.

RETURN TO WORK

SSA reported it informs beneficiaries about its work incentive programs by mailing them paper tickets and eligibility notices and brochures when they begin receiving benefits. It mails notices to approximately 35,000 new beneficiaries each month. SSA expects these mailings to increase awareness of the program and increase participation in FYs through 2019.

HEARINGS AND APPEALS

As part of its CARES plan, SSA hired 264 administrative law judges (ALJ) in FY 2016 and 133 ALJs in FY 2017 to increase the Agency's adjudicatory capacity. In addition, the Office of Hearings Operations continues focusing on decision quality through its ongoing review of pre-effectuated adjudicator allowances, monitoring of potential anomalies in ALJ workload performance, and expansion of hearing office workload quality measures, such as the agreement rate associated with the percent of ALJ cases remanded or reversed in subsequent appeals.

WHAT THE AGENCY NEEDS TO DO

Continue its focus on reducing and eliminating the initial disability claims and CDR backlogs. While the Agency made progress in reducing the backlogs in recent years, it still needs to use its available resources and technology to increase its capacity to ensure it completes initial disability claims and full medical CDRs timely.

Continue simplifying work incentive regulations and creating new opportunities for returning beneficiaries to work.

Implement and monitor the CARES initiatives designed to improve timeliness and reduce the hearings backlog.

Focus resources on capacity issues to better balance processing times and workloads in hearing offices.

KEY RELATED PERFORMANCE MEASURES

Some of the key performance measures from SSA's revised FY 2017 *Annual Performance Plan* related to this challenge are listed below.

- Improve customer service by reducing the wait time for a hearing decision.
- Complete the budgeted number of initial disability claims.
- Complete the budgeted number of hearing requests.
- Average processing time for initial disability claims.
- Average processing time for reconsiderations.
- Average processing time for hearing decisions.
- Ensure the quality of decisions by achieving the DDS decisional accuracy rate for initial disability decisions.
- Increase the ability to provide timely decisions by reducing the percentage of pending Appeals Council requests for review 365 days old or older.
- Increase the number of beneficiaries returning to work by achieving the number of Disability Insurance and SSI disability beneficiaries with Tickets assigned and in use who work above a trial work level.
- Complete the budgeted number of full medical CDRs.
- Complete the budgeted number of disability reconsideration claims.

KEY RELATED LINKS

Mathematica Report – [Executive Summary of the Seventh Ticket to Work Evaluation Report, July 2013](#)

OIG Report – [The Social Security Administration’s Completion of Program Integrity Workloads \(A-07-14-24071\), August 2014](#)

OIG Report – [The Social Security Administration’s Efforts to Eliminate the Hearings Backlog \(A-12-15-15005\), September 2015](#)

OIG Report – [Hearing Office Average Processing Times \(A-05-15-50083\), September 2015](#)

OIG Report – [Characteristics of Claimants in the Social Security Administration’s Pending Hearings Backlog \(A-05-16-50207\), September 2016](#)

OIG Report – [Compassionate and Responsive Service Plan to Reduce Pending Hearings \(A-05-16-50167\), September 2016](#)

OIG Report – [The Ticket to Work Program \(A-02-17-50203\), September 2016](#)

OIG Report – [Pre-effectuation Reviews of Favorable Hearing Decisions \(A-12-15-50015\), February 2017](#)

OIG Report – [Oversight of Administrative Law Judge Decisional Quality \(A-12-16-50106\), March 2017](#)

OIG Report – [Reasons for Hearing-related Delays \(A-05-17-50268\), June 2017](#)

OIG Report – [Administrative Law Judges from Our February 2012 Report Who Had the Highest and Lowest Allowance Rates \(A-12-17-50220\), June 2017](#)

OIG Report – [Factors Related to Decreased Administrative Law Judge Productivity \(A-12-18-50289\), September 2017](#)

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

CHALLENGE

SSA is responsible for issuing about \$986 billion in benefit payments, annually, to about 69 million people. Given the large overall dollar amounts 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 several Federal agencies that have a high amount of improper payments. In its FY 2017 *Agency Financial Report*, SSA estimated it would make about \$7.8 billion in improper payments in FY 2017 and it incurred an administrative cost of \$0.07 for every overpayment dollar it collected. SSA also needs to adhere to the requirements in Executive Order 13520, the *Improper Payments Elimination and Recovery Act of 2010* (Pub. L. No. 111-204), and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (Pub. L. No. 112-248).

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.

According to SSA, in FY 2016 (the most recent year for which data is available),

- the OASDI overpayment error was \$1.9 billion, 0.21 percent of program outlays, and the underpayment error was \$670 million, 0.07 percent of program outlays; and
- the SSI overpayment error was \$4.3 billion, 7.62 percent of program outlays, and the underpayment error was \$696 million, 1.23 percent of program outlays.

For FYs 2016 through 2018, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments. In these same years, the Agency's goal was to achieve an SSI underpayment accuracy rate of 98.8 percent. As of FY 2017, SSA had revised the SSI overpayment accuracy goal from 95 percent to 94 percent.

SSA has not met its overpayment accuracy goals—as shown in Table 1. For example in FYs 2012 through 2016, the Agency's goal was 95-percent payment accuracy for SSI, but SSA fell short of this goal in each of these years. Similarly, SSA has not met its OASDI targets for payments without overpayments, but has come close to doing so in multiple years.

Table 1: Rates and Targets for Payments Without Overpayments FYs 2012 to 2016

FY	2012		2013		2014		2015		2016	
	SSI	OASDI								
Rate	93.66	99.78	92.43	99.78	93.05	99.47	93.94	99.64	92.38	99.79
Target	95.00	99.80	95.00	99.80	95.00	99.80	95.00	99.80	95.00	99.80
Met	No									

COMPLIANCE WITH IMPROPER PAYMENT LEGISLATIVE REQUIREMENTS

In November 2009, the President signed Executive Order 13520 on reducing improper payments. Later, the *Improper Payments Elimination and Recovery Act of 2010* and *Improper Payments Elimination and Recovery Improvement Act of 2012* were enacted in July 2010 and January 2013, respectively, to refine steps agencies should take to address improper payments. As a result, all agencies with high-risk programs—those with significant improper payments—are required to intensify their efforts to eliminate payment errors. The Office of Management and Budget designated SSA's programs as high-risk.

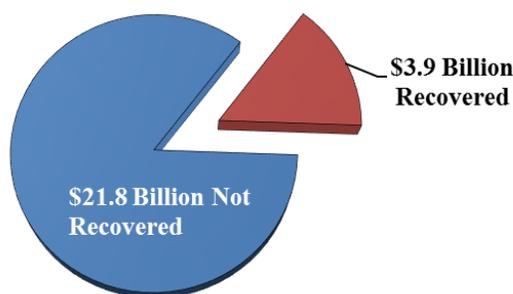
We noted in our May 2017 report, *SSA's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the FY 2016 Agency Financial Report*, that SSA was not in compliance with the *Improper Payments Elimination and Recovery Act of 2010* requirements for meeting its targeted payment accuracy rates (which are shown in Table 1). We also noted that

. . . for financial accounts and wage reporting, actual SSI deficiency dollars increased despite the implementation of Access to Financial Institutions and Supplemental Security Income Telephone Wage Reporting/Supplemental Security Income Mobile Wage Reporting, respectively. The Agency could not provide us data that measured the success of corrective actions because it was finalizing some of the metrics and developing others. SSA needs to develop analytical measurements to ensure a positive return on existing corrective action investments and further identify initiatives to reduce and recapture improper payments.

OVERPAYMENT RECOVERIES

Once SSA determines an individual has been overpaid, it attempts to recover the overpayment. According to SSA, in FY 2017, it recovered \$3.9 billion in overpayments at an administrative cost of \$0.07 for every dollar collected and ended the FY with a \$21.8 billion uncollected overpayment balance (see Figure 3).

