

# ***ADDENDUM***



January 17, 2001

The Honorable Kenneth S. Apfel  
Commissioner of Social Security

Dear Mr. Apfel:

In November 2000, the President signed the Reports Consolidation Act of 2000, which requires Inspectors General to provide a summary and assessment of the most serious management and performance challenges facing the agencies and the agencies' progress in addressing them. This document, which is an amendment to the "Social Security Performance and Accountability Report for Fiscal Year 2000," responds to these new requirements.

In December 1999, we identified the following 10 significant management issues facing the Social Security Administration (SSA) for Fiscal Year (FY) 2000:

**SOLVENCY**

**SYSTEMS SECURITY & CONTROLS**

**PROGRAM COMPLEXITY**

**FRAUD RISK**

**GPRA**

**DISABILITY REDESIGN**

**EARNINGS SUSPENSE FILE**

**SERVICE TO THE PUBLIC**

**ENUMERATION**

**IDENTITY THEFT**

During FY 2000, SSA took action to address these issues, many of which are of a long-term nature and do not lend themselves to quick fixes. Our assessment of the status of these 10 management challenges is enclosed.

We recently issued a new list of management challenges facing SSA for FY 2001 and will provide a summary assessment on these issues in the FY 2001 “Social Security Performance and Accountability Report.”

Sincerely,

A handwritten signature in black ink, appearing to read "James G. Huse, Jr.", written in a cursive style.

James G. Huse, Jr.  
Inspector General of Social Security

Enclosure

**Office of the Inspector General's Assessment of  
the Social Security Administration's Progress in Addressing  
Significant Management and Performance Challenges  
Identified in December 1999**

**SOLVENCY**

---

Both the Office of the Inspector General (OIG) and SSA agreed that **SOLVENCY** of the Social Security Program remains a major concern. Under current estimates, expenditures from the Trust Fund will exceed tax receipts in 2015, and tax receipts will meet approximately 72 percent of scheduled benefit payments after 2037. Ultimate action rests with the President and Congress to continue bi-partisan reform efforts to find a solution to this important national issue. However, SSA needs to be involved in these discussions and to provide valuable information to support these efforts. In FY 2000, SSA had established goals to conduct research in an effort to identify areas in which policy changes may be needed to strengthen the programs and to help policymakers address program issues. Similar goals to produce studies have been established for FY 2001, including a goal to prepare analyses on the distributional and fiscal effects of solvency proposals. Such analysis will provide decisionmakers the information necessary to assess the impacts of changes to the programs on various populations. The value of which will depend upon SSA's success in strengthening its modeling capability to project income into future years and to analyze the distributional effects of alternative policies.

**SYSTEMS SECURITY AND CONTROLS**

---

While SSA successfully transitioned to Year 2000, **SYSTEMS SECURITY AND CONTROLS** remain a management challenge. It implemented recommendations we made to ensure SSA's ability to respond effectively to a disruption in business operations, and it has made notable progress to strengthen and improve controls over the protection of information and separation of duties. However, SSA still needs to complete and test disaster recovery plans for non-headquarter locations. During FY 2000, in response to Presidential Decision Directive 63 and recommendations from our audit work, SSA addressed information protection issues. It has: (1) issued security policies in accordance with Federal requirements; (2) implemented network monitoring and a process for monitoring inappropriate access to SSA mainframe computer systems; (3) strengthened physical access controls at the National Computer Center and procedures for removing systems access when no longer needed; (4) reduced vulnerabilities in the mainframe operating system; and (5) finalized accreditation and certification of systems. Despite these accomplishments, a weakness

in SSA's controls to protect its sensitive information is a reportable condition within the FY 2000 Financial Statement Audit. SSA's security framework for its network and distributed systems is weak or incomplete. While SSA has documented security goals and objectives for network and distributed systems, it needs to assess risk in those areas, issue technical guidance to help achieve the security goals and objectives, and more effectively monitor inappropriate system activity in non-headquarter locations. Congress recently passed the Government Information Security Reform Act that requires Federal agencies to examine the adequacy and effectiveness of information security policies, procedures, and practices in plans and reports relating to information resources management, among other issues. At this point in time, we have concerns as to whether SSA would be in compliance with the Act.

## **PROGRAM COMPLEXITY**

---

**PROGRAM COMPLEXITY** of the Supplemental Security Income (SSI) program and the disability claims process presents a challenge to SSA's administration. SSI eligibility partly depends upon complicated determinations of self-reported income and available resources. In October 1998, SSA issued its first management report on the SSI program that detailed plans to improve payment accuracy, increase continuing disability reviews (CDR), combat fraud, and collect overpayments. We have reported about improper and inaccurate payments in the SSI program and made recommendations to simplify some of processes within it. During FY 2000, SSA implemented several of its planned initiatives. As a result, SSA reported that it met or exceeded its FY 2000 goals for CDRs, SSI dollars reported from investigative activities, and for SSI debt collected. Previous OIG work has demonstrated that weaknesses exist in the data system used to measure these goals. Information about SSI payment accuracy for FY 2000 will not be available until April 2001. SSA has also implemented initiatives to improve service delivery for disability claimants. One of these initiatives has focused on achieving consistent decisions through consistent application of law.

