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United States Government Accountability Office

Report to the Chairman, Committee on Finance, U.S. Senate

December 2008

# INFORMATION TECHNOLOGY

## Demand for the Social Security Administration's Electronic Data Exchanges Is Growing and Presents Future Challenges

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# INFORMATION TECHNOLOGY

## Demand for the Social Security Administration's Electronic Data Exchanges Is Growing and Presents Future Challenges

## Why GAO Did This Study

Federal and state agencies, including the Social Security Administration (SSA), routinely share data through electronic exchanges to help increase the efficiency of program operations, reduce program costs, and improve public service. In light of SSA's broad responsibility for carrying out data exchanges, GAO was asked to describe SSA's critical programs that exchange data with other federal and state agencies, as well as the information systems that they rely on; and determine challenges and limitations that SSA may face in effectively using its systems to carry out data exchanges in the future. To accomplish this, GAO reviewed and analyzed relevant agency documentation, held discussions with key agency officials, and reviewed selected exchange programs.

## What GAO Recommends

GAO recommends that, as part of the agency's initiative to improve its data exchange management practices, SSA (1) establish milestones for completing the initiative's report and acting on its recommendations and (2) develop and maintain a comprehensive inventory of its data exchanges and the system resources they use. In commenting on GAO's draft report, SSA agreed with the recommendations and identified actions taken to address them.

## What GAO Found

Through more than 3,000 data exchanges with federal and state agencies, SSA both receives incoming data to support its own programs and provides outgoing data to support programs of other federal and state agencies. Most of these exchanges involve collecting incoming electronic data from other agencies, primarily to support the administration of Social Security benefits programs. The outgoing data from SSA to other federal and state agencies typically provide Social Security number verifications or are used to implement payment offsets in support of other agencies' business operations. In this regard, the agency performs more than a billion transactions to verify Social Security numbers for federal and state agencies each year. To carry out these data exchanges, SSA relies on a network of electronic information systems and an infrastructure that communicates with a variety of external systems used by the agency's partners.

SSA faces three primary challenges to supporting its existing and future data exchanges:
- meeting increasing demand for its data exchange services;
- ensuring privacy and security of data provided to its data exchange partners; and
- establishing effective practices for implementing and managing data exchanges.

Recognizing these challenges, the agency has undertaken an initiative to better manage its data exchange environment and address current and future challenges and limitations. If effectively implemented, the initiative could address the challenges GAO has described. Members of the initiative have drafted a report that includes recommendations for improving the management of its data exchanges. However, SSA has not established milestones for completing the report and acting on its recommendations. Thus, it cannot be assured that the recommendations will be addressed and implemented in a timely manner. In addition, the agency developed a summary inventory of its data exchanges to further support this initiative. However, while the inventory lists data exchanges and partners, among other things, it does not include comprehensive information on the agency's data exchange systems, because, according to SSA officials, its purpose was only to provide summary data. Nonetheless, an inventory that provides comprehensive information on the data exchanges, such as the supporting information systems and the status of privacy and security compliance requirements, is an important tool that could help the agency make credible and timely decisions to ensure effective management of its growing data exchange environment.

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# Contents

**Abbreviations**

| | |
|---|---|
| AAMVA | American Association of Motor Vehicle Administrators |
| CMPPA | Computer Matching and Privacy Protection Act |
| CMS | Centers for Medicare and Medicaid Services |
| DHS | Department of Homeland Security |
| EV-STAR | Employment Verification-SSA Tentative Nonconfirmation Automated Response |
| FISMA | Federal Information Security Management Act |
| RSDI | Retirement, Survivors, and Disability Insurance |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |
| SSOLV | Social Security Online Verification |
| SVES | State Verification and Exchange System |

**United States Government Accountability Office**
**Washington, DC 20548**

December 4, 2008

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate

Dear Mr. Chairman:

Federal and state agencies routinely share data through electronic exchanges to help increase the efficiency of program operations, reduce program costs, and improve public service. In this regard, the Social Security Administration (SSA) relies on data exchanges with other federal and state agencies to support its mission to advance the economic security of the nation's people.[1] For example, the information provided by these exchanges helps the agency process and disburse beneficiary payments for the nation's largest entitlement programs, including the Retirement, Survivors, and Disability Insurance program and the Supplemental Security Income program. Additionally, information provided by SSA to other federal agencies, such as the Centers for Medicare and Medicaid Services (CMS) and the Department of Homeland Security (DHS), supports those agencies' abilities to accomplish their missions.

In light of SSA's broad responsibility for carrying out data exchanges, you requested that we examine the agency's data exchanges with other federal and state agencies. Our specific objectives were to (1) describe SSA's critical programs that exchange data with other federal and state agencies, as well as the information systems that these rely on, and (2) determine the challenges and limitations that SSA may face in effectively using its systems to carry out data exchanges with these agencies in the future.

On September 12, 2008, we provided your office briefing slides that outlined the results of our study and met with your staff to discuss our findings, conclusions, and recommendations. The purpose of this report is to provide the published briefing slides to you and to officially transmit our recommendations to the Commissioner of Social Security. The slides,

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[1]A data exchange is any procedure for sending or receiving, or both, information between two or more partners.

which discuss our scope and methodology and incorporate edits made since we initially provided the briefing, are included in appendix I.

We conducted this performance audit from November 2007 to September 2008 at SSA's headquarters in Baltimore, Maryland, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In summary, our study highlighted the following:

SSA both receives incoming data to support its own programs and provides outgoing data to support programs of other federal and state agencies through more than 3,000 data exchanges. The majority of the exchanges involve SSA collecting incoming electronic data from other agencies, primarily to support the administration of Social Security benefits programs. For example, in order to calculate benefits, the agency uses data that it receives from the Internal Revenue Service. SSA also provides outgoing data to other federal and state agencies, including data to verify Social Security numbers or implement payment offsets in support of other agencies' business operations. In this regard, the agency performs more than a billion transactions to verify Social Security numbers for federal and state agencies each year. To accomplish such data exchanges, SSA relies on a network of electronic information systems and an infrastructure that communicates with a variety of external systems used by the agency's partners.

SSA faces three primary challenges to effectively supporting its existing and future data exchanges:

- *Meeting increasing demand for its data exchange services.* More agencies are using SSA data, and the level of service required is increasing. For example, according to SSA an increasing number of outside organizations are requesting electronic verification of Social Security numbers and Supplemental Security Income eligibility. Additionally, in some cases data must be accessible full time, with updates available in near real time. SSA may be challenged to retain the expertise and maintain the technology required to support the technical infrastructure and other resources needed to meet the increased demand.

- *Ensuring the privacy and security of data provided to its data exchange partners*. SSA is responsible for overseeing and reviewing other agencies' privacy and security safeguards to verify compliance with federal privacy and security requirements, activities that require dedicated staff with appropriate expertise. More agencies are requesting online access to SSA's records (rather than receiving data through batch processing); providing and supporting online access generally requires more extensive compliance reviews than does batch processing. The need for additional evaluations and reviews resulting from increasing demands could create a need for SSA to hire and retain additional staff with the expertise required to complete these activities.

- *Establishing effective management practices for implementing current and future data exchanges*. SSA has experienced challenges in managing its data exchange environment that have resulted in ineffective practices. For example, some data exchanges are not associated with documented agreements or are not properly reimbursed. Further, key responsibilities for the agency's data exchanges are dispersed throughout multiple agency components. According to SSA officials, establishing a single component to manage all the agency's data exchange activities could provide better control over the current and future data exchange workload.

