

---

**OFFICE OF  
THE INSPECTOR GENERAL**

---

**SOCIAL SECURITY ADMINISTRATION**

---

**STATUS OF THE SOCIAL SECURITY  
ADMINISTRATION'S IMPLEMENTATION  
OF FISCAL YEAR 1999  
MANAGEMENT LETTER  
RECOMMENDATIONS**

February 2002

A-15-00-30056

---

**AUDIT REPORT**

---



## **Mission**

**We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.**

## **Authority**

**The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:**

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

**To ensure objectivity, the IG Act empowers the IG with:**

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

## **Vision**

**By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.**



## SOCIAL SECURITY

### MEMORANDUM

Date: February 7, 2002

Refer To:

To: Jo Anne B. Barnhart  
Commissioner

From: Inspector General

Subject: Status of the Social Security Administration's Implementation of  
Fiscal Year 1999 Management Letter Recommendations (A-15-00-30056)

### OBJECTIVE

This is a follow-up audit to the PricewaterhouseCoopers LLP (PwC), *Fiscal Year 1999 Management Letter – Part 2, Recommendations to Improve Management Controls and Operations Resulting from the Fiscal Year 1999 Financial Statement Audit*, dated November 18, 1999. The objective of this follow-up audit was to determine the status of selected findings and recommendations in the management letter referred to above.

### BACKGROUND

In Fiscal Year (FY) 1999, PwC, an independent certified public accounting firm, performed an audit of the consolidated financial statements of the Social Security Administration (SSA) as of and for the year ending September 30, 1999. PwC issued its Report of Independent Accountants, dated November 18, 1999, which is included in SSA's Accountability Report for FY 1999. The Office of the Inspector General (OIG) monitored the work of PwC.

The primary objectives of the financial statement audit were to:

- Give an opinion on the SSA financial statements as of and for the year ending September 30, 1999, including the related notes.
- Give an opinion as to whether SSA management's assertion about the effectiveness of its internal control was fairly stated.
- Issue a report on SSA's compliance with applicable laws and regulations.

- Determine whether any material inconsistency was found between the financial statements and the accompanying overview and supplemental information (including performance measures), and PwC's understanding of relevant internal control for the reported performance measures, its determination as to whether they had been placed in operation, and its assessment of the related control risk.

The audit of SSA's financial statement also identified conditions that did not have a material impact on the financial statements. To report these conditions, PwC issued Management Letters – Part 1 and Part 2 to SSA addressing areas in need of management attention. Management Letter, Part 1, contains details of a sensitive nature to SSA and is, therefore, restricted in its use. It is considered a limited distribution report. Management Letter, Part 2, contains issues of a general nature and is not limited in its distribution, but is intended as information for management and the Inspector General of SSA. In accordance with applicable standards, the Management Letter issues were not considered by PwC to be material weaknesses or reportable conditions. Nonetheless, the letters contain both findings and recommendations requiring management action.

## **SCOPE AND METHODOLOGY**

We performed follow-up audit work on 19 of the 42 recommendations published in PwC's FY 1999 Management Letter – Part 2. In addition, we performed follow-up work on one recommendation from PwC's FY 1998 Management Letter – Part 2. SSA believed implementation was complete on the FY 1998 recommendation, and PwC closed the recommendation. However, during our follow-up field work, we found the recommendation was not complete. We selected recommendations from the FY 1999 report which, in our opinion, were the most important for SSA to implement. Because the original audit was SSA-wide, the findings and recommendations covered various offices within SSA. For the specific findings we reviewed, see Appendix A.

To accomplish our objective, we:

- Validated SSA's reported status of management action on selected recommendations.
- Determined whether corrective action has addressed the recommendations.

We conducted our review from September 2000 through June 2001 at SSA Headquarters in Baltimore, Maryland. Our audit was conducted in accordance with generally accepted government auditing standards.

## RESULTS OF REVIEW

Of the 20 recommendations we selected, SSA stated it completed work on 12 recommendations. SSA agreed with, but had not fully completed corrective actions on eight recommendations.

### OIG's Evaluation of SSA Corrective Actions

We evaluated SSA's progress and corrective actions by: interviewing the responsible SSA contact officials; reviewing PwC's work conducted during the FY 2000 financial statement audit; and performing audit tests where necessary. In some cases, we relied on the audit work performed by PwC during the FY 2000 financial statement audit. The results of our review are as follows:

Audit Results	Findings/Recommendations
OIG agrees with SSA's reported status	15
OIG disagrees with SSA's reported status	5
<b>Total</b>	<b>20</b>

### Improper Reporting of Obligations for Supplemental Security Income Administrative Costs

As part of our follow-up work on 1 of the 20 recommendations (V. 17.<sup>1</sup>), we reviewed the transactions associated with a large increase in Supplemental Security Income (SSI) operating expenses between 1998 and 1999. Although we agree that work on the recommendation made by PwC is complete, we found a separate issue not addressed by PwC regarding how SSI administrative expenses are recorded. SSA stated that SSI administrative expenses were understated in error on the FY 1998 financial statements by approximately \$175 million. However, SSA could not provide journal vouchers or a clear explanation of how the error occurred or was otherwise corrected. Due to the incomplete documentation, we were not able to determine if SSA appropriately corrected the SSI understatement. SSA stated that it records all obligations relating to administrative expenses for SSI in the Limitation on Administrative Expenses (LAE) account. Throughout the year, SSA transfers a percentage of costs to the SSI appropriation from the LAE account. SSA has indicated that it records obligations and expenditures in SSI up to the amount of the annual SSI administrative allotment.

---

<sup>1</sup> Recommendation V.17 indicates that SSA should develop procedures to clearly articulate and explain any significant change in its financial operations. Regular financial analysis should be conducted on program expenses and all other financial matters, to help ensure the overall accuracy of SSA's operations, and to ensure that variations are investigated and resolved.

Excess SSI administrative costs are recorded as unfunded liabilities. The unfunded liabilities are not recorded as SSI obligations until the following FY when a new allotment becomes available.

In FY 1998, the SSI administrative allotment was \$2,077,000,000. SSA recorded SSI administrative obligations of \$2,015,664,271. SSI administrative obligations for FY 1998 were understated in error by \$175 million. Had the error not occurred, SSA would have recorded SSI administrative obligations of \$2,077,000,000 in FY 1998 (up to the allotment amount). SSA would have recorded the remainder of the \$175 million as an unfunded liability of \$113,664,271.

Based on SSA’s FY 1999 and FY 2000 figures, excess obligations over the SSI administrative allotment amount were recorded as unfunded liabilities, not obligations. We discovered that the issue of accounting for SSI administrative expenses was previously addressed in 1989. At that time, the U.S. General Accounting Office (GAO) stated that, “SSA should record in the SSI appropriation the best estimate of the general fund’s share of obligations incurred in the LAE account, even if it exceeds SSI appropriations for that purpose.” GAO concluded that these excess obligations do not violate anti-deficiency statutes because Congress authorized them for SSI. SSA informed us that there may be limitations in recording excess obligations. SSA stated that it could not report the excess obligations on the face of the SF-133, Report on Budget Execution and Budgetary Resources, due to system edits. In accordance with the Office of Management and Budget Bulletin No. 01-09, information on the Statement of Budgetary Resources should be consistent with the information on the SF-133.

As a part of our review, we shared our findings with PwC. PwC is currently reviewing the accounting for these unfunded liabilities as part of the Financial Statement Audit. The OIG will continue to track the progress of this issue between SSA and PwC. At a minimum, SSA should report any unfunded liabilities in the footnote section of the SF-133 and disclose the unfunded liability in the footnote associated with the Statement of Budgetary Resources.

We noted that SSA has exceeded the SSI allotment for FYs 1999 and 2000. Although SSA’s Office of General Counsel and GAO guidance suggests that exceeding the SSI administrative allotment is allowable, sound financial management would dictate that such large overruns should be closely scrutinized.

	Total SSI Administrative Allotment	Recorded SSI Administrative Obligations	Recorded Unfunded Liability	Percentage of Total Obligations Left Unfunded
FY 1999	\$ 2,114,000,000	\$ 2,114,000,000	\$ 217,224,602	9.3%
FY 2000	\$ 2,142,000,000	\$ 2,142,000,000	\$ 314,830,595	12.8%

## **Summary of the Recommendations Where OIG Disagrees with SSA on the Status**

1. PwC recommended SSA ensure that the changes in the edit criteria required to improve suspense processing, along with the addition of a Third Party Draft vendor table, are implemented as soon as possible and that the vendor tables in both the Third Party Draft system and the Financial Accounting System (FACTS) are maintained in a consistent manner. SSA agreed with this recommendation and reported that it would be complete by Fall 2000. OIG disagrees that this work is complete. SSA implemented the Third Party Payment System (TPPS) release 2.0 in December 2000. This release was intended to provide for the automatic transmission of vendor information data from the Third Party Draft system to SSA Headquarters in an effort to reduce suspense file items. The data would then have been loaded in a data base and uploaded to FACTS. However, at the time of our review, the automated link from the Third Party Draft system vendor table to the FACTS vendor table was not being fully utilized because TPPS users were not inputting accurate data in the vendor file. Instead, the Office of Financial Policy and Operations staff were manually reviewing and correcting the vendor data before the FACTS vendor table was updated. Therefore, the vendor tables in each system may not be consistent with each other. In addition, at the time of our review, SSA had not determined the impact of the release in reducing suspense file items. SSA stated that it might need to issue another TPPS release with edits in place to ensure the integrity of the data. SSA subsequently informed us that there has been a significant decrease in the number of suspense file items. However, we did not perform additional tests to validate this claim. See finding IV.1.B. on pages 17-19 of Appendix A.
2. PwC recommended SSA enhance current policies and procedures to ensure that the de-obligation process for open obligations is operating effectively and timely. SSA agreed with this recommendation and reported that work in this area was complete. SSA implemented new procedures to list obligations with no activity for three months and monitor total obligations for reasonableness. They also use monthly Reports of Validations to track open items that have been removed. However, OIG disagrees with SSA's reported status. We agree with PwC's FY 2000 findings that the Report of Validations used during the review of open obligations is incomplete and provides no tracking of the overall validation and reductions in open obligations. The Report of Validations does not reflect items removed from open obligations by SSA staff in the Administrative Accounting and Payment section. Several SSA employees stated that there is no way to track the overall reduction of suspense file items. Current procedures still do not ensure that the de-obligation process is operating effectively, since SSA can not track reductions in open obligations. See finding IV.1.E. on pages 22-23 of Appendix A.