Figure 3: Overpayments Recovered - FY 2017

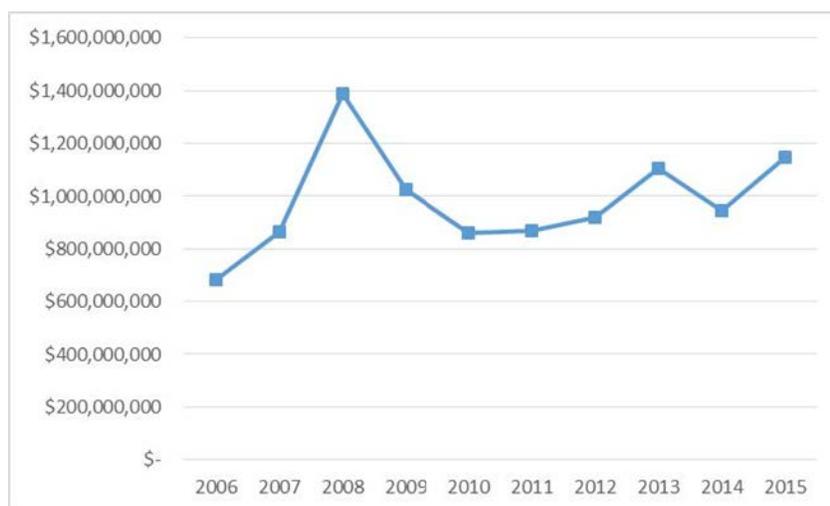


AGENCY ACTIONS

IMPROPER PAYMENT CAUSES

One of the major causes of improper payments in the OASDI program is beneficiaries' failure to timely report earnings or SSA not timely withholding monthly benefit payments from beneficiaries who are engaging in substantial gainful activity. Similarly, a major cause of improper payments in the SSI program is recipients' failure to accurately and timely report financial accounts or wages. As we noted in a May 2017 report, SSA's overpayment deficiency dollars related to financial accounts decreased from nearly \$1.4 billion in FY 2008; however, from 2014 to 2015, the dollar amount rose from \$946.2 million to \$1.1 billion (see Figure 4).

**Figure 4: Financial Account Overpayment Deficiency Dollars
(FYs 2006 Through 2015)**



With the enactment of the *Bipartisan Budget Act of 2015* (Pub. L. No. 114-74), SSA was given a new tool to obtain wage data sooner. A provision in this new law allows SSA to enter into information exchanges with payroll data providers to obtain wage data (without the need for independent verification) to efficiently administer OASDI and SSI benefits and prevent improper payments. It also allows the Agency to require that individuals provide authorization to obtain payroll data. SSA continues taking steps to implement the legislation.

DEBT COLLECTION TOOLS

SSA uses such methods as benefit withholding and billing with follow up to collect debt related to overpayments. 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. According to SSA, in the future, it will “. . . implement the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include charging administrative fees, penalties, and interest, or indexing of debt to reflect its current value.”

CDRs AND REDETERMINATIONS

The CDR is a tool for reducing improper payments. Through completed CDRs, SSA periodically verifies individuals are still disabled and eligible for disability payments. SSA estimates that it saves about \$10 for every \$1 budgeted for CDRs, including Medicare and Medicaid program effects.

According to SSA, another important program integrity tool is SSI non-medical redeterminations, which are periodic reviews of such non-medical eligibility factors as income and resources. SSA estimated that non-medical redeterminations yield a return on investment of about \$3 on average over 10 years per \$1 budgeted for this workload. However, budgetary constraints determine the number of redeterminations that SSA conducts each year.

WHAT THE AGENCY NEEDS TO DO

Identify and prevent improper payments through automation and data analytics. SSA needs to use available data to better identify changes that affect beneficiaries' and recipients' benefit payments. For example, we have previously recommended that SSA use its own data to identify anomalies that suggest a beneficiary may be ineligible.

Expand efforts to collect data from reliable third-party sources that would aid SSA in mitigating discrepancies that can occur when SSI recipients self-report information.

KEY RELATED PERFORMANCE MEASURES

The key improper payment related performance measures from SSA's revised FY 2017 *Annual Performance Plan* are listed below.

- Maintain a high accuracy rate of payments made through the OASDI program to minimize improper payments.
- Improve the integrity of the SSI program by ensuring that 94 percent of SSI payments are free of overpayment.
- Complete the budgeted number of full medical CDRs.
- Complete the budgeted number of SSI non-medical redeterminations.

KEY RELATED LINKS

[Federal Payment Accuracy Website](#)

Office of Management and Budget Memorandum Circular No. A-123, Memorandum M-15-02, Appendix C, [Requirements for Effective Estimation and Remediation of Improper Payments, October 20, 2014](#)

OIG Report – [Controls over Death Underpayments Paid to Non-beneficiaries \(A-09-16-50114\), June 2017](#)

OIG Report – [Supplemental Security Income Recipients Who Have Life Insurance Policies with Cash Surrender Values \(A-02-16-21186\), June 2017](#)

OIG Report – [Recovering Supplemental Security Income Overpayments from Jointly Liable Recipients \(A-07-17-50201\), May 2017](#)

OIG Report - [The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2016 Agency Financial Report \(A-15-17-50255\), May 2017](#)

IMPROVE CUSTOMER SERVICE

CHALLENGE

SSA faces challenges as it pursues its mission to deliver quality services to the American public, including an increase in workloads as experienced employees are expected to retire.

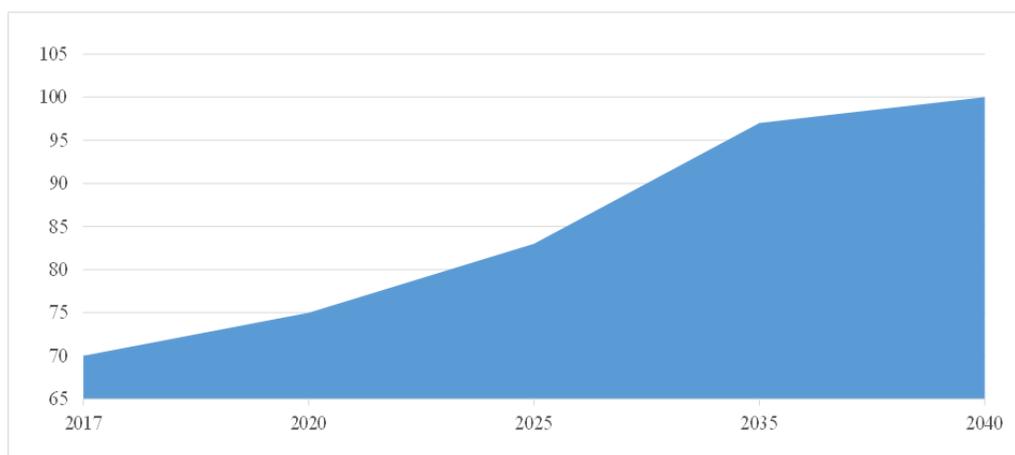
INCREASE IN SSA WORKLOADS

SSA's workloads have grown with the aging of the baby boomer population. In FY 2017, the Agency served over 42 million visitors in over 1,200 field offices nationwide, a 5-percent increase from over 40 million visitors in FY 2015. Its major field office workloads include

- processing original or replacement Social Security number (SSN) card applications;
- taking applications and determining non-medical eligibility for OASDI and SSI benefits;
- conducting non-medical eligibility reviews to ensure payment accuracy; and
- performing other functions, such as updating beneficiary records and answering telephone calls.

In 2017, SSA estimated the retirement of the baby boom generation would increase the number of beneficiaries through 2037, thereby increasing the Agency's workload. Based on the estimates, SSA expected the number of beneficiaries to increase by 43 percent over the next 20 years. See Figure 5 for the estimated increase of beneficiaries from 2017 to 2040.

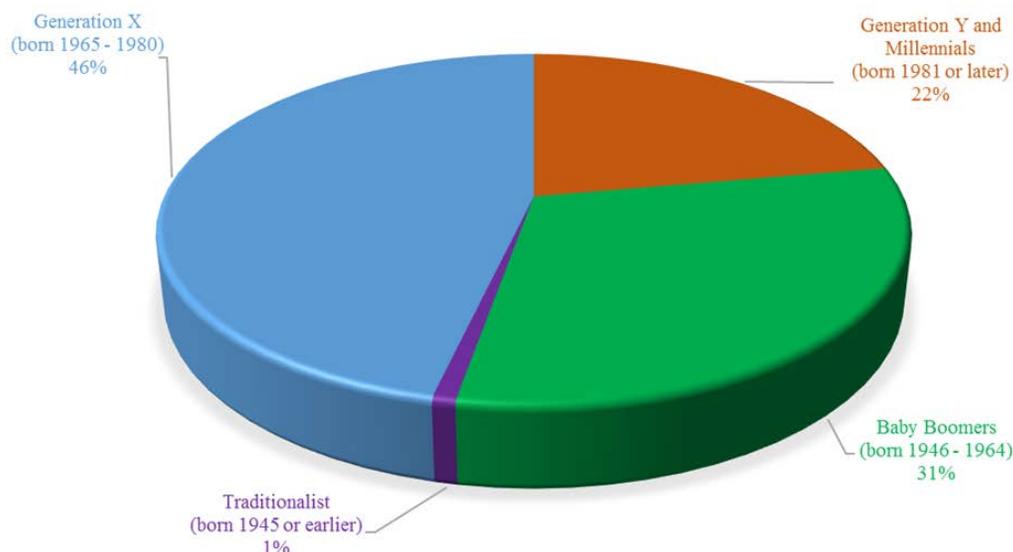
Figure 5: Number of Social Security Beneficiaries (in Millions) - Next 20 Years



The Agency acknowledges it must have the resources to process initial claims applications for benefits and maintain its ongoing workloads after individuals become entitled to benefits.