SSA has recognized these challenges and created its Electronic Information Exchange Initiative to better manage its data exchange environment. If effectively implemented, the initiative could address the current and future challenges we have described. In July 2008, members of the initiative drafted a report that included recommendations for improving the agency's management of its data exchanges. However, milestones were not established for completing the report and acting on its recommendations. Until the agency defines such milestones, it cannot be assured that the recommendations will be addressed and implemented in a timely manner.

SSA also developed a summary inventory of data exchanges to support this initiative. Although the inventory lists data exchanges and partners, among other things, it does not include comprehensive information on the agency's data exchange systems. According to SSA officials, this is because its purpose was only to provide summary data. Nonetheless, an inventory that provides comprehensive information on the data exchanges, such as the supporting information systems and the status of privacy and security compliance requirements, is an important tool that could help the agency make credible and timely decisions to ensure effective management of its growing data exchange environment. Without

such an inventory, SSA may miss an opportunity to ensure that all of its data exchanges are properly managed and most effectively contribute to its service delivery.

## Conclusions

Data exchanges between SSA and other agencies provide useful information to both SSA and its thousands of federal and state partners. Although most of SSA's data exchange programs were established to allow the agency to receive data needed to support its benefits programs, SSA also provides data to federal and state agencies.

SSA recognizes that it faces challenges related to the increasing demand for data exchanges, the need to ensure the privacy and security of its data, and the effective management of its data exchanges. Consequently, the agency recently established its Electronic Information Exchange Initiative to improve the management, execution, processing, and oversight of its electronic data exchanges. If, as a result of these recent efforts, the agency establishes and maintains effective management practices for its data exchange workload, including establishing milestones and a comprehensive inventory, it may better position itself to meet its future data exchange challenges.

## Recommendations for Executive Action

We recommend that, as part of the agency's initiative to improve its data exchange management practices, the Commissioner of Social Security take the following two actions: (1) establish milestones for completing the initiative's report and acting on its recommendations and (2) develop and maintain a comprehensive inventory of its data exchanges and the system resources they use.

## Agency Comments and Our Evaluation

The Commissioner of Social Security provided written comments on a draft of this report. In the comments, the agency agreed with our recommendations and identified actions taken to address them. Specifically, SSA stated that it had completed its Electronic Information Exchange Initiative's report, established milestones for acting on the report's recommendations, and initiated efforts to create an inventory that could include the information that we suggested in our recommendation.

In other comments, the agency stated that our report did not fully explain its information exchange environment and challenges, or include updated summary statistics and financial information regarding its data exchange programs. In particular, SSA stated that our report did not adequately

differentiate or explain the agency's information exchange environment and challenges that affect each type of exchange. As noted in our study objectives and scope and methodology, we focused on selected programs as examples of key data exchange programs that SSA conducts with other federal and state agencies. We made our selection of the examples based on our review of information describing SSA's data exchange programs and in collaboration with agency officials responsible for managing these programs. In this regard, we included programs that support the administration of key business functions (such as the Retirement, Survivors, and Disability Insurance and the Supplemental Security Income programs), exchanges required by law (such as Medicare Parts C and D), and exchanges developed to replace manual program administration workloads or to meet the growing demand for online Social Security number verification (such as E-Verify, the State Verification and Exchange System, and the American Association of Motor Vehicles Administrators programs).

Further, we identified challenges and limitations that are expected to affect the agency's ability to effectively use its systems to exchange data with other agencies in the future. We organized these challenges into three broad categories that are relevant to the agency's overall data exchange environment: meeting increasing demand for data exchange services, ensuring privacy and security of data provided to data exchange partners, and establishing adequate management practices for implementing current and future data exchanges. Additionally, regarding SSA's comment that our report does not recognize certain significant challenges, we described those challenges in our discussion of the agency's need to meet increasing demand for its data exchange services and to ensure the privacy and security of the data that the agency provides to its partners.

Finally, the summary statistics and financial information that we included in the briefing reflected information provided by SSA program officials during our study. We requested and received the agency's confirmation of this information prior to delivering our briefing to congressional staff on September 12, 2008. Agency officials told us that updated information, to which SSA refers in its comments, had not been finalized and, therefore, was not available during our study. As a result, we did not have sufficient data to reconcile the difference noted in the financial information provided by program officials during our study and the information to which SSA refers in its written comments.

SSA also provided technical comments, which we have incorporated into the report as appropriate. The agency's written comments are reproduced in appendix II.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies of the report to interested congressional committees, the Director of the Office of Management and Budget, and the Commissioner of Social Security. This report will also be available at no charge on our Web site at http://www.gao.gov.

Should you or your staff have any questions on matters discussed in the report, please contact me at (202) 512-6304 or at melvinv@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix III.

Sincerely yours,

Valerie C. Melvin
Director, Human Capital and Management
   Information Systems Issues

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## Information Technology: Demand for the Social Security Administration's Electronic Data Exchanges Is Growing and Presents Future Challenges

Briefing for Staff of the

Committee on Finance

United States Senate

September 12, 2008

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**Overview**

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**Introduction**

Federal and state agencies routinely share data through electronic exchanges to help increase the efficiency of program operations, reduce program costs, and improve public service.

The Social Security Administration (SSA) relies on data exchanges with other federal and state agencies to support its mission to advance the economic security of the nation's people.[1] Data exchanges help the agency process and disburse beneficiary payments for the nation's largest entitlement programs, including the Retirement, Survivors, and Disability Insurance program and the Supplemental Security Income program.

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[1]A data exchange is any procedure for sending or receiving, or both, information between two or more partners.

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**Introduction**

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In 2006, following implementation of the premium withholding provisions of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003,[1] SSA and the Centers for Medicare and Medicaid Services (CMS) encountered problems in exchanging data in a timely manner to ensure proper premium withholdings from individuals' Social Security payments. As a result, there were reports of beneficiaries not having their requests for premium withholdings processed accurately or in a timely manner. We reported in July 2008 that SSA had taken actions to address problems associated with the electronic exchange of data with CMS for processing premium withholdings.[2]

[1]The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established Medicare Part D program, a prescription drug benefit to help Medicare recipients with prescription drug costs. Under this act, SSA is responsible, among other things, for withholding Medicare Part D premium amounts for participants who elected to have these premiums withheld from their Social Security payments. The act also required SSA to allow withholding of Medicare Advantage Program (Part C) premiums.

[2] GAO, *Schedule and Timing Issues Complicate Withholding Premiums for Medicare Parts C and D from Social Security Payments*, GAO-08-816R (Washington, D.C.: July 2008).

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**Objectives**

In light of SSA's broad responsibility for carrying out data exchanges, the Chairman of the Senate Finance Committee asked us to examine SSA's data exchanges with other federal and state agencies. Our specific objectives were to

- describe SSA's critical programs that exchange data with other federal and state agencies, as well as the information systems that these rely on, and

- determine the challenges and limitations that SSA may face in effectively using its systems to carry out data exchanges with these agencies in the future.

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**Scope and Methodology**

To identify SSA's critical data exchanges and the information systems that SSA currently relies on to perform these exchanges, we

- analyzed the agency's documentation that describes its federal and state data exchanges and their partner agencies;

- reviewed data exchange agreements, the programs they support, and other exchange information to gain perspective on data exchange activities and to understand the purposes for which the exchange agreements and systems were implemented;

- held discussions with agency officials regarding the information systems and agencies involved in SSA's key data exchanges; and

- selected programs to provide examples of SSA's critical data exchanges with other federal and state agencies.