3. PwC recommended SSA seek to formalize via a Memorandum of Understanding (MOU) the process used to transfer revenue estimates from the Department of Treasury (Treasury) to the SSA trust funds. SSA agreed with modifying a section of the SSA Accounting Manual that covered this process, had begun work on it, and reported that it would be complete by August 31, 2000. OIG disagrees that this work is completed. SSA has issued its Accounting Manual chapter, but Treasury is not willing to sign off on it. Instead, Treasury will issue its own document to define Treasury and program Agency responsibilities that includes fund management and oversight. SSA stated that this documentation is expected to be started sometime in 2002. At the time of our review, the process was not formalized. SSA should ensure any formal documentation provided by Treasury adequately addresses the responsibilities of both parties and assigns accountability for the various tasks involved in the revenue estimate and the transfer of funds from Treasury to SSA's trust funds as recommended by PwC. See finding V.3. on pages 33-34 of Appendix A.
4. PwC recommended SSA maintain documentation of the Continuing Disability Review (CDR) profiling and scoring programs, including input data sets and all variables used in fitting the prediction models. SSA agreed with this recommendation and reported that documentation would be in place by December 2000. OIG disagrees that this work is completed. SSA did provide documentation to PwC, however it had to be recreated from the results of the CDR work. SSA did not maintain the original documentation used during creation of the FY 2000 CDR eligible file and exclusion files. In addition, at the time of our review in February 2001, SSA was not maintaining documentation on all variables used in fitting the prediction models. SSA subsequently informed us that all documentation is being maintained, however, we did not perform additional tests to validate this claim. See finding V.13. on pages 41-42 of Appendix A.
5. PwC recommended the Office of the Chief Actuary create and implement a formal policy which addresses version and document control surrounding the semi-annual model outputs and identify a standard set of checks and procedures that should be performed on short-term revenue data and calculations produced by the models. SSA agreed with the recommendation but stated that current procedures already address these issues. OIG disagrees that corrective action for this recommendation is complete. While we agree that output documentation is maintained and standard checks and procedures are performed on output data, we do not believe these actions meet the intent of PwC's recommendation. There are no formal procedures written for how data is to be verified. In addition, there is no formal policy in place to address version and document control. See finding V.14. on pages 43-44 of Appendix A.



## **CONCLUSION AND RECOMMENDATIONS**

We reviewed 20 recommendations. SSA stated it had completed work on 12 of the 20 recommendations. However, we have concluded that SSA has implemented only 7 of the 12 recommendations. We found that SSA had not completed work on the other five recommendations. In summary, SSA has not fully implemented 13 of the 20 recommendations, although some actions have been taken to begin addressing these issues. Eleven of the 13 incomplete recommendations are repeat issues from the FY 1998 audit. In addition, eight of these have been issues since the FY 1997 audit.

We recommend SSA:

1. Continue to work to bring all of the issues identified by PwC to closure within the next audit cycle.
2. At a minimum, report any unfunded liabilities in the footnote section of the SF-133 and disclose the unfunded liability in the Financial Statement footnote associated with the Statement of Budgetary Resources. However, PwC may determine that further reporting or disclosure is necessary. This may require additional action on the part of the agency.
3. Institute a monitoring system to ensure that annual SSI expenses and obligations made in excess of the annual SSI administrative allotment do not continue to grow.

## **AGENCY COMMENTS AND OIG RESPONSE**

SSA generally agreed with our recommendations, but stated it will continue to research whether a footnote should be included on the Statement of Budgetary Resources when an unfunded liability exists. SSA disagreed with our conclusions concerning its implementation of PwC's five recommendations discussed in the body of this report even though three of these recommendations continue to exist in PwC's Draft FY 2001 Management Letter. We continue to stress that at the time of our fieldwork for this audit, work on the other two recommendations was not complete, but we did include language in our report that SSA stated these recommendations are now fully implemented. In addition, we are reviewing these recommendations again for our follow-up audit of the FY 2000 Management Letter.



James G. Huse, Jr.

# *Appendices*

---

APPENDIX A – Audit Results: Fiscal Year 1999 Management Letter Part 2

APPENDIX B – Acronyms

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

***Appendix A***

---

Audit Results – Fiscal Year 1999 Management Letter –  
Part 2

<b>Report Section/Area</b>	II. Application Development and Change Control - Software Engineering Technology (SET)
<b>Finding/Rec Number</b>	II.1.B.
<b>PwC Finding</b>	<p>The nature of the System Release (SR) process remains manual. Basically, a paper trail follows the entire change control process from development to validation to quality assurance (proposed) to a staging area and then to production. The manual process is labor intensive and prone to administrative problems, as evidenced from prior audit findings relative to missing SRs supporting the change control process.</p> <p>In July 1999, SSA completed a pilot project for automating the SR process and establishing a QA library function within the systems development and program change control process. At the time of our review, the pilot was being reviewed by OTSO for potential approval. If approved, a proposal for implementation will be completed and presented to the Associate Commissioner for Systems.</p>
<b>PwC Recommendation</b>	SSA should complete its review of the pilot for automating the SR process and set an implementation date for institutionalizing this important part of the system development and change control process.
<hr/>	
<b>SSA Management Response</b>	We agree. As noted, SSA's pilot project was completed in June 1999. Management was briefed on the workgroup's recommendations and provided comments. The workgroup is now formulating final recommendations. DCS review/approval of the recommendations is expected by the end of the next quarter. Implementation plans will be finalized upon DCS approval. A phased implementation is anticipated.
<b>Cross Reference</b>	FY98 Management Letter - Part 2, II.1.B; FY97 Management Letter - Part 2, III.1.B.
<b>SSA Action Plan</b>	See Management Response

**Current Status per SSA** SSA has decided to develop an online SRC process on the Intranet. Coding is complete and is now undergoing testing. The process will be piloted among Offices of Information Management and SSI components in Systems Requirements and Systems Design and Development beginning August 2000. Rollout to all users will commence thereafter in a phased approach.

**SSA Target Date** Ongoing

---

**SSA Updated Target Date** Complete

**End Date – OIG Review** 2/6/01

**OIG Confirmation of Status** Agree. The status of work on this recommendation was updated since SSA's Action Plan was issued. SSA has approved, developed, and piloted the online SRC process. Implementation is complete within OIM components and is beginning within OSDD components. Due to a small system glitch, the SRC process has not been fully implemented within OSDD at this time. In our opinion, SSA has met the intent of PwC's recommendation by completing its review of the pilot and beginning to implement this process

<b>Report Section/Area</b>	II. Application Development and Change Control - Scope of Application Programmer Duties
<b>Finding/Rec Number</b>	II.2.A.
<b>PwC Finding</b>	The current architecture for the change control process is Endeavor software, which records programmatic changes within the Development to Validation process. A program change will then migrate to final production through the use of both SSA home grown and third party software. In past audits the establishment of a QA library where only validated software that is ready to be moved into production will reside has been recommended. In addition to the establishment of this QA library, SSA is considering expanding the role of Endeavor to be included within the Validation to Integration and Integration to Production stages of the program change control process. This expansion would help ensure consistency in providing segregation of duties throughout the process and uniformity in the change process along with associated reporting capabilities.
<b>PwC Recommendation</b>	SSA should ensure the planned QA library procedures adequately provide for controlled migration of code between regions and protect production source programs and load modules from unauthorized tampering by application programmers.
<b>SSA Management Response</b>	We agree. At this time, DCS is analyzing whether utilizing the additional capabilities of Endeavor software would provide the most effective controls. If Endeavor's capabilities prove efficient, implementation would replace the use of the QA library, provide controlled migration of code between regions and protect source code and load modules from unauthorized tampering. We expect to make a decision about Endeavor within the next quarter.
<b>Cross Reference</b>	FY98 Management Letter - Part 2, II.2.A; FY97 Management Letter - Part 2, III.2.A.
<b>SSA Action Plan</b>	See Management Response

<b>Current Status per SSA</b>	DCS is analyzing another software application hybrid to determine if it would offer better capabilities than Endeavor software. Once this analysis is complete, the DCS will be briefed, and a decision on which software to adopt will be made.
<b>SSA Target Date</b>	To be determined.
<b>End Date – OIG Review</b>	2/5/01
<b>OIG Confirmation of Status</b>	Agree. SSA’s work on this recommendation is incomplete. SSA has approved an enhanced version of the QA solution recommended by PwC, but software development is not yet complete. This will be an automated process that SSA believes will adequately address PwC’s concerns regarding separation of duties.

<b>Report Section/Area</b>	III. Programmatic Systems - Title II
<b>Finding/Rec Number</b>	III.1.A.
<b>PwC Finding</b>	<p>Past audits have noted that override codes are available to process unusual situations and bypass certain edits and validations otherwise normally performed by the post-entitlement programs. For example, a Special Action Code (SAC) of “O” is used to allow users to process unusual situations for non-receipt actions on exotic Beneficiary Identification Codes (BICs) and bypass edits and validations normally performed by the REACT program. This code is also used to issue payments to attorneys and financial institutions, as well as in garnishment situations.</p> <p>As further noted in past audits, no reports are generated to provide management with the opportunity to review override code usage. Consequently, SSA faces a greater risk that functions such as the SAC of “O” code could be inappropriately used.</p> <p>Based on our testing this year, we identified 11 instances where the SAC of “O” was used.</p>
<b>PwC Recommendation</b>	To help ensure that overrides to the Title II Post Entitlement programs are appropriate, SSA should require peer-to-peer review and/or the generation of an alert for performing an independent review of the override.
<b>SSA Management Response</b>	We agree. We are establishing a peer-to-peer review prior to the use of the DE override code and will review the need for other peer-to-peer reviews of override codes.
<b>Cross Reference</b>	FY98 Management Letter - Part 2, III.1.A.
<b>SSA Action Plan</b>	See Management Response
<b>Current Status per SSA</b>	A memo to establish a peer-to-peer review prior to the use of the DE override code and a review of the need



for other peer-to-peer reviews of override codes was issued to all Payment Service Centers and the Office of Central Operations in July 2000. The reviews have been implemented by all components.