LOSS OF EXPERIENCED EMPLOYEES AND INSTITUTIONAL KNOWLEDGE

SSA stated that one of its greatest challenges is replacing the loss of its most experienced employees, especially in the Agency's current leadership ranks. In its October 2017 issue of *Workforce at a Glance*, SSA reported about 31 percent of its employees were baby boomers or older, and about 15 percent of its employees were eligible for retirement. See Figure 6 for the age of SSA's workforce.

Figure 6: Age of SSA’s Workforce by Generation as of the end of FY 2017

SSA also reported that more than 50 percent of its senior executives and 30 percent of its frontline supervisors were eligible to retire. At the end of FY 2017, SSA expected about 1,952 of its 6,504 supervisors would be eligible for retirement in the next 5 years. Without leadership development and succession planning, the loss of supervisors because of retirement will result in a lack of both experience and institutional knowledge.

ONLINE SERVICE DELIVERY OPTIONS

The demand for online services is expected to increase as the baby boom generation ages. SSA completed over 155 million transactions via SSA’s online services in FY 2017, a 29-percent increase from FY 2016 and a 78-percent increase from FY 2015.

According to the Pew Research Center, about 90 percent of American adults use the Internet, and 77 percent own smartphones that permit them to connect “on the go.” As Americans embrace mobile technology, SSA should continue enhancing its online services to increase use and reduce unnecessary field office visits. With increased use of online services, SSA can introduce new opportunities to service its customers and have more time for customers who need or prefer to complete business face to face.

OVERSIGHT OF THE REPRESENTATIVE PAYMENT PROGRAM

Some of the Agency’s most vulnerable beneficiaries—including the young, aged, and disabled—depend on representative payees to receive and manage their Social Security benefits. In its 2016 *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews*, the latest such report available, SSA reported there were about 6 million representative payees managing \$70 billion in annual benefits.

SSA faces dramatic increases in the need for representative payees as the population ages and a greater number of beneficiaries will require assistance managing their benefits. The Agency estimates the number of adult beneficiaries who will need a representative payee will increase 21 percent from 2.94 million in 2013 to 3.56 million in 2035. In February and March 2017, Congress held hearings that focused on SSA’s determinations of whether beneficiaries need representative payees and how SSA selects and monitors those serving as representative payees.

We continue to identify challenges with SSA’s administration of the Representative Payment Program. Some of our most recent audits have found SSA needs to improve controls to ensure it

- makes and documents capability determinations for disabled beneficiaries who previously had a representative payee;
- generates system alerts when there is a discrepancy between representative payee information in the electronic representative payee system and its payment records;
- does not improperly suspend mother/father and spousal beneficiaries who have a child in care and are serving as representative payees for children; and
- does not make payments to representative payees who are not in its electronic representative payee system.

Further, our investigations have identified various types of representative payee fraud. For example, we found representative payees that

- received benefits for children who were not in their custody or care for several years;
- filed fraudulent representative payee applications for benefits on behalf of children;
- failed to report beneficiaries’ deaths and continued receiving and using their monthly benefits for several years; and
- misappropriated funds from various beneficiaries and used the funds for their personal use.

AGENCY ACTIONS

SSA is continuing its effort to implement its long-term vision of superior customer service by incorporating strategic goals to meet the increasing demand for SSA services. In addition, the Agency is automating processes and developing online tools that will capitalize on technology. Finally, the Agency continues improving how it selects and monitors payees in the Representative Payment Program.

AGENCY’S EFFORTS TO IMPLEMENT VISION 2025

SSA’s *Annual Performance Plan for Fiscal Year 2018 and Revised Performance Plan for 2017* detailed the current priorities and goals it has set to measure the Agency’s progress for delivering innovative, quality services. The actions in that document align with the three priorities, including superior customer experience, established in SSA’s *Vision 2025*.

One of our reviews reported that SSA was using short-term strategic planning documents to support a broadly stated “aspirational vision.” In response to our report, SSA stated it further translated the three vision priorities into measurable goals by creating critical priorities. Recently, the Agency has focused on seven critical priorities for 2016 and 2017. Of the seven, four priorities are related to improving customer service: (1) Advance Customer Engagement; (2) Advance Service Delivery in SSA’s Disability Programs; (3) Enhance Knowledge of Social Security Retirement and Disability Programs; and (4) Enhance Quality and Payment Accuracy for SSA’s Customers.

EMPLOYEE DEVELOPMENT AND SUCCESSION PLANNING

SSA recognizes it must be diligent in developing leaders and succession planning to combat the loss of experience and institutional knowledge. At the end of FY 2017, the Agency launched the Career Path Website to inform employees of potential career paths and resources they may use to enhance their career planning. In addition, the Agency participated in National Career Development programs, such as the Senior Executive Service Candidate Development Program, that develops transferable executive skills of employees with high potential for a Senior Executive Service leadership role.

ONLINE SERVICE DELIVERY

To deliver innovative and quality services to the American public, SSA developed the strategic objective to develop and increase the use of self-service options. In FY 2017, SSA reported it

- partnered with over 70 external locations, such as local, State, or Federal agencies, to provide video service delivery that allowed the public to complete their business with SSA from those external locations;
- made self-help personal computers available in over 800 SSA field offices nationwide;
- offered the use of the Internet Social Security Number Replacement Card to 24 States and the District of Columbia for individuals to request a replacement SSN card;
- expanded the iClaim process to include certain SSI applications;
- expanded online appeals so individuals can electronically file an appeal on a non-medical claim; and
- enhanced *my Social Security* portal by adding the Get Help widget and Message Center.

REPRESENTATIVE PAYMENT PROGRAM

SSA acknowledges representative payees play a significant role in many beneficiaries' lives, and it explores ways to better identify, screen, and appoint representative payees. SSA also continues identifying representative payees that misuse funds. In its January 2017 report to Congress, SSA stated it conducted 2,590 payee reviews and removed 38 representative payees for misusing beneficiary funds or because of poor performance of duties.

In 2017, SSA reported it made the following improvements to its Representative Payment Program.

- Hired a contractor to assist in performing site reviews of representative payees.
- Consolidated and clarified its capability determination policy to ensure SSA employees consistently develop and document their determinations.
- Implemented enhancements to the electronic Representative Payee System to ensure capability determinations are documented.
- Amplified the release of the new capability policy and capability systems enhancement by delivering comprehensive training through a nationwide video-on-demand to all field office employees.

In addition, SSA reported it used a criminal bar policy to protect vulnerable beneficiaries from potential misuse of benefits by excluding representative payee applicants who had committed certain serious crimes, such as human trafficking, false imprisonment, and kidnapping. However, one of our reviews found that, until April 2016, SSA did not have a system to prevent its employees from selecting individuals as representative payees who had been convicted of barred crimes.

WHAT THE AGENCY NEEDS TO DO

Continue developing and implementing strategies that will provide quality services to the public now and in the future, while overcoming challenges related to an aging population, loss of institutional knowledge, and evolving technology trends.

Explore ways of strengthening its controls for administering the Representative Payment Program, including selection of payees. Also, improve monitoring of representative payee performance to prevent benefit misuse.

KEY RELATED PERFORMANCE MEASURES

Some of the key performance measures from SSA's revised FY 2017 *Annual Performance Plan* related to this challenge are listed below.

- Increase customer satisfaction with SSA services.
- Achieve the target speed in answering National 800-Number calls.
- Achieve the target busy rate for National 800-Number calls.
- Improve customer service by reducing the wait time for a hearing decision.
- Improve customer service and convenience by increasing online transactions by 25 million each year.
- Provide secure and effective services to the public by improving cyber-security performance.