  - We made our selections of examples of federal and state data exchanges based on our review of information describing key data exchanges and discussions with agency officials.

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**Scope and Methodology**

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- We selected exchanges that provide data essential to the effective administration of major federal programs that support SSA's Retirement, Survivors, and Disability Insurance; Supplemental Security Income benefits; Medicare prescription drug benefits; and the Department of Homeland Security's employment eligibility verification. We based our selection on the scope and impact of the programs on the country's population, including Social Security and Medicare beneficiaries and government and private employers. We reviewed and assessed documentation related to these programs and the information systems that support them to determine the extent to which the administration of the programs depends on electronic data exchange with SSA. We selected those programs for which data exchanges have recently increased in scope and usage and are expected to expand in the future.

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## Scope and Methodology

- We selected data exchanges serving state programs through which SSA provides information that (1) allows states to determine whether individuals are receiving Retirement, Survivors, and Disability Insurance and Supplemental Security Income benefit payments; and (2) enables states to verify Social Security numbers for administration of driver's license programs. We based our selection on the large volume of data provided by SSA and states' reliance on these exchanges for administering key programs that support large portions of states' populations (e.g., driver's license, food stamps, social services). We reviewed and assessed documentation related to these programs and the information systems that support them to determine the extent to which the programs depend on electronic data exchange with SSA. We selected those that reflect the varied systems (that is, batch query and online query systems) that the agency supports to perform these data exchanges.

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**Scope and Methodology**

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To identify challenges and limitations that SSA may face in effectively using its systems to conduct exchanges with partner agencies, we

- analyzed the agency's documentation on its existing data exchanges and requirements in federal laws and guidance that pertain to federal and state agencies' exchanges of data;

- reviewed internal agency reports that discussed SSA's data exchanges with other federal and state agencies; and

- interviewed SSA officials to obtain their views on any known problems, challenges, and limitations that are expected to affect the agency's ability to effectively use its systems to exchange data with other agencies in the future.

We did not independently verify SSA's reported cost or the number of exchanges identified as part of its data exchange environment.

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**Scope and Methodology**

We conducted this performance audit from November 2007 to September 2008 at SSA's headquarters in Baltimore, Maryland, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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**Results in Brief**

Through over 3,000 exchanges[1] with federal and state agencies, SSA both receives incoming data to support its own programs and provides outgoing data to support other federal and state agencies' programs. Most of these exchanges provide incoming electronic data from other agencies, primarily to support the administration of Social Security benefits programs. For example, the agency receives data from the Internal Revenue Service that is used in benefit calculations. The outgoing data from SSA to other federal and state agencies typically provide Social Security number verifications or are used to implement payment offsets in support of other agencies' business operations. In this regard, the agency performs more than a billion transactions to verify Social Security numbers for federal and state agencies each year. To carry out these data exchanges, SSA relies on a network of electronic information systems and an infrastructure that communicates with a variety of external systems used by the agency's partners.

[1]In this context, a "data exchange" refers to an ongoing mechanism for exchanging data; a "transaction" refers to an instance of exchanged data, such as the verification of a single Social Security number.

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**Results in Brief**

SSA faces three primary challenges to supporting existing and future data exchanges:

- Meeting increasing demand for its data exchange services. More agencies are using SSA data, and the level of service required is increasing. For example, in some cases data must be accessible full-time, with updates available in near real time.

- Ensuring privacy and security of data provided to SSA's data exchange partners. SSA is responsible for overseeing and reviewing other agencies' privacy and security safeguards to verify compliance with federal privacy and security requirements, activities that require dedicated staff with appropriate expertise.

- Establishing adequate management practices for implementing current and future data exchanges, such as mechanisms to provide management with an agencywide overview of data exchanges and the resources they absorb. SSA has experienced challenges in managing its data exchange environment that have resulted in ineffective practices. For example, some data exchanges are not associated with documented agreements or are not properly reimbursed.

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**Results in Brief**

Recognizing these challenges, SSA has undertaken an initiative to better manage its data exchange environment and address current and future challenges and limitations, and it has drafted a report that includes recommendations for improving the agency's management of data exchanges. However, it has not established milestones for completing the report and acting on its recommendations. Until the agency defines such milestones, it cannot be assured that the recommendations will be addressed and implemented in a timely manner. The agency has also developed a summary inventory of data exchanges to support this initiative. Although the summary inventory lists data exchanges and partners, among other things, it does not include comprehensive information on the agency's data exchange systems, because according to SSA officials, its purpose was only to provide summary data. Nonetheless, an inventory that provides comprehensive information on the data exchanges, such as the supporting information systems and the status of privacy and security compliance requirements, is an important tool that could help the agency make credible and timely decisions to ensure effective management of its growing data exchange environment. Without such an inventory, SSA may miss an opportunity to ensure that all of its data exchanges are properly managed and most effectively contribute to its service delivery.

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**Results in Brief**

We are recommending that as part of its initiative to improve its data exchange management practices, SSA (1) establish milestones for completing the initiative's report and acting on its recommendations and (2) develop and maintain a comprehensive inventory of its data exchanges and the system resources they use.

We received oral comments on a draft of this briefing from SSA officials, including the Deputy Commissioner for Systems and the Chief Information Officer. The officials agreed with our recommendations and provided additional information and technical comments related to the department's data exchange programs which were incorporated into the briefing as appropriate.

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**Background**

SSA engages in various types of electronic data exchanges, including Social Security number verifications and computer matches, depending on the business needs of its partner agencies. These electronic data exchanges are considered to be essential to helping the government streamline operations, reduce costs, and eliminate overpayments and fraud.

Efficient execution of data exchanges requires SSA to work cooperatively with its exchange partners to ensure that the data are accurate and move seamlessly between the agency and its partners' information systems.

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**Background**

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Several laws and regulations require SSA to provide record information to other agencies to support a wide range of non-SSA programs, as shown in table 1.

**Table 1: Laws and Regulations Governing SSA Information Sharing**

| Law | Requirements for SSA to provide information to other agencies |
|---|---|
| Intelligence Reform and Terrorism Prevention Act | Add death and fraud indicators to the Social Security number verification systems for employers, state agencies issuing driver's licenses and identity cards, and other verification routines that the Commissioner of Social Security determines appropriate |
| Section 6103 of the Internal Revenue Code | Disclose tax return information to state and local child support enforcement agencies to enforce child support obligations, and controls SSA's use and disclosure of tax return information maintained in agency records |
| Section 1137 of the Social Security Act | Transmit data to a multitude of state agencies to assist in administering income and health maintenance programs such as Medicaid, unemployment compensation, and food stamps |
| Military Selective Service Act | Disclose names, Social Security numbers, and dates of birth of individuals required to register with the Selective Service System |
| Section 453 of the Social Security Act | Provide Social Security numbers, addresses, benefit data, and tax return information to the Office of Child Support Enforcement (Federal Parent Locator Service) |

Source: SSA data and GAO analysis.

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**Background**

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Other laws specify security and privacy protection requirements to safeguard the data exchanged by SSA, including those containing personally identifiable information such as Social Security numbers.[1] For example, the Privacy Act of 1974 was enacted to regulate the collection, maintenance, use, and dissemination of personal information such as Social Security numbers by federal agencies. Additionally, the Federal Information Security Management Act (FISMA) and related guidance impose a range of information security requirements on SSA and other federal agencies to protect agency information, including records involved in data exchanges, such as performing periodic assessments of risk and periodic testing and evaluation of the effectiveness of information security procedures and practices.