<b>SSA Target Date</b>	Completed
<b>End Date – OIG Review</b>	11/20/00
<b>OIG Confirmation of Status</b>	Agree. SSA’s work on this recommendation is complete. SSA established a peer-to-peer review on actions using the Special Indication Code (SIC) of “DE” to ensure the appropriate use of the code. SSA has adequate compensating controls in place to ensure an appropriate use of the SAC of “O”.

<b>Report Section/Area</b>	III. Programmatic Systems - Earnings Record Maintenance System
<b>Finding/Rec Number</b>	III.2.A.
<b>PwC Finding</b>	SSA has developed a key initiative tactical plan and schedule entitled "Reduce Earnings Suspense File's Future Growth and Current Size" to address the suspense file and reconciliation issue identified in 1997. This plan, initially drafted in July 1998, is currently being revisited for changes, which SSA hopes to complete by December 1999.
<b>PwC Recommendation</b>	SSA should ensure no further slippage occurs in approving its tactical plan addressing the suspense file and reconciliation issues. SSA should then explore ways to expedite implementation of the established tactical plan.
<b>SSA Management Response</b>	We agree and will do whatever possible to ensure no further slippage occurs and to explore ways to expedite implementation of the tactical plan.
<b>Cross Reference</b>	FY98 Management Letter - Part 2, III.3.A; FY97 Management Letter - Part 2, V.3.A.1.
<b>SSA Action Plan</b>	See Management Response
<b>Current Status per SSA</b>	SSA continues to take action to ensure no further slippage occurs in addressing the items listed in the tactical plan in regards to the Earnings Suspense File. Given the current political environment, senior management's concerns over the implementation of the Online Employee Verification System (OEVS) and the ongoing discussions with numerous advocacy groups and labor unions, it would be inadvisable to further elaborate on suspense file reduction projects that may or may not go forward under this tactical plan.
<b>SSA Target Date</b>	Ongoing
<b>End Date – OIG Review</b>	12/21/00

**OIG Confirmation of Status**

Agree. SSA's work on this recommendation is incomplete. SSA has completed the Key Initiative Plan that includes a schedule for the purpose of accountability. This schedule should help ensure that no further slippage occurs in addressing the Suspense File and reconciliation issues. Only 3 of 14 deliverables have been completed, but within the other 11 deliverables, many of the individual tasks have been completed.

<b>Report Section/Area</b>	III. Programmatic Systems - Death Alert, Control and Update System (DACUS)
<b>Finding/Rec Number</b>	III.4.B.
<b>PwC Finding</b>	<p>SSA's current practice of obtaining death data does not ensure that this data is entered into DACUS accurately, timely, and only once. For example, external entities under contract to SSA to supply death data are required to submit death notifications within 3 months of the month of death, for which SSA pays 58 cents per transaction. The majority of these entities are still preparing this data manually prior to transmission, accounting for the extended time period allowed for data submission. SSA is moving forward with the implementation of electronic death certificates to reduce the timeframe for submission.</p> <p>Furthermore, no check exists within DACUS to ensure that two or more data providers, such as a state and a funeral home, are not submitting the same death notice. Additionally, we were unable to determine and validate if a check exists to restrict a single user from submitting the same transactions more than once.</p> <p>SSA's response to the FY 1998 issue of duplicate payment was that payment is only made once to the State Bureau of Vital Statistics based on the submission being the first report of death. However, in FY 1999 we were again unable to determine how SSA can validate that a submission of death data is the first reported. If this is possible, then SSA can ensure that the risk of duplicate payments is greatly reduced.</p>
<b>PwC Recommendation</b>	<p>SSA should:</p> <ul style="list-style-type: none"> <li>-- Continue to pursue initiatives to reduce the amount of time required by outside sources for submitting death notifications, such as use of the electronic death certificate.</li> <li>-- Develop a method to prevent the submission or receipt of duplicate information, whether submitted from the same or different sources.</li> </ul>

**SSA Management Response** We partially agree with this recommendation. SSA is currently working with a contractor to develop a pilot to test electronic submission of death data within 24 hours. The pilot is scheduled for FY 2000. We continue to work on resolving issues regarding access and security.

We request the auditors reconsider the second bulleted recommendation. Preventing receipt/issuance of duplicate death data concerning the same individual from multiple sources is technically impossible. To prevent reporting duplication, it would require that all agencies have direct, interactive access to the SSA databases, which is not advisable. Even that would not prevent individual sources, such as family members and funeral directors, also from reporting someone's death that was previously reported by an agency. (There is no way to "receive" only certain records on a given file.)

SSA only pays State Bureaus of Vital Statistics for death data and then only if it is the first report of death. The amount paid to States has been relatively small. In future DACUS analysis efforts, we will examine the MI for State data to ensure that it is properly identifying only those records for which payment is due.

**Cross Reference** FY98 Management Letter - Part 2, III.5.B.

**SSA Action Plan** See Management Response

**Current Status per SSA** SSA continues to work with a contractor to develop a pilot to test electronic submission of death data within 24 hours. The State where the pilot will be conducted has yet to be selected. The start for the pilot remains scheduled for FY 2000. In addition, work continues on resolving issues regarding access and security.

As with earlier iterations of the recommendation, SSA continues to not agree with the second part of the recommendation.

**SSA Target Date** To be determined.

**End Date – OIG Review** 1/05/01

**OIG Confirmation of Status** Agree. SSA's work on this recommendation is incomplete. SSA appears to be on target with its action plan and is getting ready to run the pilot for an electronic death registration (EDR) process. Although SSA still disagrees with PwC's recommendation regarding duplicate death data receipts, the new EDR system should eliminate duplicate processing.

In our opinion, the second part of PwC's recommendation should be modified to recommend that SSA validate that a submission of death data is the first reported, to reduce the risk of duplicate payments. We agree with SSA that there is no way to stop duplicate reporting of death data. As SSA logically points out, there is no way to stop more than one conscientious family member from reporting an individual's death. They may be unaware that a funeral director or State agency has also reported the death.

<b>Report Section/Area</b>	III. Programmatic Systems - Computer Assisted Audit Techniques - Data Integrity
<b>Finding/Rec Number</b>	III.6.A-D.
<b>PwC Finding</b>	Overview

Our 1999 work confirmed that data reliability/integrity weaknesses still exist within SSA's automated files and records. While such problems can result from application change control weaknesses or application design weaknesses, they can also be the result of minimal effort made to remove incorrect data remaining on files after identified software code weaknesses have been corrected. These data anomalies could impact future processing or add to SSA's workload by requiring extra effort to resolve incorrect data.

We performed selected tests, using audit software, on some of SSA's primary data files. This testing was restricted to the sixteenth segment of the NUMIDENT, MBR, and SSR files, and to the 1998 earnings data posted for persons in that segment. A projected total for all segments is presented in parenthesis for each test listed.

Although SSA has begun to show some improvement in this area, examples of the data integrity weaknesses we identified during our 1999 testing are discussed below.

**III.6.A.**

In 1997, a comparison of the MBR and NUMIDENT identified 819 records (projected total 16,380) where the individual was alive and in a current pay status on the MBR but listed as dead on the NUMIDENT. In 1998, the comparison yielded similar results, with 944 records (projected total 18,880) identified. In 1999, our comparison again yielded similar results, with 867 records (projected total of 17,340) identified.

### III. 6. B.

In 1997, a comparison of the SSR and NUMIDENT identified 60 records (projected total 1200) where the individual was alive and in a current pay status on the SSR but listed as dead on the NUMIDENT. In 1998, the comparison yielded similar results, with 66 records (projected total 1320) being identified. In our 1999 testing we identified 49 (projected total 980) records meeting this test criteria.

### III. 6. C.

In 1997, a comparison of the MBR, SSR, and NUMIDENT identified a large number of cases where the corresponding records of a given individual had significant differences in dates of death. Using a tolerance >180 days for comparison purposes, we noted 719,493 differences between the MBR and the NUMIDENT and 232,306 differences between the SSR and NUMIDENT. In 1998, the numbers improved significantly, in part due to SSA's attempt to clean up and correct the data contained on its databases. However, we still identified 2,625 differences between the MBR and the NUMIDENT and 2,274 differences between the SSR and NUMIDENT. In 1999, we again noted some improvement; however, we still identified 1902 differences between the MBR and the NUMIDENT, and 1580 differences between the SSR and the NUMIDENT.

### III. 6. D.

In 1997, a comparison of the MBR, SSR, and NUMIDENT identified a large number of corresponding records with significant differences in dates of birth. Using a tolerance of >3 years for comparison purposes, we noted 13,998 differences between the MBR and the NUMIDENT, and 20,254 between the SSR and NUMIDENT.



The number of discrepancies improved in 1998; however, we still identified 6,433 differences between the MBR and the NUMIDENT, and 711 between the SSR and NUMIDENT. In 1999 the numbers improved some more with 6,078 differences between the MBR and the NUMIDENT, and 579 between the SSR and NUMIDENT.

## **PwC Recommendation**

### General Recommendations

SSA should:

- Analyze its automated databases to identify key data integrity conditions that should apply within and across databases.
- Design and implement data integrity checking programs for the full production databases to identify the total population of records with potential data integrity problems.
- Investigate, identify, and rectify the root causes of data integrity problems.
- Ensure appropriate automated and manual controls are in place to prevent problems from recurring, including periodically running the data integrity checking programs as a detective control.
- Investigate and correct instances of invalid data on individual records that may affect payment status. Refer any suspicious data transactions to the OIG for investigation.
- Improve data administration for systems with regard to applying consistent definitions and formats for commonly used data elements.

For those instances where the data integrity problems noted may be the result of historical problems now prevented by SSA's recent modernization efforts, the agency should ensure that the existence of this data will not adversely affect the payment status of any individual.

III. 6. A. – D.

Refer to the General Recommendations above.

---

## **SSA Management Response**

We agree and are taking the appropriate actions. As reported last year, SSA has long-range plans to

develop the Client system to strengthen data integrity.