KEY RELATED LINKS

[SSA's Agency Strategic Plan Fiscal Years 2014-2018](#)

[SSA's Annual Performance Plan for Fiscal Year 2018, Revised Annual Performance Plan for Fiscal Year 2017](#)

[SSA's Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews, Fiscal Year 2016](#)

[SSA's FY 2017 Budget Overview](#)

[SSA's FY 2018 Budget Overview](#)

[SSA's Vision 2025](#)

The Board of Trustees - [The 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, July 2017](#)

[SSA's 2016 Annual Report of the Supplemental Security Income Program](#)

Pew Research Center - [Internet & Technology: Mobile Fact Sheet, May 2017](#)

Pew Research Center - [Internet & Technology: Internet/Broadband Fact Sheet, January 2017](#)

OIG Report - [Congressional Response Report: The Social Security Administration's Vision 2025 Plan \(A-02-16-50125\), March 2016](#)

OIG Report - [Benefits Payable to Child Beneficiaries Whose Benefits Were Withheld Pending the Selection of a Representative Payee \(A-09-16-50088\), September 2016](#)

OIG Report - [Disabled Beneficiaries Receiving Direct Payments Who Previously Had a Representative Payee \(A-09-17-50205\), December 2016](#)

OIG Report - [Customer Waiting Times in the Social Security Administration's Field Offices \(A-04-17-50216\), December 2016](#)

OIG Report - [Individual Representative Payees Who Do Not Have a Social Security Number in the Social Security Administration's Payment Records \(A-09-19-50159\), February 2017](#)

OIG Report - [Beneficiaries Whose Payments Have Been Suspended for No Child in Care and Who Are Serving as Representative Payees for Children \(A-09-17-50200\), February 2017](#)

OTHER INFORMATION

OIG Report - [Active Representative Payees Who are Not in the Social Security Administration's Electronic Representative Payee System \(A-09-14-34120\), February 2017](#)

OIG Report - [Individuals Barred from Serving as Representative Payees \(A-03-16-50156\), August 2017](#).

MODERNIZE INFORMATION TECHNOLOGY INFRASTRUCTURE

CHALLENGE

SSA must modernize its IT to accomplish its mission despite budget and resource constraints.

Few Federal agencies touch as many people as SSA; and IT plays a critical role in SSA's day-to-day operations. However, SSA's aging IT infrastructure is increasingly difficult and expensive to maintain. The Agency continues relying on outdated applications and technologies to process its core workloads (for example, retirement and disability claims). Many of SSA's legacy applications were programmed with Common Business Oriented Language. SSA maintains more than 60 million lines of Common Business Oriented Language, along with millions more lines of other legacy programming languages. According to the Agency's Chief Information Officer, these legacy systems are not sustainable.

In FY 2017, SSA spent \$1.8 billion on IT. According to SSA, budget constraints have forced it to use much of its IT funding to operate and maintain existing systems. To ensure SSA can keep pace with increasing workloads, it must maintain its legacy systems while developing their modern replacements.

Cloud technology has become universal in the industry. Many organizations have realized benefits by extending their technology offerings with a mix of public and on-premise cloud offerings, tuned to meet customer, technology, and service demands. In line with this cloud strategy, SSA developed the Agency Cloud Initiative (ACI) to supplement its legacy infrastructure with the use of cloud technologies and automation. ACI creates an infrastructure that enables SSA's overall IT Modernization plans.

DEVELOPMENT AND IMPLEMENTATION OF ELECTRONIC SERVICES

Since SSA launched *my Social Security* in 2012, over 32.7 million customers have created accounts. According to SSA, in FY 2017, more than half of all Social Security retirement and disability applications were filed online, and customers completed over 155 million transactions using the Agency's Website. Still, the Agency saw about 42 million visitors in its field offices and handled over 36 million calls to its National 800-Number.

To reduce unnecessary field office visits, SSA continues enhancing its online services to provide the public a secure, convenient self-service option. To support its increasing workloads, SSA has developed and implemented over 30 electronic services for the public, businesses, and other government agencies.

One of the Agency's priorities is to improve customer service and convenience by increasing online transactions. To achieve that goal, SSA continues enhancing its *my Social Security* online portal. For example, SSA plans to redesign the portal and expand the services within *my Social Security* to additional user groups, including representative payees, appointed representatives, and business users. In addition, the Agency will enhance security and improve the portal's design to allow broader access from a variety of devices, such as smartphones and tablets. In September 2016, we recommended that SSA improve its access controls for *my Social Security*. The Agency is working to enhance the portal's security and online fraud detection capabilities.

IMPLEMENTATION OF MAJOR IT PROJECTS

SSA faces challenges in executing and implementing major IT projects and delivering expected functions on-schedule and within budget.

DISABILITY CASE PROCESSING SYSTEM

To simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall growth rate of infrastructure costs, SSA is developing the Disability Case Processing System (DCPS). Once it is implemented, all DDSs will use DCPS. Historically, the project has faced schedule delays and increasing stakeholder concerns.

In response to a request from the Chairman of the House Subcommittee on Social Security, Committee on Ways and Means, we completed three reviews of the DCPS project in FY 2017. In the first, we concluded SSA did not estimate the costs it will incur to develop sufficient functionality into DCPS to retire the legacy systems or the associated timeframe for deployment to the DDSs. Also, we reported that the Agency should evaluate its plans to ensure it can demonstrate to Congress and the public that it had chosen the most cost-effective alternative to achieve its goals and continue to do so as new challenges or opportunities occur.

In the second review, we reported that SSA plans to deliver the functionality needed to process all initial disability claims and reconsiderations (as well as initial continuing disability reviews) by January 2018. However, the Agency's ability to meet its delivery goals will depend on the future growth of the functional requirements backlog and the velocity with which SSA completes the requirements. SSA should continue reviewing its delivery targets to ensure they are feasible, considering the resources committed to the project and the Agency's development experience to-date.

In the last review, we reported SSA's goals to deliver functionality to support all initial and reconsideration cases by January 2018 and all remaining workloads including continuing disability reviews and disability hearings by April 2018. However, we concluded that SSA's ability to meet its goals will depend not only on the velocity with which it completes the backlog of functional requirements identified to-date but also the volume of work yet to be identified.

ACI

ACI is a cross-component project within the Office of Systems that will provide on-premise and public cloud infrastructures, platforms and applications/services to meet the Agency's service delivery and business operations requirements. SSA's traditional infrastructure will be augmented with on-premise cloud services, to be hosted in its two national co-processing data centers, and public cloud services for availability, flexibility, and cost-efficiency. The strategic deployment and management of this broad initiative enables SSA to leverage the cloud-computing model as an IT services broker.

SSA positioned a cloud development environment, the Enterprise Data Warehouse, and DCPS in the Agency's public cloud. In 2017, SSA plans further modernization efforts with a number of applications moving to the Agency's public cloud. These applications include a customer engagement message center, electronic notices, appointment and calendar service, electronic records management architecture, and a human resources portal.

IT INVESTMENT PROCESS

Finally, according to the recent post-implementation review (PIR) reports, although SSA generally was able to verify and compare costs, functionality impact, and other areas, it could not quantify the benefits or calculate the return on investment for these projects.

AGENCY ACTIONS

IT MODERNIZATION PLAN

For several years, SSA has worked incrementally to modernize its IT infrastructure. However, the Agency's Chief Information Officer has acknowledged the Agency must undertake a larger, multi-year effort.

In FY 2016, SSA began reorganizing its data into a modern architecture and developing a framework to allow real-time updates (in contrast to legacy systems that batch transactions). According to SSA, it is also moving to modernize its software engineering tools and skills. However, SSA needs a sustained, long-term investment to make the changes needed to develop a fully modern IT infrastructure capable of supporting the Agency's vast and complex operations.

DEVELOPMENT AND IMPLEMENTATION OF ELECTRONIC SERVICES

SSA expanded availability of its online application process for replacement Social Security cards to over half of the U.S. population, with full implementation expected by the end of FY 2018. The Agency also added online capabilities for individuals to check the status of applications and appeals through the *my Social Security* portal. In addition, individuals can appeal non-medical decisions online.