## **FRAUD RISK**

---

**FRAUD RISK**, involving fraudulent schemes to obtain Social Security numbers (SSN), to receive retirement, disability and SSI benefits, and to handle other beneficiaries benefits, is a major concern. Fraud risk is especially problematic in SSI because of the dependence upon recipients self-reporting of changes in their income and personal circumstances that affect benefit eligibility and amounts. SSA is addressing fraud risk on numerous fronts that both seek to prevent and detect fraud, including CDRs, improvements in annual earnings postings and records maintenance, improvements to debt collection, enhanced representative payee monitoring, and expanding computer matches to detect unreported resources. In FY 2000, SSA continued to enhance existing computer matches and initiated new ones, such as access to State records on-line and access to Office of Child Support Enforcement databases to detect unreported income. SSA initiated in FY 2000, an enhanced program to conduct on-site and

financial reviews of representative payees. In addition, the OIG began to audit organizational payees as needed in response to certain “trigger” events, such as third-party reports of misuse; complaints from vendors of failure to receive payment, or failure to complete the annual accountability report. The OIG continues to play a significant role in SSA’s efforts to combat fraud. The Cooperative Disability Investigation teams, led by OI Special Agents, have been very effective in detecting and preventing SSI and disability fraud. During FY 1999 and 2000, the goals for both investigations conducted and criminal convictions, were exceeded as was SSI and Old-Age, Survivors, and Disability Insurance dollar amounts reported from investigative activities. The OIG is currently reviewing the accuracy of these performance measures.

## **GOVERNMENT PERFORMANCE AND RESULTS ACT**

---

OIG reviews of SSA’s FY 1999 and 2000 Annual Performance Plans (APP) and its FY 1999 Annual Performance Report concluded that SSA demonstrates a commitment to **GPRA** and has improved the usefulness of its APPs. Recognizing the evolving nature of GPRA reporting, we believe that SSA can make future APP’s more useful to decisionmakers by continuing to develop more outcome-based measures and developing goals for those management challenges for which corrective action is measurable. For instance, SSA has no goals related to management of the Earnings Suspense File, which has continued to increase. The usefulness of any GPRA reporting is dependent upon the reliability and validity of the information agencies use to report their performance toward meeting goals. SSA recognizes that the OIG plays a vital role in assuring that the systems used to produce performance data are reliable. Consequently, the OIG initiated a 3-year effort to review all SSA’s performance measures by FY 2001. To date, OIG has completed 18 reviews that included 24 measures, and made recommendations to address weaknesses in data sources and inaccurate measurements that impact the reliability of the performance data. SSA has responded favorably to most of these recommendations. As Congress increasingly relies upon GPRA reporting to make budget decisions, SSA will have to ensure that resource use is tied to performance, and that customer’s expectations and performance goals recognize that quality must also be maintained in meeting service level objectives.

## **DISABILITY REDESIGN**

---

The disability claims process has presented challenges by its complexity and SSA has been involved in a multiyear effort to improve performance in initial and appeal disability claims. Process Unification is the overarching theme for all **DISABILITY REDESIGN** initiatives, which will ensure fairness and consistency during the hearing process. For instance, in FY 2000, SSA awarded a contract to design a methodology to validate a single disability medical listing and has as a goal in FY 2001 to prepare a preliminary report on the development of the validation methodology. SSA still has to complete updating the mental disorders list. SSA also issued a report that identifies areas where improvement is needed in the

disability adjudication process, which is a major part of the **DISABILITY REDESIGN** initiative. This initiative involves achieving consistent application of law and regulation to make the correct determination as early in the claim process as possible, and to expedite the process through streamlining it. After several years of study, SSA began pilot programs in 10 States in FY 2000 that provide greater authority to the disability examiner, ensure appropriate case development, increase claimant interaction, and eliminate the reconsideration step at the Disability Determination Services offices. A related effort is the Hearings Process Improvement initiative. Pilots of this initiative were implemented in 37 hearing offices in FY 2000, and the remaining offices implemented the new process in October and November of 2000. OIG is scheduled to assess the success of the pilot initiatives in FY 2001. In addition, in FY 1999, SSA began implementation of its Electronic Disability (eDib) System that is the Agency's technological approach to automating the disability claims process. The OIG has been periodically monitoring the Electronic Service Delivery aspects of eDib through various SSA steering committees. We plan to conduct a survey of the eDib system development to assess the system for potential vulnerabilities and reporting on areas of concern. Also, as part of our continual monitoring of the eDib system we will evaluate development of the system.