Part of those plans include automated database clean-up efforts whenever technically feasible. One example is the planned posting of proven dates of birth on the MBR and SSR to the Numident. This will

not only reduce date of birth discrepancies, but also facilitate future postings of dates of death since there will be fewer non-match situations. This activity is currently unscheduled in the Enumeration/Client 5-Year Plan, but we expect that it will occur before the end of 2001.

III. 6. A. – D.

We agree. Please refer to the comments to the General Recommendations above.

**Cross Reference**

FY 98 Management Letter - Part 2, III.6.Overview and A.-D.; FY97 Management Letter - Part 2, III.6.A. and A1. - A4.

**SSA Action Plan**

See Management Response

**Current Status per SSA**

There are no major changes planned for Client between now and the end of the calendar year (2000) that would impact this recommendation. With all available resources devoted to high priority initiatives in the TII and TXVI areas, not to mention legislation and Internet, there are none available to work on Client-related enhancements.

Long-range plans exist to develop the Client system to strengthen data integrity. Automated database clean-up efforts, whenever technically feasible, are included in these plans. One example is the planned posting of proven dates of birth on the MBR and SSR to the Numident. This will not only reduce date of birth discrepancies, but also facilitate future postings of dates of death since there will be fewer non-match situations. This activity is currently unscheduled in the Enumeration/Client 5-Year Plan; resource issues may or may not impact the originally anticipated implementation of late 2001.

**SSA Target Date**

Late 2001

---

**End Date – OIG Review**

1/04/01

**OIG Confirmation of Status**

Agree. SSA's work on this recommendation is incomplete. No changes have been made to the Client system that would impact data integrity conditions or correction of invalid data on individual records.

<b>Report Section/Area</b>	IV. Administrative Systems - Financial Accounting System (FACTS)
<b>Finding/Rec Number</b>	IV.1.B.
<b>PwC Finding</b>	<p>Past audits determined that additional changes in the front-end edit criteria are required to reduce the number of suspense items. Without these changes, the number of suspense items would grow to a level that would impair SSA's ability to clear items in a timely manner. This, in turn, would increase the risk of inaccurate data and inflated dollar values in suspense. Accordingly, SSA management submitted a request for changes in the edits affecting suspense processing.</p> <p>SSA implemented four fixes during FY 1999 to address this issue. However, a substantial number of suspended items remain open and unresolved for more than 60 to 90 days. To assist in resolving these items in a more timely manner, another fix that includes adding a vendor table to the Third Party Draft (TPD) system still remains to be implemented in FY 2000. However, while a vendor may be identified in the TPD vendor table, this does not mean that the FACTS master vendor table has this vendor record. Therefore, although the TPD vendor table may contain the vendor, the FACTS vendor table may not, resulting in suspension of the transaction.</p>
<b>PwC Recommendation</b>	<p>SSA should ensure that the changes in the edit criteria required to improve suspense processing, along with the addition of a Third Party Draft vendor table, are implemented as soon as possible. In this regard, SSA should reassess and confirm its schedule for its implementations.</p> <p>In addition, SSA should ensure that the vendor tables in both the Third Party Draft system and FACTS are maintained in a consistent manner.</p>
<b>SSA Management Response</b>	<p>We agree. The Third Party Draft Vendor table will be fully implemented by the end of February 2000. This table contains only the payee name and EIN but the EIN is now a required field. During spring 2000, a</p>

systems release will require a cashier to enter the same information that appears on FACTS' vendor maintenance screen for any payee that doesn't exist on the Third Party Payment System (TPPS) vendor table. Via cc:Mail, the vendor information will be transmitted to SSA for manual entry into FACTS. In instances where cashiers provide erroneous vendor information, SSA will electronically reply with correct data that they can use to update the TPPS vendor table.

<b>Cross Reference</b>	FY 98 Management Letter - Part 2, IV.1.B.; FY 97 Management Letter - Part 2, V.3.E.
<b>SSA Action Plan</b>	See Management Response
<b>Current Status per SSA</b>	<p>On July 21, 2000, a nationwide download of the Third Party Draft System (TTPS) Release 1.1 took place which contains the Third Party Draft vendor table with payee and EIN data. This release did not include 150 OHA and 40 standalone offices that will receive Release 1.1 by mid-August and September, respectively.</p> <p>TTPS Release 2.0, which will contain the same information as the FACTS vendor maintenance screen, is targeted for Fall 2000. The Chicago Regional Office is currently piloting Release 2.0.</p> <p>In addition, please change the last sentence of our Management Response to read as follows, "In instances where cashiers provide a duplicate EIN/SSN on the FACTS vendor table but the address and/or name is different, SSA will contact the cashier to verify which information is correct."</p>
<b>SSA Target Date</b>	September 2000 for TPPS release 1.1; Fall 2000 for TPPS release 2.0
<b>End Date – OIG Review</b>	2/8/01
<b>OIG Confirmation of Status</b>	Disagree. SSA's work on this recommendation is incomplete. The TPPS Release 2.0 was implemented on December 16, 2000. The release was intended to

provide for the automatic transmission of vendor information data from the Third Party Draft system to SSA Headquarters in an effort to reduce suspense file items. The data would then have been loaded in a database and uploaded to FACTS. However, the automated link from the Third Party Draft system vendor file to the FACTS vendor file is not being fully utilized because TPPS users are not inputting accurate data in the vendor file. Instead, OFPO staff are manually reviewing and correcting the vendor data before the FACTS vendor table is updated. Therefore, the vendor tables in each system may not be consistent with each other. SSA has not yet determined the impact of the release in reducing suspense file items. SSA may need to issue another TPPS release with edits in place to ensure the integrity of input data.

<b>Report Section/Area</b>	IV. Administrative Systems - Financial Accounting System (FACTS)
<b>Finding/Rec Number</b>	IV.1.D.
<b>PwC Finding</b>	<p>Of a sample of 45 journal vouchers tested in FY 1999, six were not adequately supported with appropriate documentation and 10 did not have adequate detail of the calculation performed to derive the journal entry.</p> <p>Discussions revealed that the supporting documentation is not retained with the journal voucher but rather stored in the area requesting the posting of the journal voucher.</p> <p>Furthermore, the procedures for completing and retaining documentation for journal vouchers have not been distributed to the technicians as they are still in draft form.</p> <p>Inadequate review, authorization, and documentation of journal voucher entries could result in incorrect entries being recorded.</p>
<b>PwC Recommendation</b>	<p>SSA management should finalize and distribute the procedures for completing and retaining documentation for journal vouchers. As part of these procedures, management should consider filing supporting documentation along with related journal vouchers. Then SSA should perform periodic reviews to ensure that existing procedures for authorizing and documenting the support for journal vouchers are adequately followed and operating effectively.</p>
<b>SSA Management Response</b>	<p>We agree and on August 30, 1999 the Office of Finance issued SSA Accounting Manual guidance that revised operating procedures for preparation and approval of journal vouchers. This includes filing supporting documentation with the journal voucher. On an ongoing basis, completed journal vouchers are reviewed to ensure they are in compliance with the new procedures. We consider this recommendation closed.</p>

<b>Cross Reference</b>	FY98 Management Letter - Part 2, IV.1.D.
<b>SSA Action Plan</b>	See Management Response
<b>Current Status per SSA</b>	Completed
<b>SSA Target Date</b>	Complete
<hr/>	
<b>End Date – OIG Review</b>	2/2/01
<b>OIG Confirmation of Status</b>	Agree. SSA's work on this recommendation is complete. The Accounting Manual procedures for preparation and approval of journal vouchers are adequate to ensure that journal vouchers are properly authorized and documented. In addition, PwC's testing of journal vouchers was sufficient to conclude that control procedures over the preparation, documentation, review, and authorization of journal vouchers is adequate.



<b>Report Section/Area</b>	IV. Administrative Systems - Financial Accounting System (FACTS)
<b>Finding/Rec Number</b>	IV.1.E.
<b>PwC Finding</b>	<p>Past audits identified that open obligations were not being de-obligated in a timely manner and de-obligated obligations were not adequately documented. Consequently, funding levels may be incorrectly stated, resulting in the potential for inappropriate use of valuable resources.</p> <p>In FY 1999, SSA implemented procedures to adequately document liquidated obligations. However, per the Open Obligation Report, an excessive number of long standing unliquidated obligations remain outstanding, including numerous obligations from fiscal years 1994, 1995, 1996, and 1997. Open obligations are not being de-obligated in a timely manner in part due to the current procedures not addressing the timely liquidation of obligations.</p>
<b>PwC Recommendation</b>	SSA should enhance current policies and procedures to ensure that the de-obligation process is operating effectively and timely. One item that could be implemented to aid in this process would be an aging report of outstanding obligations.
<b>SSA Management Response</b>	We agree and effective October 28, 1999 have implemented a new procedure which lists open obligations which have not had any activity within the last 3 months. These items are selected based on amount criteria which can be modified as needed and they are researched to determine their validity. We also monitor total open obligations for reasonableness. These procedures are in addition to monthly reports on validation functions and open items which have been removed. We consider this recommendation closed.
<b>Cross Reference</b>	FY98 Management Letter - Part 2, IV.1.F.
<b>SSA Action Plan</b>	See Management Response
<b>Current Status per SSA</b>	Completed

<b>SSA Target Date</b>	Complete
<b>End Date – OIG Review</b>	2/2/01
<b>OIG Confirmation of Status</b>	<p>Disagree. SSA’s work on this recommendation is incomplete. Although SSA did issue procedures to review open obligations, PwC staff found that the Report of Validations used during this review is incomplete. They found that there is no tracking of the overall validation and/or reductions in open obligations. In addition, PwC found that the report does not reflect items removed from open obligations by SSA staff in the Administrative Accounting and Payment section. Several SSA employees stated that there is no way to track the overall reduction of suspense file items. SSA staff stated that they are revising the Report of Validations to include the input of the accountants, not just the accounting technicians. However, current procedures still do not ensure that the de-obligation process is operating effectively, since SSA can not track reductions in open obligations.</p> <p>SSA staff are taking other steps to ensure open obligations are reviewed and de-obligated in a timely manner. They are beginning to run monthly aging reports to review current and prior fiscal years’ obligations. They also plan to hold annual conferences in part to discuss validating open obligations with regional offices and processing center staff.</p>