IMPLEMENTATION OF MAJOR IT PROJECTS

DCPS

SSA has taken steps to get the DCPS project on track. At the end of FY 2017, 9 participating DDSs had used DCPS to process over 2,100 disability claims. SSA expects to complete development—and deploy DCPS to about half the DDSs—by April 2018 at a total cost of about \$86.5 million. In addition, SSA projects it will spend approximately \$33 million from April 2018 through September 2019 to deploy DCPS to all remaining DDSs. SSA is planning for DDSs to begin retiring their legacy systems in FY 2019. By the end of FY 2020, the Agency expects all legacy systems will be retired. SSA estimates it will spend about \$6.5 million each year, beginning in FY 2020, to operate and maintain DCPS.

ACI

As SSA implements cloud technology, it expects to receive further flexibility to allocate systems resources to meet changing demands. Cloud technology improves systems availability and performance at a lower cost.

In 2017, SSA completed the implementation of an on-premises cloud proof of concept. In FY 2018, the Agency expects to complete the design for an Agency hybrid cloud. This platform will allow applications to use resources in public clouds and the on-premise SSA cloud simultaneously. In FY 2019, the Agency plans to build and implement the hybrid cloud services.

IT INVESTMENT PROCESS

SSA developed a new IT Investment Process that it expects will improve how it manages and invests in IT. The IT Investment Process will focus on up-front project planning with outcomes tied to specific Agency goals. An enterprise-wide executive IT investment board will meet throughout the year to make funding decisions on projects that provide the greatest benefit to the Agency. As a result, SSA believes it will be better able to deliver the right project on time and within budget.

In recent years, SSA has established policy and procedures for PIR and has been performing PIRs for selected projects. During the PIR, actual costs, benefits, schedule, and identified risks are compared to the original project estimates to assess the IT investment's performance and identify areas for improvement.

WHAT THE AGENCY NEEDS TO DO

Prioritize and adequately fund IT modernization activities.

Ensure the Agency's IT planning and investment control processes are effective.

KEY RELATED PERFORMANCE MEASURES

The key related performance measures from SSA's revised FY 2017 *Annual Performance Plan* are listed below.

- Improve customer service and convenience by increasing online transactions by 25 million each year.
- Enhance IT infrastructure by incorporating innovative advances in service delivery.
- Provide uninterrupted access to SSA systems during scheduled times of operation.
- Implement the consolidated enterprise database and the Enterprise Data Warehouse to improve service delivery and make faster data-driven decisions.

KEY RELATED LINKS

OIG Report - [*The Social Security Administration's Management of Information Technology Projects \(A-14-07-17099\)*](#), July 2007

OIG Report - [*Congressional Response Report: The Social Security Administration's Analysis of Alternatives for the Disability Case Processing System \(A-14-16-50078\)*](#), May 2016

OIG Report - [*The Social Security Administration's National Support Center: Progress Report as of April 2016 \(Limited Distribution\) \(A-14-16-50101\)*](#), July 2016

OIG Report - [*Access to the Social Security Administration's my Social Security Online Services \(Limited Distribution\) \(A-14-15-15010\)*](#), September 2016

OIG Report - [*Congressional Response Report: Costs Incurred to Develop the Disability Case Processing System \(A-14-16-50099\)*](#), September 2016

OIG Report - [*Congressional Response Report: Progress in Developing the Disability Case Processing System as of November 2016 \(A-14-17-50174\)*](#), December 2016

OIG Report - [*Congressional Response Report: Progress in Developing the Disability Case Processing System as of March 2017 \(A-14-17-50079\)*](#), April 2017

OIG Report - [*Congressional Response Report: Progress in Developing the Disability Case Processing System as of August 2017 \(A-14-17-50221\)*](#), September 2017

SECURE INFORMATION SYSTEMS AND PROTECT SENSITIVE DATA

CHALLENGE

SSA must ensure its information systems are secure and sensitive data are protected.

Federal information systems—and the information they hold—are increasingly becoming targets of cyber-attacks. Breaches at several Federal agencies have underscored the importance of securing Federal systems and protecting sensitive information. The information SSA houses on nearly every U.S. citizen is invaluable to would-be hackers and potential identity thieves. Consequently, the Agency's information systems may be at particular risk of attack. Given the highly sensitive nature of the personal information in its systems, it is imperative that SSA have a robust information security program.

SSA continues expanding its online services to improve customer service. The Agency is also developing systems in the cloud, which creates security concerns with housing sensitive Agency information in public clouds. It is important as SSA expands its services and systems to implement security during the development process.

INFORMATION SECURITY PROGRAM

Our prior audit and investigative work has revealed a number of concerns with the security of SSA's information systems. Since FY 2012, auditors have identified weaknesses that, when aggregated, created a significant deficiency in SSA's overall information systems security program that compromised the security of the Agency's information and information systems. Additionally, other audits and evaluations have identified serious concerns with SSA's information security program.

In our most recent report on SSA's compliance with the *Federal Information Security Modernization Act of 2014* (FISMA) (Pub. L. No. 113-283), KPMG LLP (KPMG) determined that SSA had established an Agency-wide information security program. However, KPMG identified a number of deficiencies that may limit the Agency's ability to protect the confidentiality, integrity, and availability of SSA's information systems and data. The deficiencies identified in each FISMA reporting metric domain—risk management, configuration management, identity and access management, security training, information security continuous monitoring, incident response, and contingency planning—are consistent with those cited in prior reports on SSA's FISMA compliance.

SECURING ONLINE SERVICES

As part of the Administration's *Cybersecurity National Action Plan*, agencies must take steps to safeguard personal data in online transactions between citizens and the Government, including adopting and using effective identity proofing and strong multi-factor authentication methods.

One of the Agency's priorities is to develop and increase the use of self-service options. To achieve that goal, SSA plans to expand the services available under its **my Social Security** online portal. For example, SSA plans to provide direct access to certain information and notices through its online services.

While expanding its inventory of electronic services, the Agency needs to ensure those services are secure. Prior investigative and audit work have identified multiple incidents of fraud committed through SSA's electronic services. For example, despite controls to prevent unauthorized access to **my Social Security**, we continue receiving fraud allegations related to **my Social Security** accounts. A major credit reporting agency recently disclosed it had suffered a cyber-security incident in which sensitive data were compromised. SSA uses that agency

to verify the identities of either new registrants or existing **my Social Security** users. However, SSA's preliminary assessment concluded there was no impact on the integrity of the Agency's identity proofing process.

In June 2017, SSA released enhancements to its **my Social Security** portal. These enhancements require that SSA use an email address or telephone number for future contact with account holders. However, this requirement does not provide additional assurance the user is the legitimate numberholder. We recognize online services are an important component of SSA's strategy to deliver services to the public during a period of increasing workloads and constrained resources. Still, we believe SSA's primary responsibility must be safeguarding the sensitive information the American public has entrusted to the Agency. To ensure citizens' sensitive information is adequately protected, we believe the Agency needs to strengthen the authentication process for the **my Social Security** portal by implementing technologies that meet the requirements for its higher assurance level.

SECURING CLOUD COMPUTING SERVICES

Cloud computing is a general term for delivering hosted technology services over the Internet. It is SSA's policy that no sensitive, personally identifiable information or Federal tax information is stored in, transmitted to, or processed in external cloud environments without authorization from the Chief Information Security and Chief Information Officers. Cloud-based systems must comply with FISMA requirements, Federal Risk and Authorization Management Program requirements, and any additional Agency requirements in SSA's Information Security Policy.

In 2014, we evaluated SSA's cloud computing technologies. We conducted the review early in SSA's cloud-adoption process and encouraged SSA to consult with the Office of Management and Budget on Federal requirements for cloud use. We started a new review of SSA's cloud environment in September 2017. Our objective is to determine whether the cloud environment is protecting the Agency's sensitive information.

AGENCY ACTIONS

SSA acknowledges it must be mindful of potential cyber-threats and remain committed to protecting privacy and security. One of the Agency's goals is to ensure its IT services are reliable, secure, and efficient. As part of that effort, SSA plans to strengthen its information security program.

INFORMATION SECURITY PROGRAM

SSA's Office of Information Security has developed its Cybersecurity Strategic and Cybersecurity Tactical plans that include many strategies and initiatives to address IT and cyber-security challenges within each functional area of the National Institute of Standards and Technology's (NIST) Cybersecurity Framework for the next 3 to 4 years. SSA started some of these initiatives, including projects to address privileged user access issues, monitoring mainframe vulnerabilities, and network segmentation. However, SSA has yet to start some important projects that would further strengthen its security program.