Table 2 (next slide) presents an outline of key laws that are intended to protect data exchanged between SSA and other agencies.

[1]Protecting personally identifiable information in federal systems is critical because its loss or unauthorized disclosure can lead to serious consequences for individuals. These consequences include identity theft or other fraudulent activity, which can result in substantial harm, embarrassment, and inconvenience.

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**Background**

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**Table 2: Key Laws Protecting Data Exchanged**

| Law | Description |
| --- | --- |
| Privacy Act of 1974 | Prohibits use and disclosure of personal records without consent of the individual, unless otherwise permitted under the law; requires protection of personal records whose disclosure could cause harm, embarrassment, unfairness, or inconvenience to the individual |
| Computer Matching and Privacy Protection Act | Establishes procedural safeguards that affect agencies' use of records from benefits programs in performing certain types of computerized matching programs |
| Social Security Act | Prohibits unauthorized disclosure of individually identifiable program beneficiaries' records and information transmitted to, or obtained by or from the Department of Health and Human Services, SSA, and their contractors |
| Federal Information Security Management Act | Defines federal requirements for securing information and information systems that support federal agency operations and assets, including protecting information from unauthorized access, use, disclosure, modification, and destruction |

Source: GAO analysis.

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**SSA's Data Exchange Environment**

Through exchanges with federal and state agencies, SSA both receives incoming data to support its benefits programs and provides outgoing data to support other federal and state agencies' programs. For example, the agency receives data on income from the Internal Revenue Service that is used in benefit calculations, and it provides more than a billion Social Security number verifications for federal and state agencies each year.

To carry out these data exchanges, SSA relies on a network of electronic information systems and an infrastructure that communicates with a variety of external systems used by the agency's partners. For example, the agency exchanges data both with partners that use modern telecommunications technology and with those using older technology to transmit data. SSA's systems must support exchanges both through processing data in batch files and through individual, real-time transactions, depending on the need, the method of transfer, and the technological capability of the data exchange partner.[1]

[1]Batch file mode collects and processes transactions together at a specified time, while real-time mode processes transactions in response to an external event within a short and predictable time frame.

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**SSA's Data Exchange Environment**

Our evaluation of SSA's relevant documentation on the agency's data exchange environment identified

- 104 data exchanges with 19 federal agencies and

- 3,150 data exchanges with various agencies in 50 states, the District of Columbia, and 4 U.S. territories.

Note that these numbers do not refer to transactions—that is, an instance of exchanged data, such as the verification of a single Social Security number—but to ongoing mechanisms for exchanging data.

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## SSA's Data Exchange Environment

SSA receives incoming data from its exchange partners primarily to support the administration of Social Security benefits programs. Outgoing data typically provide Social Security number verifications or implement payment offsets in support of other agencies' business operations. As shown in table 3, most of the agency's data exchanges are for incoming data from SSA's partners. Further, as the table shows, some exchanges are two-way, both incoming and outgoing.

**Table 3: SSA's Incoming and Outgoing Exchanges with Federal and State Agencies**

| Exchange type | Federal | State |
|---|---|---|
| Incoming | 37 | 2,346 |
| Outgoing | 60 | 765 |
| Both incoming and outgoing | 7 | 39 |
| **Total** | **104** | **3,150** |

Source: GAO analysis of SSA data.

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**SSA's Data Exchange Environment**

SSA is financially responsible for exchanges that directly support SSA programs. The agency provides payments to its partners for the incoming data that it receives to support its benefits programs. Conversely, SSA may be reimbursed for the outgoing data it provides to its partners in support of other federal and state agencies' programs. Such reimbursements depend on the agreements the agency reaches with its exchange partners. SSA reported that it currently is reimbursed for 32 federal and 251 state data exchanges.

Table 4 summarizes the agency's payments and reimbursements for data exchanges reported for fiscal year 2007.

**Table 4: Summary of SSA's Reported Payments and Reimbursements for Data Exchanges in Fiscal Year 2007**

| Data exchange partner | Payments (incoming data) | Reimbursements (outgoing data) |
|---|---|---|
| Federal agencies | $1,288,155 | $9,578,449 |
| State agencies | $17,462,427 | $447,930 |

Source: SSA reported data

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**SSA's Data Exchange Environment
Incoming Data**

Incoming data from other federal and state agencies provide information primarily for SSA's two major benefits payment programs:

- the Retirement, Survivors, and Disability Insurance (RSDI) program,[1] which provides benefits to workers who have paid into the Social Security trust fund, and

- the Supplemental Security Income (SSI) program, which provides or supplements the income of aged, blind, or disabled individuals with limited income and resources.[2]

In fiscal year 2007, according to the agency, approximately 54 million beneficiaries received monthly RSDI or SSI benefit payments, totaling about $613 billion for both programs.

[1]SSA uses RSDI to refer to the Old-Age and Survivors Insurance program and the Disability Insurance program, both of which provide benefits under Title II of the Social Security Act. The Old-Age and Survivors Insurance program provides benefits to eligible insured individuals and their eligible family members and survivors; the Disability Insurance program provides benefits to eligible individuals who have qualifying disabilities and their eligible family members.

[2]The SSI program provides income under Title XVI of the Social Security Act.

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**SSA's Data Exchange Environment
Incoming Data**

These incoming data are used to establish a record of an individual's earnings and to determine eligibility for, and the amount of, benefits. For example:

- SSA receives data from the Internal Revenue Service that provide information such as address, earned income, unearned income, employer identification and self-employment tax. These data are used to suspend or reduce RSDI and SSI benefits where appropriate.

- SSA receives data from the Office of Personnel Management that provide pension and annuity information. The data are used to compute offsets for RSDI and SSI benefits.

- The agency receives unemployment compensation data from state agencies to match against its benefits rolls to determine if reductions in SSI payments are appropriate.

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**SSA's Data Exchange Environment**
**Incoming Data**

Additionally, to help accurately calculate benefit payments, SSA receives data from other federal agencies, such as the Departments of Labor, Homeland Security, and Veterans Affairs; the Railroad Retirement Board; and the Bureau of Public Debt. It also receives data from a variety of state agencies such as state vital records and prison agencies to, among other things, update its records and enforce payment regulations for RSDI and SSI programs.

Table 5 (next two slides) describes the types of data received from various federal and state entities to assist SSA in calculating accurate RSDI and SSI payments.

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## SSA's Data Exchange Environment
## Incoming Data

**Table 5: Data Received from Various Federal and State Entities**

| Federal and state partners | Description of data received | SSA program supported |
|---|---|---|
| Department of Defense | Military pension | SSI |
| Department of Homeland Security | Deportation and intent to leave the country, alien immigration admission status | RSDI and SSI |
| Department of Labor | Black lung disease | RSDI and SSI |
| Department of the Treasury | Social Security number information on returned checks | RSDI and SSI |
| Internal Revenue Service (Treasury) | Address, employment, income, and nanny tax | RSDI and SSI |
| Bureau of Public Debt (Treasury) | Savings bond and savings account | SSI |
| Department of Veterans Affairs | Veterans' earnings | RSDI and SSI |
| Center for Medicare and Medicaid Services (Health and Human Services) | Nursing home, Medicare, and Medicaid | SSI |

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## SSA's Data Exchange Environment
## Incoming Data

**Table 5 (cont'd): Data Received from Various Federal and State Entities**

| Federal and state partners | Description of data received | SSA program supported |
|---|---|---|
| Office of Child Support Enforcement (Health and Human Services) | Quarterly wage, unemployment, and new hire | RSDI and SSI |
| Office of Personnel Management | Federal employees' pension and annuity | RSDI and SSI |
| Railroad Retirement Board | Railroad retirement benefits | RSDI and SSI |
| 10 states [a] | Vital records | RSDI and SSI |
| 40 states [b] | Unemployment insurance benefits | RSDI and SSI |
| Most states | Variety of state records [c] | RSDI and SSI |

Source: GAO analysis of SSA data.