<b>Report Section/Area</b>	V. Other
<b>Finding/Rec Number</b>	V.1.
<b>PwC Finding</b>	<p>We requested a sample of DI and SSI case folders to audit SSA's compliance with applicable laws, regulations, and program policies. Our audit disclosed that SSA does not have adequate procedures to locate and retrieve Title II and Title XVI beneficiary case folders. SSA's large volume of case folders, as well as continuously transferring case folders throughout SSA and State DDS, impedes SSA's ability to locate and retrieve case folders. SSA's policy is to maintain case folders for at least seven years after the date of adjudication. In order for this policy to be effective, SSA needs to be able to locate and retrieve complete case folders within a reasonable time frame. SSA was unable to provide case folders for 3 out of 45 DI beneficiaries and for 3 out of 45 SSI beneficiaries.</p> <p>For lost case folders, SSA cannot support the beneficiary's monthly payment amount and must rely solely on the MBR or SSR, which does not always maintain sufficient details regarding entitlement factors.</p>
<b>PwC Recommendation</b>	<p>We recommend SSA continue its progress with imaging processes, which would allow for the maintenance of key supporting elements without extensive storage requirements. However, until the imaging process is fully functional, SSA should enhance its current procedures for tracking and retrieving case folders.</p>
<b>SSA Management Response</b>	<p>We agree. We will continue the progress with imaging processes and work to enhance procedures for tracking and retrieving case folders.</p>
<b>Cross Reference</b>	<p>FY98 Management Letter - Part 2, V.B.; FY97 Management Letter - Part 2, V.2.A2.</p>
<b>SSA Action Plan</b>	<p>See Management Response</p>

**Current Status per SSA**

DCDISP Response: The Office of Disability, with the assistance from the Office of Operations, is in the process of revising and updating the field office (FO) and processing center (PC) Program Operations Manual System (POMS) instructions relating to the handling and, where appropriate, reconstruction of title II and title XVI lost folders. The final FO POMS instructions are scheduled to be released in September 2000. The estimated completion date for the PC POMS instructions is November 2000.

DCO Response: (A) We will continue the progress with imaging processes and work to enhance procedures for tracking and retrieving case folders. The Great Lakes Payment Service Center (PSC), the Mid-Atlantic PSC and the Western PSC will fully implement the "Paperless Processing Center System" by the end of August 2000. The remaining three PSCs have begun implementing Paperless and are expected to be fully implemented by the end of December 2000. Paperless provides a better tracking and retrieval process by building electronic folders that house client records to substantially reduce our reliance on paper records.

(B) SSA is currently piloting electronic folder, a central repository designed to house disability application data.

(C) To enhance current procedures for tracking disability files, a disability circular was issued the first quarter of the year 2000. This circular addresses using the Continuing Disability Review Control File (CDRCF) for tracking and control of CDR files.

**SSA Target Date**

- A. December 2000
  - B. FY 2002
  - C. Completed
- 

**End Date – OIG Review**

2/5/01

**OIG Confirmation of Status**

Agree. While SSA has completed certain actions, overall work on this recommendation is incomplete. We found that various SSA staffs have taken several steps toward closing this recommendation. They

issued revised POMS instructions to processing centers and field offices. These were issued on January 18, 2001, not in September and November 2000 as originally scheduled. We found that the Paperless Processing Center System has been fully implemented in all processing centers. This process is currently being implemented in ODIO as well. Several electronic folder pilots are continuing. One is near completion, but the overall target date of FY 2002 has not changed. Instead of a disability circular issued the first quarter of 2000, SSA issued an Emergency Message on August 30, 1999.

Despite SSA's actions to meet PwC's expectations for locating and retrieving completed case folders within a reasonable time frame, PwC found many problems during site visits made during FY 2000. PwC found no consistent or uniform procedures for tracking and securing QA case files in regional offices Disability Quality Branches or in State DDS. PwC also noted that these files are not stored in secured locations. Because of these findings, PwC decided to leave this recommendation open and we agree that the recommendation should remain open.

**Report Section/Area**

V. Other

**Finding/Rec Number**

V.2.

**PwC Finding**

SSA has implemented a number of internal processes to help ensure the accuracy and completeness of recipient/beneficiary payments. This includes quality reviews completed in the field offices (FO), regional offices (RO), program service centers (PSC), and at SSA headquarters. We tested several controls during our audit, in order to assess their effectiveness. The results of our testing indicated that the effectiveness of certain controls were impaired by the following factors, (1) the controls tested were inconsistently applied and documentation noting the results of the reviews or needed changes to recipient/beneficiary files were not maintained in accordance with existing SSA policies and procedures, and (2) SSA was unable to provide evidence that required reviews were being conducted.

Inconsistent application and incomplete documentation was noted in the following controls:

- Index of Dollar Accuracy Reviews
- Stewardship Reviews
- Quality Assurance Reviews
- Preeffectuation Reviews
- Continuing Disability Reviews
- OSCAR Reviews
- Quarterly Force Pay Reviews
- Critical and Immediate Pay Reviews
- SS-5 Application Reviews
- Non-salary Administrative Expenses
- Diary Alerts

An example of inconsistent application of a control/lacking documentation relates to our testing of critical payments. Some of the field offices we visited were able to provide us with the Critical Payment System printouts as required by the POMS. Other field offices were unable to provide us with these printouts.

Instances when SSA was unable to provide evidence that required reviews were being conducted included:

- Title II Post-Entitlement Integrity Reviews
- MISSICS Integrity Reviews
- SAIR Reviews
- Regional Office – OSCAR reviews of field offices
- Field Office Daily Receipt Listing Reviews
- CIRP Enumeration Reviews
- Quarterly Force Pay Reviews
- Weekly District Office Report

An example of reviews not being completed relates to the CIRP Enumeration Reviews. In two of the twelve field offices visited, the SSA personnel were unable to provide any evidence that these reviews, which are conducted to ensure that accuracy of SS-5 data, were completed.

**PwC Recommendation**

SSA personnel should exercise greater care when completing quality assurance reviews, all required documentation should be maintained in accordance with SSA policies and procedures, and completion of the reviews should be documented. If the documentation requirements outlined in POMS and other SSA guidance provided to us have been superseded by changes in SSA’s business processes, then POMS should be updated accordingly.

---

**SSA Management Response**

We agree. We will continue to monitor the full completion and documentation of all quality and other significant Agency reviews.

**Cross Reference**

Various

**SSA Action Plan**

**Current Status per SSA**

DCDISP Response: The Office of Disability and Income Security Programs (ODISP) is currently in the process of modifying and enhancing the current tracking system. The following action steps are still on target for implementation: implement CDR development worksheet (target date: 9/2000);-- 831/833 data (target date: 9/2000);-- replace PC-CDR functionality (target date: 9/2001);--expand CDRCF functionality to include: more automated interfaces (target date: 9/2001); appeals (target date: after

9/2001); online establishment capability (target date: 9/2001); title XVI work issues (target date: 9/2001); suspense/defer-delay capability (target date: 9/2001); -- batch establishment/correction/deletion capacity (target date: 9/2001);and --replace ACID title II work functionality (target date: 9/2004). NOTE: All of the action steps listed above are included in the Office of Systems (OS) 5-year work plans. ODISP is working with OS to implement these actions, but the overall responsibility for implementation belongs to OS.

DCFAM, OQA Responses:  
INDEX OF DOLLAR ACCURACY/STEWARDSHIP REVIEWS - This item lists several instances of inconsistent application and incomplete documentation in many areas, including IDA Reviews and Stewardship reviews.

OQA obtained from PwC a list of the cases that were determined problematic along with a description of the problem(s) associated with the case(s) and provided this information to the regions so that they could take action to minimize those problems.

However, based on the review of the problem cases, OQA determined that virtually all of the examples of inconsistent application of procedures and incomplete documentation were found to be erroneous. In our latest discussions with the OIG contact, our sense is that they intend to recommend that PwC delete this recommendation from the report.

QA REVIEWS/PREEFFECTUATION REVIEWS - This item lists several instances of inconsistent application and incomplete documentation in many areas, including QA and PER. However, none of the examples cited referred to QA or PER.

In our close-out session with PwC, the auditors provided us with several examples of inconsistencies (basically, coding issues, as they agreed with the final decision on every case reviewed). However, when we reviewed their findings, we disagreed with virtually every instance cited. We then re-contacted the



auditors and attempted to explain how their conclusions erred. It seems to us that perhaps the findings were written, including PER and QA, before they re-reviewed their conclusions with our input. We requested that PwC reconsider their inclusion of PER and QA in this item or that PwC provide sufficient information to formulate the Agency response. We have not heard anything further since then.

SS-5 APPLICATION REVIEWS - The review cites "inconsistent application and incomplete documentation" for "SS-5 Application Reviews." There is no additional detail provided. Absent communication to the contrary, we are assuming that PwC is referring to Operations' review of the SS-5s in field offices rather than the quality review conducted in OQA.

DCO Response: Operations will continue to monitor the full completion and documentation of all integrity and security related reviews. We review the completion of the On-Site Security Audit and Control Reviews, the Comprehensive Integrity Review Process reviews, and the claims and post-entitlement integrity reviews. We provide monthly reports to the Regions on the progress of the completion of these security and integrity reviews. We have instructed that the Regional Commissioners ensure that field reviews are done on a timely basis and that full and proper documentation is maintained as appropriate.

Operations has prepared language to revise POMS publication addressing Quarterly Force Pay Listings and procedures for field Offices to follow during the review. These instructions should be released in early FY 2001.

In December 1999, Administrative Message (AM – 99343 Report on the Quality of the Enumeration Process for Calendar Year 1998) was issued to SSA Operational Staff. This AM provides information concerning the proper coding of the application form for a Social Security Number (SSN Form SS-5). In Addition, an Interactive Video Training (IVT) session

on policy and procedures for the issuance of new SSNs in identity theft and domestic abuse cases is scheduled for release by the end of September 2000. This IVT session will also include segments on the proper coding of forms SS-5 and SSN evidentiary documentation requirement.

We are expanding the roles of the Area Directors to ensure that comprehensive managerial oversight is added to security and integrity functions including the completion of these reviews. The regions are conducting enhanced training for all Management Support Specialists on their roles in security reviews.