SECURING ONLINE SERVICES

SSA believes the changes to the **my Social Security** portal it implemented on June 10, 2017 addressed the authentication requirements contained in Executive Order 13681, *Improving the Security of Consumer Financial Transactions*, which was released in October 2014. While SSA's new authentication plan requires an email address or telephone number for future contact with the account holder, which is an improvement over the current process, it does not provide additional assurance the user is the legitimate numberholder. Our biggest concern is that SSA has not strengthened the identity-proofing process to ensure the user creating an account is who he/she claims to be.

In March 2016, an Agency risk assessment of the **my Social Security** portal concluded the portal required high confidence in the validity of an individual's identity. Based on the higher assurance level SSA determined, the **my Social Security** portal requires multi-factor authentication. Multi-factor authentication indicates the use of more than one authentication factor: something you know, something you have, or something you are.

In June 2017, NIST released a special publication, *Digital Identity Guidelines*, that provides agencies with guidelines for digital authentication of individuals to federal systems over a network. The new guidance revised requirements with the levels of assurance in the risk assessment process. With the changes in requirements, SSA may need to perform a new risk assessment for the *my Social Security* portal. NIST also states agencies making personal data accessible to citizens through digital applications require the use of multiple factors of authentication.

WHAT THE AGENCY NEEDS TO DO

Address the deficiencies identified by the independent auditor that, when aggregated, are considered to be a significant deficiency in SSA's information security program.

Ensure the electronic services the Agency provides are secure.

KEY RELATED PERFORMANCE MEASURES

The key related performance measures from SSA's revised FY 2017 *Annual Performance Plan* are listed below.

- Improve customer service and convenience by increasing online transactions by 25 million each year.
- Increase secure access to the public's data.
- Enhance IT infrastructure by incorporating innovative advances in service delivery.
- Provide secure and effective services to the public by improving cyber-security performance.

KEY RELATED LINKS

OIG Report - [The Social Security Administration's Management of Electronic Message Records \(A-14-15-25025\)](#), February 2016

OIG Report - [Congressional Response Report: The Security of Systems that Provide Access to Personally Identifiable Information \(Limited Distribution\) \(A-14-16-50173\)](#), August 2016

OIG Report - [Access to the Social Security Administration's my Social Security Online Services \(Limited Distribution\) \(A-14-15-15010\)](#), September 2016

OIG Report - [The Social Security Administration's Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2016 \(Limited Distribution\) \(A-14-17-50151\)](#), November 2016

OIG Report - [Security of the Social Security Administration's Public Web Applications \(Limited Distribution\) \(A-14-17-50152\)](#), April 2017

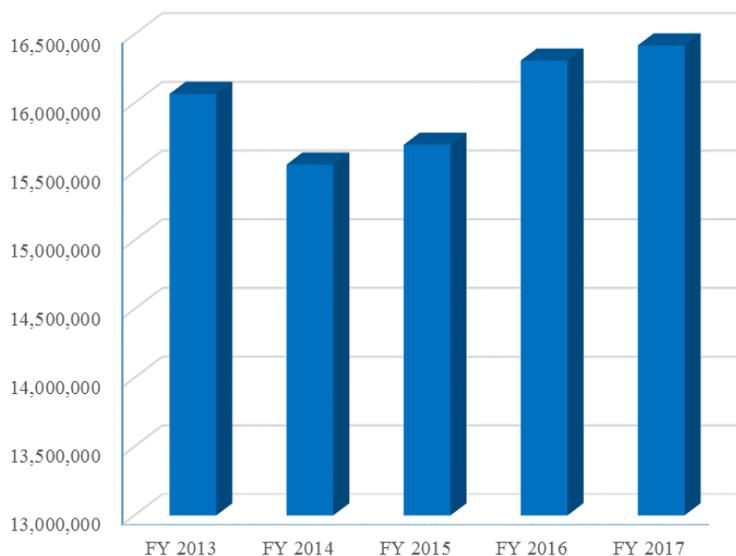
STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

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 2017, SSA issued over 16 million original and replacement SSN cards (see Figure 7). In addition, for Tax Year 2016, the Agency received and processed about 274 million wage items, totaling approximately \$6.6 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.

Figure 7: Original and Replacement SSN Cards Issued



SSN USE

The SSN is relied on as an identifier in U.S. society and is valuable as an illegal commodity. Additionally, the SSN is critical in accurately recording workers' earnings on which future benefit payments are based. 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

Given the preponderance of SSN misuse and identity theft in U.S. society, we continue to believe protecting this critical number is a considerable challenge for SSA as well as its millions of stakeholders. Unfortunately, once SSA assigns an SSN, it has no authority to control how other entities collect, use, and protect it. For example, some government and non-government organizations unnecessarily collect and use SSNs as a primary identifier. Yet, our audit and investigative work have shown that the more SSNs are unnecessarily used, the higher the probability individuals could use them to commit crimes.

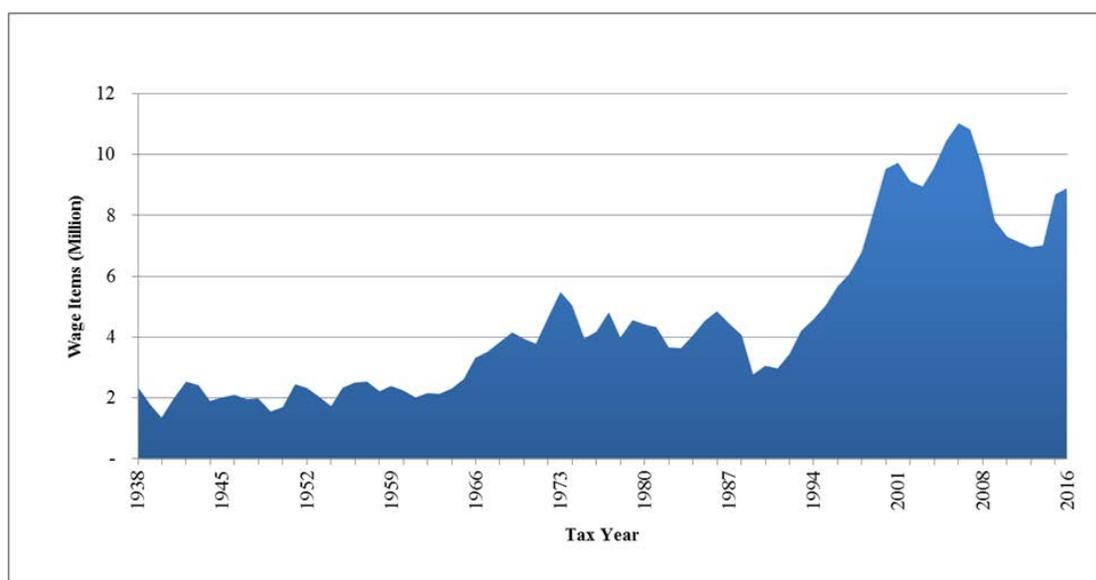
We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States. We are also concerned that some individuals misuse SSNs for identity theft purposes. A September 2015 Bureau of Justice Statistics release estimated that 17.6 million U.S. residents age 16 or older were victims of at least 1 incident of identity theft in 2014.

EARNINGS

SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and 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 \$1.5 trillion in wages and 360 million wage items for Tax Years 1938 through 2016. As shown in Figure 8, in Tax Year 2016 alone, SSA posted about 8.9 million wage items, representing \$98 billion in wages, to the ESF.