[a] SSA uses the Electronic Verification of Vital Events System for access to vital records data from 10 states.

[b] SSA uses the Interstate Benefits Inquiry Query system to obtain unemployment insurance benefits from 40 states.

[c] SSA uses the SSA Access to State Records Online system to access a variety of state records online, such as human services (Medicaid, food stamps, and Temporary Assistance for Needy Families), wage, unemployment, vital statistics (birth and death records), and workers compensation.

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**SSA's Data Exchange Environment**
**Incoming Data**

SSA relies on two critical information systems for calculating and processing incoming data that are relevant to its RSDI and SSI programs:

The *Modernized Claim System* supports two primary functions:

- initial processing of claims for retirement, survivor, and disability benefits, as well as Medicare benefits, and

- post-entitlement processing of RSDI and Medicare information (such as changes in beneficiaries or Medicare enrollment).

The *Modernized Supplemental Security Income Claims System* supports two primary SSI program functions:

- initial processing of claims for SSI benefits and

- post-eligibility processing of SSI events (such as a change in income).

These systems process and update data from numerous other SSA systems and databases, such as the agency's Master Beneficiary Record and its Medicare Database.

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**SSA's Data Exchange Environment**
**Outgoing Data**

Outgoing data from SSA generally allow federal and state agencies to verify the Social Security numbers of their clients' populations or to implement payment offset requirements. Examples of programs supported by SSA's outgoing data exchanges are as follows:

- Outgoing data to federal agencies:

  - Part C Medicare Advantage Program and Part D Prescription Drug Coverage Program, administered primarily by the Centers for Medicare and Medicaid Services (CMS)

  - E-Verify program of the Department of Homeland Security (DHS)

- Outgoing data to states:

  - State Verification and Exchange System Program

  - American Association of Motor Vehicle Administrators Program

The following slides briefly describe these programs, the data exchanged, and the systems that support the data exchange.

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**SSA's Data Exchange Environment**
**Outgoing Data**

The **Part C Medicare Advantage Program and the Part D Prescription Drug Coverage Program** provide prescription drug benefits to help Medicare recipients with prescription drug costs. SSA and CMS exchange data for the purpose of administering these programs.

Under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, SSA is responsible for withholding Medicare Parts C and D premium amounts from participants who elected to have these premiums withheld from their Social Security payments. SSA provides data to CMS regarding amounts of premiums withheld for these participants. CMS uses these data to update its records and perform monthly reconciliation of the information with its records of premiums owed to the plans.[1]

[1] Because SSA plays a critical role in the programs' premium withholding processes, it also receives data from CMS, which it uses in carrying out its responsibilities under the act.

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**SSA's Data Exchange Environment**
**Outgoing Data**

SSA relies primarily on one system and two databases to process and exchange Medicare premium withholding data:

- The *Modernized Claim System* is used to compute the amount of beneficiary payments, including adjustments for premium withholdings, using data from SSA's Medicare Database, as well as Medicare enrollment data supplied by CMS. Data on premium withholdings are periodically[1] transmitted to CMS via this system.

- The *Master Beneficiary Record* stores all data related to enrollment and premium collection and is updated daily on successful processing of the daily input transactions. The Modernized Claim System updates this database.

- The *Medicare Database* collects and maintains information related to Medicare, including beneficiaries' enrollment and premium withholding information. The Modernized Claim System also updates this database.

In fiscal year 2007, the number of SSA's Medicare withholding transactions for Parts C and D was about 20.4 million.

[1]For example, daily and monthly: generally, SSA sends daily files of premium withholding transactions and monthly files on the amount of premiums withheld.

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**SSA's Data Exchange Environment
Outgoing Data**

Because SSA is mandated to support this program and the associated data exchange, the agency is provided funds through its budget to operate and maintain the systems involved in the data exchange. SSA is not reimbursed by CMS for its services.

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**SSA's Data Exchange Environment
Outgoing Data**

**DHS's E-Verify program** provides an electronic means for employers to verify employees' eligibility to work. To confirm an employee's work authorization status, participating employers enter employee information into DHS's E-Verify Web site. The names, dates of birth, and Social Security numbers entered by the employers are then matched against SSA's Social Security number database. According to SSA officials, when the system finds no match (i.e., nonconfirmation), the employer notifies the employee to give him or her an opportunity to contest that finding.[1]

[1] Nonconfirmations are considered tentative because mismatches can occur for valid reasons, such as name changes on marriage. Employees may be able to resolve such nonconfirmations; they have the right to contest their tentative nonconfirmations by contacting SSA or DHS to resolve any inaccuracies in their records within 8 federal working days.

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**SSA's Data Exchange Environment**
**Outgoing Data**

E-Verify was initiated in 1997 as a pilot that was available on a voluntary basis to five states only. Since 2004, it has been available to employers in all 50 states and in the U.S. territories where immigration laws apply. Certain states have moved to require employers to verify newly-hired employees using E-Verify. For example, as of January 1, 2008, the "Legal Arizona Workers Act" requires all employers in Arizona to verify the employment eligibility of newly hired employees through the E-Verify program. Other states, including Idaho, Minnesota, Rhode Island, and Oklahoma, require employers in certain sectors, such as government employers and contractors, to verify their employees' work authorization status. According to DHS, the number of employers registered with the E-Verify program has doubled in size each year since 2006.

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**SSA's Data Exchange Environment**
**Outgoing Data**

SSA relies on three systems for the E-Verify data exchange:

- The *E-Verify system* is an Internet-based system operated by DHS in partnership with SSA. The system provides participating employers the ability to electronically verify the employment eligibility of newly hired employees. The E-Verify system sends online confirmation or nonconfirmation information to employers in response to queries.

- SSA's *Numident* (Number Holder Identification File) database contains relevant data about the holder of a Social Security number. These data include the number holder's name, date of birth, place of birth, parents' names, citizenship status at the time of application, date of death (if applicable), and the office where the Social Security number application was processed and approved. The E-Verify system queries the Numident database and receives confirmation or nonconfirmation information based on whether information in Numident matches the information in the query.

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**SSA's Data Exchange Environment**
**Outgoing Data**

- The *EV-STAR* (Employment Verification SSA Tentative Nonconfirmation Automated Response) system was developed by SSA in coordination with DHS's Citizenship and Immigration Services to help resolve tentative nonconfirmations, which occur when an employee's name, date of birth, and Social Security number queried through the E-Verify program do not match those in SSA's database. This system, available in all SSA field offices, became operational in October 2007. It allows field office staff to view the same information that is provided to employers through E-Verify and to enter data directly into E-Verify to reflect all actions being taken to resolve the employee's tentative nonconfirmation.[1]

[1] Before the establishment of EV-STAR, employers were not automatically notified through the E-Verify system after an SSA-issued tentative nonconfirmation was resolved. Rather, after resolving the tentative nonconfirmation, the employee had to present SSA's notice of resolution to the employer, who then had to access E-Verify to resolve the tentative nonconfirmation in the system.