We have created a Regional Security Review team made up of various Central Office components to assess the awareness of security and the compliance with national security policies that has visited three regions this year. We will review all ten regions in the next three years and will encompass the importance of the reviews being conducted throughout the Agency.

---

<b>SSA Target Date</b>	Various - See current status for implementation target dates.
------------------------	---

---

<b>End Date – OIG Review</b>	2/9/01
------------------------------	--------

<b>OIG Confirmation of Status</b>	Agree. While SSA has completed certain actions, overall work on this recommendation is incomplete. We found that SSA has taken several steps toward closing this recommendation. SSA completed as scheduled two steps toward modifying and enhancing the current tracking system. Additional tasks are scheduled to be implemented between 2001 and 2004. Other SSA actions include reviewing the completion of security and integrity reviews, providing training, ensuring that comprehensive managerial oversight is performed by Area Directors, and utilizing a Regional Security Review team to assess the awareness of security and the compliance with national security policies.
-----------------------------------	--

Despite SSA's actions to meet PwC's expectations for completing and documenting quality assurance

reviews, PwC and the OIG found several issues still exist. During their FY 2000 site visits, PwC staff found incomplete and improper documentation and lack of evidence of completed quality assurance reviews. In addition, PwC believes SSA does not have proper procedures in place to instruct regions on how to complete IDA and Stewardship reviews. OQA is preparing to take action to address these issues. The POMS procedures for field offices to follow during Quarterly Force Pay Listing reviews are now scheduled for issue by June 30, 2001. The specific IVT training discussed in SSA's Action Plan will not be held until July 2001, although other IVT classes touching on enumeration issues have been held.

<b>Report Section/Area</b>	V. Other
<b>Finding/Rec Number</b>	V.3.
<b>PwC Finding</b>	<p>Prior to SSA's final wage certification, the Department of the Treasury is responsible for transferring estimated amounts for employment taxes collected to the SSA trust funds on a regular basis. For a number of years these transfers have been made based on the revenue estimations completed by SSA's OCACT. In FY 1999, SSA developed a chapter in the SSA Accounting Manual documenting the transfer of estimated amounts to the trust funds for employment taxes collected. While this section of the SSA Accounting Manual was shared with Treasury, the chapter does not clearly assign accountability and responsibility for the various tasks involved in the periodic transfer of revenue estimates to the SSA trust funds. In addition, while these policies were shared with Treasury, SSA has not received Treasury's approval or agreement with the SSA Accounting Manual. Without a clearly documented Memorandum of Understanding (MOU) between SSA and Treasury, correcting errors, which may occur during this process, could be hampered or delayed.</p>
<b>PwC Recommendation</b>	<p>SSA should seek to formalize via a Memorandum of Understanding (MOU) the process used to transfer revenue estimates from the Treasury to the SSA trust funds. The MOU should indicate the responsibilities of Treasury and SSA and should clearly assign accountability to each agency for the various tasks involved in the revenue estimate and the transfer of funds from the Treasury to the SSA trust funds.</p>
<hr/>	
<b>SSA Management Response</b>	<p>We agree with modification. Based upon a January 21, 2000 meeting with SSA and PwC, agreement was reached that SSA would revise the Accounting Manual procedures to further describe the revenue estimation and transfer of funds process and assign accountability for those tasks. These revisions are based upon input from PwC. SSA will seek Treasury's approval once the Accounting Manual is revised. We expect to have this completed by the end of April, 2000.</p>

<b>Cross Reference</b>	FY98 Management Letter - Part 2, V.D.; FY97 Management Letter - Part 2, V.2.I.
<b>SSA Action Plan</b>	See Management Response
<b>Current Status per SSA</b>	SSA has revised the SSA Accounting Manual chapter based upon input from PwC. The revised procedures are currently under review within SSA prior to requesting Treasury's comments.
<b>SSA Target Date</b>	August 31, 2000
<b>End Date – OIG Review</b>	2/2/01
<b>OIG Confirmation of Status</b>	Disagree. SSA's work on this recommendation is incomplete. SSA completed and issued its Accounting Manual chapter, but Treasury is not willing to sign off on it. Instead, Treasury is expected to create its own document defining Treasury and Agency responsibilities for fund management and oversight sometime in 2002. However, SSA should ensure any formal documentation provided by Treasury adequately addresses the responsibilities of both parties and assigns accountability for the various tasks involved in the revenue estimate and the transfer of funds from the Treasury to the SSA trust funds as recommended by PwC.

<b>Report Section/Area</b>	V. Other
<b>Finding/Rec Number</b>	V.4.
<b>PwC Finding</b>	Procedures to protect and backup the work completed within SSA's OCACT are lacking. Best business practices dictate sensitive or complex data should be backed up on a regular basis, and the backup material should be stored in an off-site and/or fireproof location. The current revenue estimation models (REVEARN and MODEEM) are backed up on a daily basis, and on a monthly basis the backup tapes are transferred to an off-site location. However, the off-site location is not secure or approved by SSA, and therefore, the data could be at risk. OCACT management indicated that they are awaiting guidance from the Office of Telecommunications and Systems Operations on how and where to better store the back up tapes.
<b>PwC Recommendation</b>	SSA should store the backup tapes on a regular basis at the same SSA-approved off-site location used to store other sensitive data.
<b>SSA Management Response</b>	We agree. However, SSA has no policy to store the kind of backup tapes OCACT produces at its offsite location. Therefore, we propose to purchase a fireproof safe to store monthly backup tapes.
<b>Cross Reference</b>	FY98 Management Letter - Part 2, V.E.
<b>SSA Action Plan</b>	See Management Response
<b>Current Status per SSA</b>	OCACT has purchased a fireproof safe and is storing monthly backup tapes in the safe.
<b>SSA Target Date</b>	Completed
<b>End Date – OIG Review</b>	11/6/00
<b>OIG Confirmation of Status</b>	Agree. SSA's work on this recommendation is 1complete. SSA acquired a fireproof safe and stores the backup tapes inside. The safe is an appropriate type to protect electronic media.

<b>Report Section/Area</b>	V. Other
<b>Finding/Rec Number</b>	V.7.
<b>PwC Finding</b>	<p>During previous audits, we noted that the four balancing reports generated from the Time Share Option (TSO) system by the Division of Benefit Certification Branch (DBCA) indicated an out-of-balance condition. During 1999, SSA reset the balances on the four main reports, Group Totals, ZPRUNE, ACTSTATS, and the Fax Listing, and temporarily the reports balanced. However, because the exact cause of the out-of-balance condition was not determined, the reports indicated an out-of-balance condition at September 30, 1999. Specifically, the Group Totals report indicated that 11,147 fewer payments totaling \$3,958,493, were made than payments reported on the other three reports. DBCA believes that they have identified the reason for this out-of-balance condition, but actions to fully resolve this matter have not been taken. Failing to properly balance the reports from the TSO system could cause inaccurate payments to be made to recipients.</p>
<b>PwC Recommendation</b>	<p>SSA should identify the exact cause for this out-of-balance condition, modify the system as needed, and ensure that all out-of-balance conditions are reconciled in a timely manner.</p> <hr/>
<b>SSA Management Response</b>	<p>We agree. We plan to conduct an analysis and a rewrite of the systems used to produce the group totals in 2000. A new code will be developed to identify and resolve any future out-of-balances.</p>
<b>Cross Reference</b>	<p>FY98 Management Letter - Part 2, V.H.; FY97 Management Letter - Part 2, V.2.G.</p>
<b>SSA Action Plan</b>	<p>See Management Response</p>
<b>Current Status per SSA</b>	<p>OSDD has agreed to establish a workgroup during Summer 2000 to further analyze the causes for continuing out of balance conditions. DBCA has prepared and submitted an Initiative Information</p>

Document to place this corrective action on Systems' payment five-year plan

<b>SSA Target Date</b>	Ongoing
<b>End Date – OIG Review</b>	1/9/01
<b>OIG Confirmation of Status</b>	Agree. SSA's work on this recommendation is incomplete. A workgroup was established in November 2000 to determine the causes for the out-of-balance conditions. As SSA reported, an Initiative Information Document has been submitted. Although SSA has taken steps toward correcting this condition, the out-of-balance condition has not been corrected.



<b>Report Section/Area</b>	V. Other
<b>Finding/Rec Number</b>	V.9.
<b>PwC Finding</b>	<p>The Debt Collection and Improvement Act of 1996 authorizes SSA to use several additional procedures to collect Title II overpayments, if the overpayments are not remitted to SSA within a specified time frame. The following procedures, which were authorized by the Act, are not being used by SSA: administrative wage garnishment; Federal salary offset; imposing interest charges; imposing charges to cover the cost of processing and handling a delinquent claim; increasing a claim by the cost of living adjustments in lieu of charging interest and penalties; and the use of private collections agencies. A similar issue was identified during our fiscal year 1997 and 1998 audit.</p> <p>SSA is currently enhancing and expanding the debt collection tools with the highest expected pay offs. SSA is in the process of implementing administrative wage garnishment, and expects to have this tool available by the end of the year. Per SSA, the Social Security Domestic Employment Reform Act of 1994 (Public Law 103-387, Section 5), imposing charges only on Overpayments that are "determined by the Commissioner of Social Security, under regulations, to be otherwise unrecoverable under this section after such person ceases to be a beneficiary under this title" makes this collection tool a low priority since the expected pay off is low.</p>
<b>PwC Recommendation</b>	We recommend SSA continue its progress with implementing the procedures authorized by the Debt Collection Improvement Act, placing the highest priorities on those procedures expected to provide the greatest return.
<b>SSA Management Response</b>	We agree. SSA is currently developing the two debt collection tools with the highest expected debt collection payoffs. The two tools are Cross Program Recovery, or the collection of a title XVI debt from any title II benefits payable to the debtor, and Administrative Wage Garnishment, which is the collection of a delinquent debt from the wages of the

debtor. Cross Program Recovery was authorized by a different legislation than DCIA, and SSA estimates that it will yield \$175 million in collections over 5 years. Implementation is scheduled for October 2000. SSA is also engaged in developing administrative wage garnishment, and expects to complete the required planning and analysis by May 26, 2000. Implementation is scheduled for FY 2001.