## **EARNINGS SUSPENSE FILE**

---

The **EARNINGS SUSPENSE FILE** (ESF) is a file of wage items and does not represent a "fund" of money. The file consists of wage items that failed to match SSA's name and SSN validation criteria. From 1937 to 1998, the ESF accumulated over 219 million W-2s and over \$291 billion in wages, with 7 million W-2s and over \$31 billion in wages added in 1998 alone. SSA has developed a Tactical Plan containing an overall strategy and several individual projects designed to reduce the rate of growth and size of the Suspense File. The changes called for in the plan are long-term, however, and several factors hinder the efforts with the most potential to reduce the Suspense File's size and growth. Our review of SSA's ESF activities disclosed that despite numerous efforts, the volume of suspended wages continues to increase. During FY 2000, SSA was finalizing projects related to providing 1) error feedback to employers on new hire reports and 2) overnight electronic name/Social Security number verification services to employers. SSA also recently brought in an outside contractor to review the content of the ESF and make recommendations on purge/archive criteria to be used to delete inactive or unidentifiable records from the suspense file. These efforts can assist in reducing both new additions to the ESF as well as the overall size of the existing ESF. Other efforts need to move forward if SSA wants to demonstrate its commitment to reducing the ESF. For example, SSA has conducted a number of meetings with the Internal Revenue Service (IRS) to ensure that penalties are assessed on employers who submit bad wage data, but as of this writing, we are not aware of any penalties that have been assessed on any of these employers. In addition, SSA recently decided to end one of its initiatives where the Agency rejected electronic media from employers if more than 50 percent of the wage reports were in error in the hopes that a more

accurate tape would be resubmitted. The lack of IRS penalties, as well as the elimination of the electronic media error threshold, highlights some of the problems facing SSA as it attempts to deal with an ever-increasing suspense file. Since we have linked SSN misuse and identity theft to the Suspense File, we believe that a timely resolution to this problem is very important.

## **SERVICE TO THE PUBLIC**

---

SSA is committed to providing world-class **SERVICE TO THE PUBLIC** but it continues to be a challenge as customers' expectations increase and SSA faces downsizing and increasing workloads. A significant amount of SSA's workforce is expected to retire at the same time that SSA expects greatly increased retirement and disability workloads. Additional pressure on SSA's ability to meet customer expectations is created by budgetary, hiring, and technological limitations. In fact, in FY 2000, SSA failed to meet some of its goals that directly measure customer satisfaction. For instance, goals for the percent of core business customers rating SSA's service as excellent, very good, or good, as well as for the percent of employers rating SSA's overall service as excellent, very good, or good were not met. Further, for FY 2001, SSA lowered its goals for the number of initial disability claims processed and the percent of 800-number callers getting through on their first attempt, as well as within 5 minutes, due to reduced funding. While SSA is seeking alternative methods to provide service delivery options to the public, obstacles to client authentication to ensure confidentiality of information for on-line services have presented problems. SSA has updated its estimate on when it will be able to receive secure public inquiries on-line from FY 2000 to the end of FY 2002. OIG will continue to monitor the Agency's efforts to ensure that there is no trade-off between fraud prevention and customer service.

## **ENUMERATION**

---

Through its **ENUMERATION** process, SSA issued over 17 million original and replacement SSN cards in FY 1999 to U.S. citizens and aliens. Our audit and investigative work show that some SSN applications are processed based on false documentation. We commend SSA for taking initiatives aimed at preventing the issuance of a fraudulent SSN, especially the development of software to interrupt the issuance of SSN cards in fraud-prone scenarios. However, we believe that SSA still needs to improve controls over the enumeration process. We previously recommended that SSA propose legislation that disqualifies individuals who improperly attain SSNs from receiving work credits for periods that they were not authorized to work in the United States. However, SSA believes that this proposal would be too difficult to administer. During a National Anti-Fraud Committee meeting in June 2000, we led discussions with management concerning the possibility of requiring individuals to show picture identification when doing business with SSA. The Agency believes this would go against the core philosophy that created Social Security. We continue to believe that the Agency needs to make preventative action a major priority, since fraudulent SSN



activity will increase as the SSN becomes used more and more as the universal identifier and individuals seek to hide their earnings or to work illegally.

## **IDENTITY THEFT**

---

**IDENTITY THEFT**, when someone uses another's personal information without that individual's knowledge to commit a crime, became a crime itself when Congress passed the Identity Theft and Prevention Act. False identities are used to defraud SSA. For instance, unscrupulous individuals can assume the identity of another person, alive or dead, and work under the stolen SSN, while receiving disability benefits under their own SSN. Our investigative work shows that this crime is on the upswing. SSA has recognized the need to reduce its vulnerability to identity theft and has begun to focus more diligently on its prevention methods. To that end, SSA has developed initiatives aimed at detecting fraudulent birth certificates and fraudulent immigration documents. The Agency has also identified fraud-prone situations where identity theft is likely to occur. Additionally, the Agency is designing software to interrupt the issuance of SSN cards in certain scenarios that have been determined to be fraud-prone. SSA will be provided with an important tool in the fight against identify theft if Congress passes legislation that restricts the uses of SSNs. SSA continues to face the difficult challenge of balancing anti-fraud measures and achieving its goal of world-class service.