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**SSA's Data Exchange Environment
Outgoing Data**

The initial pilot of E-Verify received less than a quarter of a million queries the first year. SSA officials stated that in fiscal year 2007, there were about 3.3 million queries made to the agency's database to verify employees' Social Security numbers. SSA officials estimated that the number of transactions for fiscal year 2008 will be between 6.8 million and 7 million.

According to agency officials, in fiscal year 2007, the agency was reimbursed over $3,500,000 by DHS for data provided through E-Verify. SSA is working to develop an exchange agreement with DHS that would govern reimbursement and other features of the program in the future.

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**SSA's Data Exchange Environment**
**Outgoing Data**

SSA initiated the **State Verification and Exchange System (SVES) program** to allow state agencies to electronically request and receive data to verify Social Security numbers, earnings and benefits information in support of programs run by states (and certain other agencies).[1] SVES can deliver four different types of automated responses to states:

- Social Security number verification,

- Social Security number verification and RSDI information,

- Social Security number verification and SSI information, and

- all of the above.

In order to receive any of these responses, state agencies must have agreements with SSA that specify the type of information they may request and receive.

[1] Although primarily aimed at state agencies, SVES also provides data to other federal agencies and some foreign agencies.

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SSA's Data Exchange Environment
Outgoing Data

The SVES program relies on a query system (also called *SVES*) that interfaces with other SSA systems. SSA uses the system to receive queries from and send responses to state agencies.[1] The system searches the Numident and benefit records databases for information in response to queries that SSA receives from states (e.g., requests for Social Security numbers on a specific individual) and sends the requested information back to the requester. Responses to data requests are usually returned overnight, but under SSA's data exchange agreements with states, the agency guarantees a 72-hour turnaround.

Most SVES data transfers occur through overnight batch files, with a small percentage transmitted in real time via mainframe to mainframe connections and over the Internet. According to SSA, in fiscal year 2007, approximately 413 million data exchange transactions were conducted through SVES; about 33 million of these (about 8 percent) were real-time transactions.

In most cases, in lieu of reimbursement, states provide SSA access to state records in return for SVES access to SSA data.[2]

[1]SVES also provides some federal agencies including CMS with a standardized method of Social Security number verifications and uniform data responses for RSDI and SSI information.

[2]In fiscal year 2007, SSA was reimbursed about $40,000 for data provided to two state agencies.

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**SSA's Data Exchange Environment**
**Outgoing Data**

**The American Association of Motor Vehicle Administrators (AAMVA)** is a consortium of state motor vehicle administrations that is responsible for coordinating all data exchanges between SSA and states that use SSA data when processing drivers' license applications and renewals. Currently, under a data exchange agreement with AAMVA, SSA agrees to provide an online Social Security number verification service to AMVAA members through the consortium's network.

In addition to its agreement with AAMVA, SSA also has agreements with individual states; these agreements establish privacy and security requirements for access to SSA data and reimbursements to the agency for verification services. Currently, SSA has agreements with motor vehicle administrations in 48 states and the District of Columbia.[1]

[1]The two states that do not participate are Minnesota and Oklahoma.

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**SSA's Data Exchange Environment**
**Outgoing Data**

State Motor Vehicle agencies use the *Social Security Online Verification* (SSOLV) system to verify Social Security numbers when they transmit queries via the AAMVA network. States submit to SSA queries that include the name, Social Security number, and date of birth provided by individuals in their applications for drivers' licenses and state identification cards. SSA matches the information in the query against the corresponding information in its Numident database, and transmits a response to the requester:

- whether or not it finds a match and

- if there is no match, the reason (e.g., difference in name or number or an invalid Social Security number).

SSA reported processing about 18.3 million AAMVA transactions through this online verification system during fiscal year 2007.

SSA is fully reimbursed for verifications provided through the AAMVA agreements. According to agency officials, in fiscal year 2007, the agency was reimbursed about $231,000 for data provided through AAMVA.

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**SSA Data Exchange Challenges**

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As more agencies use SSA data and require increased levels of service, the agency faces three primary data exchange challenges:

- meeting the increased demand for electronic data exchanges with SSA,

- ensuring the privacy and security of SSA information provided to data exchange partners, and

- establishing effective practices for managing the agency's data exchanges.

Recognizing these challenges, SSA established an initiative to examine its data exchange environment and develop recommendations for improving the management and execution of its data exchanges.

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**SSA Data Exchange Challenges
Meeting Increased Demand**

SSA's data exchanges have been increasing in number and volume. For example, the volume of queries sent to the E-Verify program grew from less than a million queries in fiscal year 2000 to over 3 million in fiscal year 2007. Agency officials also stated that requests from organizations such as AAMVA and employers for Social Security number verification has increased in recent years. According to SSA, factors contributing to the overall increase include

- a greater reliance by agencies and the public on electronic rather than physical verifications of Social Security numbers and

- an increasing number of outside organizations requesting electronic verification of Social Security and SSI eligibility.

In addition, the level of service demanded has increased: large-scale, high-visibility programs involving data exchanges increasingly require these exchanges to be performed online, with real-time response and full-time availability (24 hours a day, 7 days a week).

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**SSA Data Exchange Challenges
Meeting Increased Demand**

Moreover, demand for SSA data exchanges may increase further. Legislation has been introduced in Congress to require all employers to electronically verify the work authorization status of their employees through the E-Verify program. As we testified in May 2008,[1] if participation in E-Verify becomes mandatory for all employers, SSA's technical resources and staffing requirements would increase to support the resulting expanded workload. Specifically, our testimony cited SSA's estimate that a mandatory E-Verify program would cost a total of about $281 million for fiscal years 2009 through 2013 and require hiring 700 new employees for a total of 2,325 additional work years over the same 5-year period.[2] The estimates include costs for system upgrades, training for current and new employees, and ongoing activities such as system maintenance.

[1] GAO, *Employment Verification: Challenges Exist in Implementing a Mandatory Electronic Employment Verification System*, GAO-08-729T (Washington, D.C.: May 6, 2008).

[2] SSA's estimates assume that under a mandatory expansion of the current E-Verify program, for every 100 E-Verify queries, about 1.4 individuals will contact SSA regarding tentative nonconfirmation.

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**SSA Data Exchange Challenges**
**Meeting Increased Demand**

A large increase in data exchange demands would require that the agency devote resources to upgrading and maintaining its technical infrastructure: hardware, software, and telecommunications. For example, in our May 2008 testimony, we reported that if the E-Verify program is made mandatory for all U.S. employers (as is currently proposed), the agency would have to provide workstations for new employees and increase systems maintenance activities.[1] SSA officials also stated that the agency would have to upgrade its systems to support online and near-real-time responses to an increased number of requests. Additionally, officials stated that the existing technical infrastructure[2] for E-Verify does not include comprehensive backup and disaster recovery capabilities to support continuity of operations in case of system failures, which would be needed for successful, sustainable support of an expanded E-Verify program.

[1] GAO- 08-729T.

[2] This infrastructure was put in place a decade ago to support the original limited pilot.

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## SSA Data Exchange Challenges
## Meeting Increased Demand

Part of the challenge in planning for the future technical requirements for E-Verify is that although increased demand can be foreseen, the level of increase is not always predictable. For example, if the E-Verify program is made mandatory for all U.S. employers, as is proposed in current legislation, the specific resources that SSA would require to implement its responsibilities would depend on the final requirements in the law. The agency has developed resource estimates based on various assumptions, such as that implementation would be phased according to the number of employees in an enterprise.[1] However, these assumptions are subject to change. In the meantime, as discussed earlier, several states have required employers to participate in E-Verify, but state requirements vary. Such uncertainty increases the difficulty of identifying and providing the technical infrastructure and other resources needed to meet the increased demand expected from the program in the future.