When these two tools are successfully implemented, SSA will begin work on developing the next round of new debt collection tools. Heavy consideration will be placed on expansion of SSA's existing credit bureau reporting and administrative offset programs to include title XVI debts (recently authorized by the Foster Care Independence Act of 1999). All other debt collection tools (Federal salary offset, private collection agencies and interest charging) will be developed in turn.

In addition, we would like to correct the wording of the finding. The last sentence of the second paragraph (beginning with the words "Per SSA. . ." should be deleted entirely. This sentence incorrectly states that the Domestic Employment Reform Act of 1994 authorized SSA to impose charges on the debtor for the cost of debt collection. DCIA authorized this practice.

**Cross Reference**

FY98 Management Letter - Part 2, V.M.; FY97 Management Letter - Part 2, VI.B.

**SSA Action Plan**

See Management Response

**Current Status per SSA**

SSA is currently developing four debt collections tools. Two debt collection tools with the highest expected debt collection payoffs and two title XVI tools where SSA has an existing title II process in place. The two tools with the highest debt collection payoff are Cross Program Recovery, or the collection of a title XVI debt from any title II benefits payable to the debtor, and Administrative Wage Garnishment, which is the collection of a delinquent debt from the wages of the debtor. Cross Program Recovery was authorized by a different legislation than DCIA, and

SSA estimates that it will yield \$115 million in collections over 5 years. Implementation is scheduled for January 2001. SSA is also engaged in developing administrative wage garnishment, and expects to complete the required planning and analysis by July 31, 2000. Implementation is scheduled for FY 2001. Expansion of SSA's existing credit bureau reporting and administrative offset programs to include title XVI debts (recently authorized by the Foster Care Independence Act of 1999) is currently in planning and analysis with a completion date of 6/30/00. These tools are expected to be implemented in January 2001.

When these four tools are successfully implemented, SSA will begin work on developing the next round of new debt collection tools. It is expected that Federal salary offset will be the next tool to be considered for implementation, however, this tool is still in the development process at Treasury and the timeframe needs to be worked out in conjunction with Treasury. All other debt collection tools (private collection agencies and interest charging) will be developed in turn.

<b>SSA Target Date</b>	Various
<b>End Date – OIG Review</b>	01/10/01
<b>OIG Confirmation of Status</b>	Agree. SSA's work on this recommendation is incomplete. SSA was not able to implement Cross Program Recovery debt collection in January 2001 due to unforeseen outside circumstances. Despite this setback, SSA appears to be on target to implement this tool as well as Administrative Wage Garnishment during FY 2001. SSA still plans to implement the remaining debt collection tools in turn.

<b>Report Section/Area</b>	V. Other
<b>Finding/Rec Number</b>	V.13.
<b>PwC Finding</b>	During our review of the CDR profiling and scoring process, we noted that the Office of Disability did not maintain sufficient documentation of input data sets and variables used in fitting the prediction models currently used. Without this documentation, the CDR profiling and scoring programs are at risk of not having sufficient information available for review which would support the profile scores and the overall program and which demonstrate that the programs identify those beneficiaries most likely to improve medically, as required by CDR legislation. In addition, we noted that the CDR profiling program is continually under development without version control procedures and without adequate cataloging and comparison of results based on the different variables used in the different models.
<b>PwC Recommendation</b>	We recommend that SSA maintain documentation of the CDR profiling and scoring programs, including input data sets and all variables used in fitting the prediction models. Since profiling validation activities are ongoing, version control also should be implemented along with a fixed schedule for developmental analyses and algorithm updates. All study results should be catalogued, including developmental data sets used to define the algorithms actually used.
<hr/>	
<b>SSA Management Response</b>	We agree with this recommendation.  For clarification of the finding, while the law does require SSA to review cases for purposes of continuing eligibility, it should be noted that CDR diaries determine “when” CDRs should be performed. The “profiles” in concert with the CDR mailer responses indicate “how” to process the CDR.
<b>Cross Reference</b>	New
<b>SSA Action Plan</b>	See Current Status.

**Current Status per SSA** Under the Agency's contract with PricewaterhouseCoopers (PwC), PwC is providing documentation of our profiling procedures. The contract will be completed in December 2000.

**SSA Target Date** December 2000.

---

**End Date – OIG Review** 2/1/01

**OIG Confirmation of Status** Disagree. SSA's work on this recommendation is incomplete. SSA had not maintained sufficient documentation from the creation of the CDR eligible file and exclusion files as PwC recommended in the FY 99 Management Letter. The documentation SSA provided to PwC had to be reproduced. In addition, the contract referred to in SSA's Action Plan does not state that PwC's consulting group will provide profiling documentation. The relevant objective of the contract was to review the effectiveness of existing CDR profiling methodology and recommend action to improve that methodology. The date of the final report from this contract was pushed back from December 2000 to February 15, 2001.

SSA staff stated that there are too many variables tested in prediction models to maintain documentation on all of them. We agree that maintaining documentation on variables that ultimately do not get used in the prediction models may be logistically overwhelming for SSA. This disagreement will need to be worked out between PwC and SSA.

<b>Report Section/Area</b>	V. Other
<b>Finding/Rec Number</b>	V.14.
<b>PwC Finding</b>	<p>The tax revenue estimation process is performed by the Office of the Chief Actuary (OCACT) using complex and sophisticated econometric models. We noted that OCACT does not have a formal policy addressing version and document control over the estimation model outputs (Fiscal Year Budget and Mid-Session Review of the Fiscal Year Budget documents) which are produced semi-annually and provide short-term tax revenue estimates as well as long-term revenue projections for the annual report of the Board of Trustees of the trust funds.</p> <p>During our testing, we noted OCACT does not have policies that require the performance of a standard set of procedures or checks on the data and calculations reported in the model outputs which are used by Treasury for short-term tax revenue estimates. If OCACT does not check the short-term revenue data and calculations prior to submission to Treasury semi-annually, there is an increased risk that an erroneous revenue estimate could be provided to Treasury and used to transfer revenue to the SSA trust funds.</p>
<b>PwC Recommendation</b>	<p>OCACT should create and implement a formal policy which addresses version and document control surrounding the semi-annual model outputs. Final model outputs and any revisions, if applicable, should be archived (in electronic copy and hard copy) and readily available for review.</p> <p>We also recommend that OCACT identify a standard set of checks and procedures that should be performed on short-term revenue data and calculations produced by the models. The checks and procedures should be performed and evidenced on each final model output (or budget document) prior to submission to Treasury.</p>
<b>SSA Management Response</b>	We agree and believe current procedures adequately address the recommendation. OCACT currently has

archives of final model outputs in both electronic and hard copy form. A standard set of checks and procedures is already performed for each final model output before submission to Treasury, the output of which is kept in the hard copy archive with the final model output. This recommendation is complete.

**Cross Reference**

New

**SSA Action Plan**

See Management Response

**Current Status per SSA**

See Management Response.

**SSA Target Date**

---

Complete

**End Date – OIG Review**

2/6/01

**OIG Confirmation of Status**

Disagree. SSA's work on this recommendation is incomplete. In accordance with OMB and JFMIP requirements, OCACT staff need to formally document the standard checks and procedures they use to reconcile output data so that in the event of unforeseen staff loss, operations could continue with minimal interruption.

We did express to PwC that we believe the problems related to this issue needed to be more specifically defined in the FY 2000 Management Letter. For example, PwC management could have recommended that OCACT identify *in writing* procedures and a standard set of checks performed on short-term revenue data and calculations produced by the models. They also could have recommended that written operating procedures be created for REVERN and MODEEM. The FY 1999 recommendation did not address the area of operating procedures for the REVERN and MODEEM systems, yet this is what PwC seemed to focus on in forming its conclusions.

<b>Report Section/Area</b>	V. Other
<b>Finding/Rec Number</b>	V.17.
<b>PwC Finding</b>	Total operating expenses for the SSI Program increased by \$497 million between 1998 and 1999. This represents a 21% increase in total operating expenses for the year. Total operating expenses for the OASI Program actually decreased during the same time period, while total operating expenses for the DI Program increased by less than 6%. Although we met with SSA personnel on this matter several times, we were unable to obtain clearly articulated business reasons for this dramatic increase in expenses. To ensure proper financial management of this or any other program, we believe that SSA should be able to provide detailed answers for any significant changes in its financial operations.
<b>PwC Recommendation</b>	SSA should develop procedures to clearly articulate and explain any significant change in its financial operations. Regular financial analysis should be conducted on program expenses and all other financial matters, to help ensure the overall accuracy of SSA's operations, and to ensure that variations are investigated and resolved.
<hr/>	
<b>SSA Management Response</b>	We agree and via variance reports, we regularly analyze significant changes (increases and decreases) in the SSA balance sheet, net cost, changes in net position, financing and budgetary resources. In addition, administrative expenses are further segmented by major object classification to identify aberrations. Specific to the SSI program, FY 1999 operating costs increased by \$497 million for several reasons. They reflect the Agency's major planned initiatives to conduct Welfare Reform and increased Continuing Disability Reviews, both of which are weighted more heavily towards the SSI program. They also reflect the Agency's SSI "high risk" initiatives, especially in the form of increased SSI Redeterminations of Eligibility.



Additionally, as part of our responses to finding V.18., we plan to more thoroughly review changes in SSA's operations

**Cross Reference**

New

**SSA Action Plan**

See Management Response

**Current Status per SSA**

To enhance the review of any changes in SSA's financial operations, beginning in January 2000 internal monthly financial statements have been prepared. In addition, analysis was conducted and research occurred for any aberration of assets, liabilities, revenues and expenses.

**SSA Target Date**

---

Completed March 17, 2000

**End Date – OIG Review**

6/15/01

**OIG Confirmation of Status**

Agree. Work on this recommendation is complete. SSA has a business process in place to research significant changes in financial operations and is preparing monthly financial statements to detect any significant changes early. PwC was satisfied that SSA could explain all significant changes between the FY 1999 and FY 2000 financial statements.

Although we agree this recommendation is complete, additional research into the SSI operating expenses revealed a separate issue, which we addressed in the body of this report. We could not conclude on whether SSA properly handled the correction of an error that caused SSI administrative costs to be understated. We found that SSA is recording excess obligations over the SSI administrative allotment as unfunded liabilities, not obligations. We made a separate recommendation in the report that SSA, at a minimum, report any unfunded liabilities in the footnote section of the SF-133, Report on Budget Execution and Budgetary Resources, and disclose the unfunded liability in the footnote associated with the Statement of Budgetary Resources. PwC is in the process of reviewing this issue.