Figure 8: ESF Suspended Wage Items (1938 to 2016)



AGENCY ACTIONS

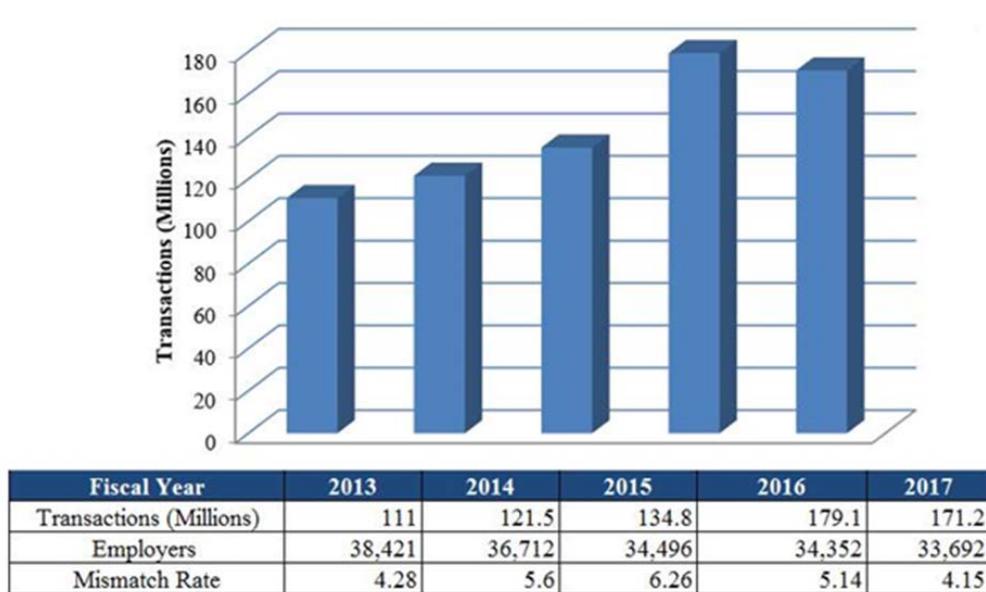
SSA has taken steps to streamline its enumeration process. For example, SSA released the *Internet-based Social Security Number Replacement Card* application in November 2015. This allows SSA to reduce the number of replacement card requests in field offices and Social Security Card Centers. In FY 2017, SSA processed nearly 500,000 replacement card applications via the *Internet-based Social Security Number Replacement Card* application. While we believe this initiative may enhance customer service, SSA must ensure it takes necessary steps to minimize the risk of individuals fraudulently obtaining a replacement card.

In addition, SSA has strengthened its policy for processing requests for the SSN printout and no longer provides SSN printouts to the public except in certain disaster situations. If an individual needs proof of his/her SSN and does not have an SSN card, he/she must request a replacement by completing an *Application for a Social Security Card* and providing the required documentation.

SOCIAL SECURITY NUMBER VERIFICATION SERVICE

SSA has taken steps to reduce the size and growth of the ESF. The Agency has offered employers the ability to verify their employees’ names and SSNs using the Agency’s SSN Verification Service before reporting wages to SSA. For the last 5 years, beginning in 2013, the number of verification transactions for SSN Verification Service has steadily increased from 111 to 156 million. In FY 2017, approximately 33,000 registered employers had submitted about 171 million verifications (see Figure 9).

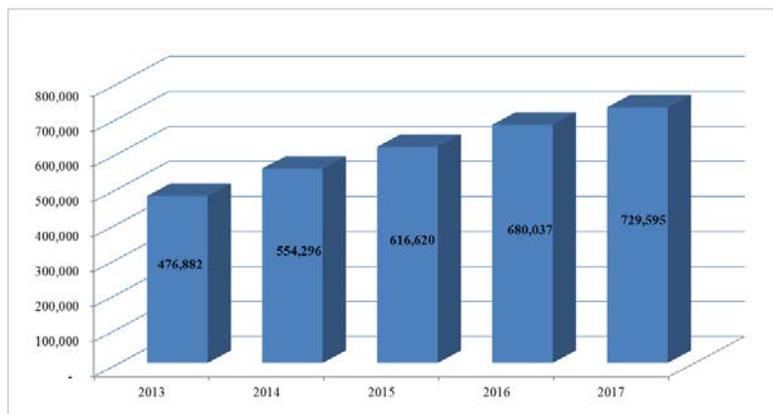
**Figure 9: Social Security Number Verification Service Verifications
FYs 2013 Through 2017**



E-VERIFY

SSA also supports the Department of Homeland Security in administering the E-Verify program, which assists employers in verifying electronically the employment eligibility of newly hired employees. According to the Department of Homeland Security, about 730,000 employers have enrolled to use E-Verify as of June 2017, which is the most current data available. Beginning in FY 2013, the number of registered users has steadily increased from 477,000 to 730,000 as shown in Figure 10. In FY 2017 (as of June 2017), more than 26 million queries were submitted.

Figure 10: Enrollment in E-Verify



WHAT THE AGENCY NEEDS TO DO

Continue to be vigilant in the protection of SSNs. 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.

Ensure that any electronic applications related to SSN card issuance offered through *my Social Security* include an effective authentication process.

Improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, re-examining the validity and integrity checks used to prevent suspicious W-2s from being posted, and encouraging greater use of the Agency's employee verification programs. 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.

KEY RELATED PERFORMANCE MEASURES

The key SSN-related performance measure from SSA's revised FY 2017 *Annual Performance Plan* is listed below.

- Improve the timeliness of the earnings data used to calculate benefits.

KEY RELATED LINKS

OIG Report – [Improper Use of Children's Social Security Numbers \(A-03-12-21269\), March 2014](#)

OIG Report – [Access Controls over the Business Services Online \(Limited Distribution\), \(A-03-13-13015\), June 2014.](#)

OIG Report – [Internet Social Security Number Replacement Card Project \(Limited Distribution\) \(A-08-14-24096\), July 2014](#)

OIG Report – [The Social Security Administration's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project \(Limited Distribution\) \(A-14-14-24130\), May 2015](#)

OIG Report – [Status of the Social Security Administration's Earnings Suspense File \(A-03-15-50058\), September 2015](#)

OIG Report – [Social Security Administration Correspondence Containing Full Social Security Numbers \(A-04-15-50070\), April 2016](#)

OIG Report – [Improper Use of Elderly Individuals' Social Security Numbers \(A-03-16-24028\), January 2017](#)

OIG Report – [Social Security Numbers Assigned and Benefits Paid to Refugees, Parolees, and Asylees \(A-08-16-50142\), July 2017](#)

OIG Report – [Cross-referred Social Security Numbers \(A-06-13-23091\), July 2017](#)

STRENGTHEN PLANNING, TRANSPARENCY, AND ACCOUNTABILITY

CHALLENGE

Planning, transparency, and accountability are critical factors in effective management. Failure to plan properly to meet its mission and challenges will lessen the Agency's ability to provide its services efficiently and effectively now and in the future. Similarly, mismanagement and waste as well as a lack of transparency for citizens in Government operations, can erode trust in SSA's ability to tackle the challenges it faces.

PLANNING

While SSA has created annual performance and multi-year strategic plans, we are concerned with the quality of its longer-term vision needed to ensure it has the programs, processes, staff, and infrastructure required to provide needed services for the next 10 to 20 years and beyond. In FY 2015, SSA released its *Vision 2025*, which SSA stated is a critical first step in planning how it will serve the public in the future.

We question whether SSA's *Vision 2025* provides a clear path to the organization SSA will need to be in the future to meet its mission. For example, it does not include specific, measurable goals or outline the strategy needed to implement SSA's proposed vision. We believe SSA's long-term strategic vision should include specific, measurable goals that clearly outline the service delivery model SSA envisions in year 2025 and beyond. Also, while *Vision 2025* describes the Agency's future environmental drivers, it does not explain how those drivers will affect SSA's ability to provide services in the future. Additionally, SSA's plan did not choose one primary service delivery method as recommended by the National Academy of Public Administration, which SSA contracted for a long-range strategic review. Instead, *Vision 2025* promised a service delivery system that would meet each customer's desire even though budget constraints may make such an approach unrealistic.

SSA also worked with a contractor to develop an execution strategy and roadmap to cover the 10-year period addressed by *Vision 2025*. The roadmap includes a more specific description of a future SSA but does not discuss how SSA's budget uncertainty and other environmental factors could affect the envisioned roadmap. Also, the roadmap is not available publicly, so stakeholders cannot understand how SSA's vision will be implemented and how it may impact them in the future.

TRANSPARENCY

The Agency has a mixture of outcome and output performance measures on which it publicly reports. The outcomes it measures include customer satisfaction, the timeliness of service or claims processing, and the accuracy of its payments. Other performance measures appear to measure outcomes but actually measure outputs. In these cases, SSA included a desired outcome in the wording of the performance measures, but it does not actually measure those outcomes. For example, one of SSA's performance measures is to "Improve the disability determination process by increasing the percentage of initial disability claims using electronically transmitted health records and medical evidence (Health IT)." While an increased number of claims using Health IT may improve the disability determination process, it may not. A better performance measure would measure whether claims using Health IT had better outcomes, like more accurate or timely disability determinations when compared to claims processed without Health IT.

SSA also has a number of output performance measures, including completing the budgeted number of full medical CDRs, SSI non-medical redeterminations, disability claims, and hearings requests. While measuring these workloads may be helpful for budgeting purposes, the performance measures do not inform whether the completion of the workloads equate to positive outcomes. More useful performance measures would measure the outcomes of the workloads, like the dollars saved by identifying beneficiaries who were no longer disabled and ineligible for benefits through the completion of CDRs.