[1] For example, SSA also assumed that the first group of employers would have to begin verifying newly hired employees by the end of fiscal year 2009 and that there would be a gradual increase in verification requests from fiscal years 2009 to 2012.

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**SSA Data Exchange Challenges**
**Meeting Increased Demand**

Another part of SSA's data exchange resource challenge is that the agency supports both modern and older technologies in order to work with exchange partners that use a variety of mechanisms for conducting electronic transactions. For example, in 2004, SSA implemented a verification system that allowed states' unemployment agencies to perform online queries of its databases to verify Social Security number and RSDI income. While this service was intended to replace the need for SSA to provide the data to state unemployment agencies through a batch file processing system, only 30 states have implemented the online verification capability. As a result, SSA now provides the data to state unemployment offices through both batch processing and online system.

In the existing data exchange environment, the agency dedicates staff and technical resources to supporting older technology, at the same time that it must also plan for increased demand for data exchanges that are supported by modern technology. In this regard, SSA may be challenged to retain the expertise and maintain the technology required to support a technical infrastructure environment that is expected to remain mixed in the future.

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**SSA Data Exchange Challenges**
**Ensuring Privacy and Security**

As discussed earlier, federal laws impose privacy and security requirements on federal agencies to protect information and information systems, which are applicable to SSA data exchanges. For example, FISMA and related guidance require SSA to protect records involved in data exchanges by, for example, performing periodic risk assessments and evaluations of the effectiveness of information security procedures and practices. SSA has implemented a number of measures in order to meet the requirements of these laws:

- Evaluating data exchange requests to ensure that the use of the data is authorized by the routine uses[1] associated with the applicable Privacy Act system of records (from which data will be disclosed) and the purpose of the request is compatible with the agency's administration of its own programs.[2]

[1]Under the Privacy Act of 1974, the term "routine use" means (with respect to the disclosure of a record) the use of such a record for a purpose that is compatible with the purpose for which it was collected. 5 U.S.C. 552a (a) (7)).

[2]Compatibility is established when the federal, state, or local agency requester seeks data to assist in the administration of programs under the Social Security Act and other federal, state, and local health and income maintenance programs concerning determinations related to eligibility, benefit amounts, or benefit status.

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**SSA Data Exchange Challenges**
**Ensuring Privacy and Security**

- Conducting security certification and onsite compliance reviews. SSA performs onsite reviews of its exchange partners' facilities to ensure that they are in compliance with systems security procedures. Agency guidelines call for these reviews about once every three years, or more frequently if there is a significant change in a partner's computing platform, a violation of SSA's systems security requirements, or an unauthorized disclosure of information by a partner.

Further, the increase in agencies requesting online access to SSA's records (rather than receiving data through batch processing) could challenge SSA's capacity to perform privacy and security compliance oversight, because providing and supporting online data access to partners generally require resources to conduct more extensive remote and onsite compliance reviews than does providing data via batch processing.

The need for additional evaluations and reviews resulting from a growing data exchange environment could create a need for SSA to hire and retain additional staff with the expertise required to complete these activities. Consequently, the agency could be challenged in the future to meet requirements for privacy protection and security requirements to safeguard the data that it provides to other agencies.

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**SSA Data Exchange Challenges**
**Establishing Effective Management Practices**

SSA has experienced challenges in managing its current data exchanges. For example, in an October 2007 memo,[1] the Deputy Commissioner for Budget, Management and Finance noted that the agency's Office of General Counsel determined that some of the agency's data exchanges were questionable in terms of disclosure authority, procedural safeguards, budget authority, and reimbursement policy.[2] Further, the Office of General Counsel found existing data exchanges that were not covered by a controlling agreement, data exchange agreements without sufficient reimbursement, and documented data exchanges with no apparent SSA business purpose. Such management challenges, if not addressed, could lead to problems in efficient execution of current and future exchanges.

Key responsibilities for the agency's data exchanges are dispersed throughout multiple agency components. The assignment of responsibility for the management and oversight of SSA's inventory of data exchanges is shown in table 6 on the next two slides.

[1] Memo from SSA Deputy Commissioner for Budget, Management and Finance, *Electronic Information Exchange Initiative* (Oct. 16, 2007), and attachments.

[2] Agency officials told us that 231 of the agency's data exchanges were identified by the Office of General Counsel as being questionable.

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## SSA Data Exchange Challenges
## Establishing Effective Management Practices

**Table 6: Data Exchange Responsibilities of SSA Components**

| SSA component | Roles and responsibilities |
|---|---|
| Deputy Commissioner for Budget Finance and Management | Sets information system security standards for all federal and state data exchange agreement partners and conducts periodic systems security compliance reviews. The Deputy Commissioner also manages the data exchange agreement development and execution process and Computer Matching and Privacy Protection Act (CMPPA) agreement process. |
| Deputy Commissioner for Operations | Provides the first contact point for many outside entities seeking new electronic exchanges with SSA. This office is also responsible for all consent-based reimbursable projects under development within SSA. |
| Regional Commissioners for Operations | Subject to approval from headquarters components, have delegated authority from the Deputy Commissioner for Operations to sign data exchange and CMPPA agreements between SSA and entities in their regions and may work directly with state and local governments to establish and maintain data exchanges. |
| Deputy Commissioner for Systems | Develops, maintains, and supports the various SSA systems and processes that provide electronic data exchange services to outside entities. |

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# SSA Data Exchange Challenges
# Establishing Effective Management Practices

**Table 6 (cont'd): Data Exchange Responsibilities of SSA Components**

| SSA component | Roles and responsibilities |
|---|---|
| Office of Retirement and Disability Policy | Serves an ongoing role as the sponsor of certain CMPPA data matches by which SSA obtains program enforcement data from outside entities. |
| Office of General Counsel/General Law | Drafts some agreements and reviews and approves all agreements. The office also provides legal advice on the business process and related issues. |
| Office of General Counsel and Public Disclosure | Determines what information may be exchanged and with whom, and determines if an exchange is program related or reimbursable. |

Source: GAO analysis of SSA data.

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**SSA Data Exchange Challenges**
**Establishing Effective Management Practices**

Effective management practices are important to improving SSA's ability to carry out its growing data exchange activities. In the October 2007 memo, the SSA Deputy Commissioner for Budget, Management and Finance noted that the agency might benefit from establishing a single component to manage and take ownership of all the agency's data exchange activities. SSA officials noted that such an approach could provide better executive control over the current and future data exchange workload.

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**SSA Data Exchange Challenges**
**Electronic Information Exchange Initiative**

SSA recognizes the need to improve the management, execution, processing, and oversight of its electronic data exchanges, and it has initiated actions to help better manage its data exchange environment and address challenges and limitations the agency faces now and expects to increase in the future. In October 2007, the agency established its Electronic Information Exchange Initiative, which has the following objectives:

- identify the data exchanges that disclose information protected by the Privacy Act and distinguish these from other electronic processes that are developed or used to obtain information for SSA program purposes;

- document current SSA components' roles and responsibilities in electronic data exchange;

- identify and discuss issues affecting the management, efficiency, execution, or outcome of electronic data exchanges; and

- obtain input and recommendations for improving the management and execution of the agency's data exchanges from all SSA components involved in the current process or with a stake in the outcome of the initiative.