ACCOUNTABILITY

SSA'S ANTI-FRAUD PROGRAMS

SSA needs a strong anti-fraud infrastructure to combat attempts to defraud its programs. We continue to report on fraud schemes that cost taxpayers millions of dollars. For example, in August 2017, we reported that over 7,000 beneficiaries had nearly \$11 million of their benefit payments misdirected by unauthorized changes to their direct deposit information in Calendar Years 2014 to 2016.

In FY 2014, we hired a contractor to complete a fraud risk assessment of SSA's anti-fraud activities and found that SSA did not track all instances of fraud or use a risk-based approach for combatting fraud. The contractor also concluded that the Agency could be more proactive in addressing and mitigating new fraud schemes and improving the design and operating effectiveness of anti-fraud measures.

Additionally, SSA has had to respond to new risk management requirements that became effective in FY 2017. Specifically, the Office of Management and Budget issued Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. It states that management has overall responsibility for establishing internal controls to manage fraud risk. This includes reporting to the Agency's governance structure the actions the Agency has taken to manage fraud risks and the status of the Agency's Risk Profile. The Agency's Risk Profile must include an evaluation of fraud risks and use a risk-based approach to design and implement financial and administrative controls to mitigate identified material fraud risks.

INDEPENDENT AUDITORS' REPORT

The FY 2017 *Independent Auditors' Report* contains three significant deficiencies in internal control. The three significant deficiencies are summarized below (refer to SSA's FY 2017 *Agency Financial Report* for the full text of the report).

Certain Financial Information System Controls. The auditor identified the following four systems control deficiencies that, when aggregated, are considered to be a significant deficiency in the area of IT Systems Controls.

- IT Oversight and Governance
- Access controls
- Network Security Controls
- Change and Configuration Management

Controls over the Reliability of Information Used in Certain Control Activities. The IT control deficiencies discussed above elevate the risk that data produced by SSA's IT systems, also known as information produced by the entity (IPE), may not be complete or accurate. When management uses IPE to perform its manual process level controls, it must have reasonable confidence the IPE is reliable for its intended purpose, and if necessary, add controls that compensate for information systems control deficiencies. The auditor found that management did not design and implement effective controls to ensure certain IPE used in performing manual process-level controls over benefits due and payable and accounts receivable was complete and accurate.

Accounts Receivable/Overpayments. The auditor identified four deficiencies in internal control that, when aggregated, are considered to be a significant deficiency related to weaknesses in internal controls related to accounts receivable/overpayments. Specifically, the auditor's testing disclosed the following deficiencies.

OTHER INFORMATION

- Financial Accounting Process Related to Overpayments
- Documentation Supporting Accounts Receivable/Overpayment Claims and Calculations
- Compliance with SSA Policies and Procedures Impacting the Effectiveness of Internal Controls
- IT System Limitations Affecting Accuracy and Presentation of OASDI Accounts Receivable

AGENCY ACTIONS

PLANNING

SSA created an addendum to its *Agency Strategic Plan* for FYs 2014-2018 to show how the *Vision 2025* priorities aligned with the Plan's strategic objectives. The addendum also showed how the *Vision 2025* priorities aligned with SSA's major management priorities for FYs 2015 through 2016. Per the addendum, the major management priorities were the Agency's first step in focusing and prioritizing the resources to realize *Vision 2025* and served as the first phase of the implementation of *Vision 2025*. However, while the addendum was listed on SSA's public Website with its *Agency Strategic Plan* previously, as of the date of this report, it no longer was. SSA plans to release a new strategic plan for FYs 2018-2022, highlighting three main strategic goals—deliver services effectively, improve the way SSA does business, and ensure stewardship.

TRANSPARENCY

SSA has slightly increased the number of outcome performance measures and lessened the number of output measures in its FY 2017 *Annual Performance Report*. Also, it provided its strategy and performance teams with performance-measure development training. Additionally, it implemented a new process for developing performance measures, with the goal of identifying the best indicators where data are available to measure progress in achieving the desired outcome of strategic objectives. Per SSA, it will continue developing more outcome-based performance measures as it moves forward with developing its next *Agency Strategic Plan*.

ACCOUNTABILITY

SSA has taken a number of steps to increase its anti-fraud activities. In November 2014, it established the Office of Anti-Fraud Programs to monitor the Agency's anti-fraud initiatives. The Office of Anti-Fraud Programs is developing the Anti-Fraud Enterprise Solution (AFES) to identify high fraud risk areas that have the most significant impact to the Agency. SSA completed the initial acquisition of AFES in FY 2016. The acquisition included a commercial, off-the-shelf software package that was the core of AFES. SSA expects AFES to enable it to identify patterns of potential types of fraud, improve functionality for data-driven fraud triggers and real-time fraud risk analysis, and integrate technology into its anti-fraud business processes.

SSA released its FY 2016 *Anti-Fraud Strategic Plan* in September 2016 and recently released an updated FY 2017 Plan. Per SSA, it aligned the Plan with the leading practices identified in the Government Accountability Office's *A Framework for Managing Fraud Risks in Federal Programs*, as well as SSA's *Agency Strategic Plan*. The anti-fraud plan describes how the Agency will develop and implement a comprehensive, unified anti-fraud program.

SSA has also completed a Disability Fraud Risk Assessment in response to the Government Accountability Office's framework and Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Per SSA, it used a phased approach in its assessment, following the standard phases of general risk management listed below.

- **Plan risk management** – SSA modified the risk management approach to its specific business processes.
- **Identify risks** – SSA identified risks at the program level, annotating all risks identified. It defined a fraud risk as a vulnerability that bad actors might exploit to gain benefits fraudulently.
- **Assess risks** – SSA prioritized risks and assessed new and current risks for likelihood and impact.

- **Plan risk responses** – SSA developed new proposed actions for newly identified risks and residual proposed actions for risks where SSA had current mitigating strategies.
- **Monitor and control risks** – SSA will develop management information to evaluate, monitor, and control risks through adaptation to circumstances. It will regularly re-evaluate risks.

WHAT THE AGENCY NEEDS TO DO

SSA should make public the roadmap guiding implementation of its *Vision 2025*. Also, the Agency should develop performance measures that address its long-term outcomes, so SSA and the public can track implementation of the roadmap.

SSA needs to continue to develop the infrastructure needed to strengthen its anti-fraud efforts.

The Agency needs to address its three internal control significant deficiencies.

KEY RELATED AGENCY PERFORMANCE MEASURES

The key planning, transparency, and accountability related measures from SSA's revised FY 2017 *Annual Performance Plan* are listed below.

- Continue to serve as a model agency for employment of individuals with targeted disabilities.
- Enhance workforce knowledge, skills, and abilities to achieve organizational goals by increasing employee satisfaction with training and development.
- Expand use of data to support workforce planning, program evaluation, and decisionmaking.
- Assess office lease expirations and increase co-location of components to reduce SSA's physical footprint.
- Become one of the Top 5 Best Places to Work among large agencies in the Government.

KEY RELATED LINKS

Government Accountability Office, [A Framework for Managing Fraud Risks in Federal Programs, July 2015](#)

Office of Management and Budget Circular No. A-123, [Management's Responsibility for Enterprise Risk Management and Internal Control, July 2016](#)

SSA's [Agency Strategic Plan, Fiscal Years 2014-2018](#)

SSA's [Agency Strategic Plan, Fiscal Years 2014-2018, Update Addendum: Vision 2025 Alignment](#)

SSA's [Annual Performance Plan for FY 2017-FY 2018 \(Annual Performance Plan for FY 2018, Revised Performance Plan for FY 2017\)](#)

SSA's [Vision 2025](#)

National Academy of Public Administration Report – [Anticipating the Future: Developing a Vision and Strategic Plan for the Social Security Administration for 2025-2030, July 2014](#)

OIG Report – [Fraud Risk Performance Audit of the Social Security Administration's Disability Programs \(Limited Distribution\) \(A-15-15-25002\), April 2015](#)

OTHER INFORMATION

OIG Report – [*Congressional Response Report: The Social Security Administration's Vision 2025 Plan \(A-02-16-50125\)*](#), March 2016

OIG Report – [*The Social Security Administration's Financial Report for Fiscal Year 2017 \(A-15-18-50273\)*](#), November 2017