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**SSA Data Exchange Challenges
Electronic Information Exchange Initiative**

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If effectively implemented, the initiative could potentially address the challenges we have described. That is, identifying exchanges with privacy implications, documenting roles and responsibilities, and identifying and discussing data exchange issues could help SSA develop and implement management practices that would better position the agency to develop strategies for dealing with its resource challenges.

According to agency officials, as of late July 2008, the members of the initiative had provided a draft report to SSA senior staff which included recommendations for addressing the objectives. At that time, the report was being reviewed by these staff. After addressing the senior staff's comments, members of the initiative intend to brief the Commissioner on the recommendations. The agency has not yet determined when the report will be completed and actions taken on the recommendations. Agency officials stated, however, that they will provide the report to us for review upon its completion.

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**SSA Data Exchange Challenges**
**Electronic Information Exchange Initiative**

As part of its Electronic Information Exchange Initiative, SSA created a summary inventory of its electronic data exchanges, but this inventory does not include the comprehensive information needed to effectively manage the agency's data exchange programs. A comprehensive inventory that includes information such as the systems and resources needed to support the data exchanges, workload statistics, and identification of the status of privacy and security compliance and reimbursement requirements, could provide useful information for managing and overseeing data exchange programs. However, the summary inventory SSA created does not include details on system resources, such as the major information systems and interfaces supporting the data exchanges. Agency officials stated that the inventory does not include this information because its purpose was to provide summary data as part of a report on the Initiative, and it was not intended to be what they termed "a definitive repository for such information."

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## SSA Data Exchange Challenges
## Electronic Information Exchange Initiative

Maintaining an up-to-date and comprehensive data exchange inventory could provide SSA the information needed to make credible and timely decisions on implementing and managing data exchange activities, such as monitoring privacy and security oversight activities and ensuring the agency adheres to reimbursement policies.

Building on the summary inventory already created to produce a comprehensive inventory of the agency's electronic data exchanges and the system resources they use could provide SSA with an important tool to help it better manage and oversee its data exchanges. Producing such an inventory could help reduce the risk that the agency's data exchanges and the challenges associated with them will not be effectively managed.

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**Recommendations**

In view of the challenges associated with SSA's management of its data exchanges, we recommend that as part of the agency's ongoing efforts to establish improved management practices and processes, the Commissioner of Social Security take the following two actions:

- establish milestones for completing the report and acting on the recommendations of the Electronic Information Exchange Initiative and

- develop and maintain a comprehensive inventory of SSA data exchanges and supporting system resources that includes, among other things, workload statistics and identification of the status of privacy and security compliance and reimbursement requirements.

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## Agency Comments and Our Evaluation

We received oral comments on a draft of this briefing from SSA program officials, including the Deputy Commissioner for Systems and the Chief Information Officer. The officials agreed with our recommendations and provided additional information and technical comments related to the department's data exchange programs which were incorporated into the briefing as appropriate.

Regarding our recommendation that SSA develop and maintain a comprehensive inventory of data exchanges, SSA officials noted that the agency has initiated an effort that substantially addresses this recommendation.

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# Appendix II: Comments from the Social Security Administration

SOCIAL SECURITY

The Commissioner

November 17, 2008

Ms. Valerie C. Melvin
Director, Human Capital and
  Management Information Systems Issues
U.S. Government Accountability Office
441 G Street NW
Washington, D.C.  20548

Dear Ms. Melvin:

Thank you for the opportunity to review and comment on the Government Accountability Office
(GAO) draft report, "INFORMATION TECHNOLOGY: Demand for the Social Security
Administration's Electronic Data Exchanges Is Growing and Presents Future Challenges"
(GAO-09-126). Our enclosed comments respond to the specific recommendations that were
raised. We have also suggested some technical corrections that would enhance the accuracy of
the report.

If you have any questions, please contact Candace Skurnik, Director, Audit Management and
Liaison Staff, at (410) 965-4636.

Sincerely,
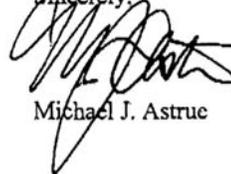
Michael J. Astrue

Enclosure

**COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO) DRAFT
REPORT "INFORMATION TECHNOLOGY: DEMAND FOR THE SOCIAL
SECURITY ADMINISTRATION'S ELECTRONIC DATA EXCHANGES IS GROWING
AND PRESENTS FUTURE CHALLENGES"**

Thank you for the opportunity to review and provide comments on this draft report.

Recommendation 1

Establish milestones for completing the initiative's report and acting on the recommendations.

Comment

We agree. We completed the Electronic Information Exchange Initiative's (EIEI) report on
September 4, 2008, and established milestones for acting on the report's recommendations.

Recommendation 2

Develop and maintain a comprehensive inventory of data exchanges and the systems resources
they use.

Comment

We agree. Related efforts, focusing primarily on creating an inventory of reimbursable
exchanges, but including non-reimbursable exchanges as well, are currently underway and could
be readily adapted to include the information suggested in the report. A comprehensive
inventory would streamline activities across the agency, leading to labor savings and minimizing
the risk inherent in the current fragmented process.

Other Comments

The GAO report does not adequately differentiate or explain our information exchange
environment, responsibilities, or activities. There are significant differences between data
exchanges that are the result of shared program administration functions (such as our role in the
Medicare program or the Department of Treasury's function as the disburser of monthly Social
Security and Supplemental Security Income payments), data exchanges required by law (such as
those supporting State administration of the Temporary Aid to Needy Families, Medicaid and
Supplemental Nutrition Assistance programs), and data exchanges developed to replace manual
program administration workloads or to meet the growing demand (from other Federal and State
agencies, and from the private sector) for electronic verification of personal information housed
in our databases. The report does not recognize or adequately discuss the different and unique
challenges we face with each type of data exchange that we deal with.

The first two sentences on page 11, and Table 3 on page 21, contain inaccurate summary
statistics and financial information which GAO assembled from preliminary information we
collected during the EIEI. The discussion and summary table grossly overstate the actual

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number of our outgoing electronic information exchanges. Also, on page 22, Table 3 (which we believe should be labeled Table 4), indicates that we pay $1,288,155 to Federal agencies and $17,462,427 to State agencies for incoming data. GAO's dollar amounts for incoming data rate are incorrect. Page 19 of the EIEI report indicates that we pay Federal agencies a total of $3,670,155 for incoming data. We do not know GAO's source for the $17,462,427. Other than small amounts we pay for electronic birth records, we are unaware of any payments to State agencies for incoming data.

The GAO report should be updated using information from the August 2008 EIEI Report to the Commissioner of Social Security.

The report indicates the major challenge to our data exchange workload is the need for more effective internal management and coordination. We have already implemented the EIEI. However, the report does not state more significant challenges, such as increasing infrastructure and workload costs related to meeting the ever-increasing demands for on-line verification of Social Security numbers, or the contradictory goals of increasing the amount of personal information exchanged electronically for third party enforcement purposes while simultaneously attempting to comply with Federal mandates restricting access to, and disclosure of, personal information. We recommend that the report recognize these additional challenges.

# Appendix III: GAO Contact and Staff Acknowledgments

## GAO Contact

Valerie C. Melvin, (202) 512-6304 or melvinv@gao.gov

## Staff Acknowledgments

In addition to the individual named above, key contributions to this report were made by Teresa F. Tucker (Assistant Director), Michael A. Alexander, Tonia D. Brown, Jacqueline K. Mai, Nancy E. Glover, and Rebecca E. LaPaze.

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