<b>Report Section/Area</b>	V. Other
<b>Finding/Rec Number</b>	V.18.
<b>PwC Finding</b>	SSA needs to perform a more detailed quality review of its financial statements and related note disclosures. For example, the accrued liability for the Railroad Retirement Interchange was applied to the Statement of Budgetary Resources for the Old Age and Survivors Insurance Trust Fund but was never posted to the Statement of Budgetary Resources. Although, the inconsistencies identified during the audit were corrected, they should have been identified and corrected by SSA management during a quality control review.
<b>PwC Recommendation</b>	We recommend that SSA strengthen its quality control review of the financial statements and related note disclosures, including verifying relationships between items on the financial statements and related note disclosures.
<hr/>	
<b>SSA Management Response</b>	<p>We agree. We plan to use the monthly financial statement preparation process as a vehicle to identify and inform SSA management of any major trends and aberrations in SSA programs. Where necessary, we will recommend corrective action and/or suggest alternatives for appropriate financial reporting. Target completion date: February 29, 2000.</p> <p>In addition, we plan to develop a checklist to ensure the consistency of data in SSA's financial statements and related footnotes. Target completion date: August 31, 2000.</p>
<b>Cross Reference</b>	New
<b>SSA Action Plan</b>	See Management Response
<b>Current Status per SSA</b>	For the period January 2000, SSA developed internal monthly financial statements. These reports were completed and a thorough analysis was conducted of any major trends and aberrations in SSA programs.

In addition, SSA developed a checklist to ensure consistency of data in SSA's financial statements and footnotes.

**SSA Target Date**

Strengthening of quality reviews - Completed March 17, 2000.

Checklist of financial statement line items to footnotes – Completed February 7, 2000

---

**End Date – OIG Review**

3/6/01

**OIG Confirmation of Status**

Agree. SSA's work on this recommendation is complete. SSA has taken steps to strengthen the quality control review process. Although PwC found inconsistencies between information on the financial statements, footnotes, and required supplementary information during their FY 2000 audit, we believe SSA's efforts have met the intent of PwC's recommendation and will prevent future inconsistencies. SSA staff are preparing monthly financial statements for internal use to detect any significant changes early. In addition, they have expanded their Financial Statement Checklist to verify the consistency of information in all parts of the Performance and Accountability Report. We encourage SSA to continue the use of the quality control review process as an integral part of financial statement preparation.

<b>Report Section/Area</b>	III. Programmatic Systems – Title II (Section in FY98 Management Letter)
<b>Finding/Rec Number</b>	III.1.B. (Number as assigned for the FY98 Management Letter)
<b>PwC Finding</b>	<p>In 1997, we identified 316 beneficiary records (projected total of 6,320) where one or more of the following conditions existed:</p> <ul style="list-style-type: none"> <li>- Date of disability onset was after the date of entitlement to disability</li> <li>- Date of previous disability was prior to the date of birth</li> <li>- Claim date was prior to the date of birth</li> <li>- Date of death was prior to the date of birth</li> </ul> <p>With the implementation of the Title II Re-design, scheduled for May 1999, SSA plans to implement programmatic edit routines to prevent processing where:</p> <ul style="list-style-type: none"> <li>- The date of disability onset is after the date of entitlement to disability</li> <li>- Date of previous disability is prior to the date of birth, and</li> <li>- A claim date is prior to the date of birth.</li> </ul> <p>Subsequent testing in 1998 revealed that Title II's MCS system had a new edit to prevent the processing of a claim where the date of death is prior to the date of birth. However, we identified 334 records (projected total of 6,680) that met the other three conditions mentioned above.</p>
<b>PwC Recommendation</b>	SSA should ensure that the Title II Redesign includes programmed edit routines to prevent each of the above outstanding erroneous data input processing functions.
<b>SSA Management Response</b>	We agree and will ensure that these edit routines will be included in a future Title II redesign release.
<b>Cross Reference</b>	FY 97 Management Letter – Part 2, III.6.A.11.

<b>SSA Action Plan</b>	See Management Response
<b>Current Status per SSA</b>	<p>Changes made to MCS software during the T2R Release 1 software, which went to production on June 20, 1999, preclude the possibility of the first three conditions from occurring.</p> <p>The fourth condition had been previously withdrawn by the auditors.</p>
<b>SSA Target Date</b>	Complete
<b>End Date – OIG Review</b>	4/4/01
<b>OIG Confirmation of Status</b>	<p>Agree. SSA’s work on this recommendation is complete. In November 1999, we performed tests on the MBR to find transactions where these four data integrity problems still existed. We found instances where the edits did not work for all types of claims processed.</p> <p>In March 2001 we repeated the MBR tests. SSA reported that new edits had been added to MCS in November 2000 to prevent further discrepancies. Our testing found no cases where the MCS edits that were put in place to prevent input errors failed. In conjunction with SSA personnel assigned to this recommendation, we were able to determine that another problem does exist in the CUTR program, which is part of the jobstream used to update the existing MBR. This caused what appeared to be a discrepancy on the MBR for a case identified in our testing. SSA has determined that a software fix is required for CUTR and plans to have the fix in production in September of this year.</p> <p>We did find that some cases are adjudicated through the MADCAP system, by-passing the MCS edits. One of the edits is not in place in the MADCAP system. However, we found that POMS allows this exception in order to show continuous coverage under the Medicare program.</p>

## Acronyms

ACID	Automated Continuing Investigation of Disability Program
AM	Administrative Message
BIC	Beneficiary Identification Code
CDR	Continuing Disability Review
CDRCF	Continuing Disability Review Control File
CIRP	Comprehensive Integrity Review Process
CUTR	The MCS batch program that builds the MBR update records.
DACUS	Death Alert, Control and Update System
DBCA	Division of Benefit Certification Branch
DCDISP	Deputy Commissioner for Disability and Income Security Programs
DCFAM	Deputy Commissioner for Finance, Assessment and Management
DCIA	Debt Collection Improvement Act
DCO	Deputy Commissioner for Operations
DCS	Deputy Commissioner for Systems
DDS	Disability Determination Service
DI	Disability Insurance
EDR	Electronic Death Registration
EIN	Employer Identification Number
FACTS	Financial Accounting System
FO	Field Office
FY	Fiscal Year
GAO	General Accounting Office
IDA	Index of Dollar Accuracy
IVT	Interactive Video Training
JFMIP	Joint Financial Management Improvement Program
LAE	Limitation on Administrative Expenses
MADCAP	Manual Adjustment, Credits and Award Process
MBR	Master Beneficiary Record
MCS	Modernized Claims System
MI	Management Information
MSSICS	Modernized Supplemental Security Income Claims System
MOU	Memorandum of Understanding
NUMIDENT	A query using the SSN to obtain the name of the number's owner
OASI	Old Age and Survivors Insurance
OACT	Office of the Chief Actuary
ODIO	Office of Disability and International Operations
ODISP	Office of Disability and Income Security Programs
OEVS	Online Employee Verification System

OHA	Office of Hearings and Appeals
OIG	Office of the Inspector General
OIM	Office of Information Management
OQA	Office of Quality Assurance
OS	Office of Systems
OSCAR	Optical System for Correspondence Analysis and Response
OSDD	Office of Systems Design and Development
OTSO	Office of Telecommunications and Systems Operations
PC	Processing Center
PC-CDR	Personal Computer – Continuing Disability Review (i.e. work and earnings)
PER	Preeffectuation Review
POMS	Program Operations Manual System
PSC	Payment Service Center
PwC	PricewaterhouseCoopers LLP
QA	Quality Assurance
RO	Regional Office
SAC	Special Action Code
SAIR	Supplemental Security Income Security and Integrity Review
SET	Software Engineering Technology
SIC	Special Indication Code
SR	System Release
SRC	System Release Certification
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSR	Supplemental Security Record
TII	Title II of the Social Security Act
TPD	Third Party Draft
TPPS	Third Party Payment System
TSO	Time Share Option
TXVI	Title XVI of the Social Security Act

## Agency Comments





## SOCIAL SECURITY

### MEMORANDUM

January 17, 2002

Refer To: SIJ-3

To: James G. Huse, Jr.  
Inspector General

Larry Dye  
Chief of Staff

Office of the Inspector General (OIG) Draft Report, "Status of the Social Security Administration's Implementation of Fiscal Year 1999 Management Letter Recommendations" (A-15-00-30056)—INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the report content and recommendations are attached.

Staff questions can be referred to Laura Bell on extension 52636.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, STATUS OF THE SOCIAL SECURITY ADMINISTRATION'S (SSA'S) IMPLEMENTATION OF FISCAL YEAR (FY) 1999 MANAGEMENT LETTER RECOMMENDATIONS (A-15-00-30056)**

**General Comments**

We continue to believe that the five prior recommendations OIG does not consider closed have been properly implemented. Our reasons are stated below.

Item 1

PricewaterhouseCoopers (PwC) recommended SSA ensure that the changes in the edit criteria required to improve suspense processing, along with the addition of a Third Party Draft vendor table, are implemented as soon as possible and that the vendor tables in both the Third Party Draft system and the Financial Accounting System (FACTS) are maintained in a consistent manner.

The primary issue originally identified by PwC was to improve the processing for third party draft suspense items. A number of steps were taken to reduce the suspense items to a level that addressed PwC's initial concern. Part of the original corrective action plan provided for including edit changes and a vendor file in the software that supports the process. The software changes were made and have helped reduce the original errors. It was also determined that it was not cost effective to synchronize the cashier software vendor file with SSA's central vendor file. Since the measures taken addressed the audit issue of reducing the suspense backlog, we believe the issue is closed.

Item 2

PwC recommended SSA enhance current policies and procedures to ensure that the de-obligation process for open obligations is operating effectively and timely.

The Agency implemented new procedures to list obligations with no activity for 3 months and monitor total obligations for reasonableness. We also use monthly Reports of Validations to track open items that have been removed. As part of its normal accounting process, SSA's accounting office validates and liquidates obligations in coordination with the component that initially established the obligation. Any change to an obligation is reflected in information maintained by component procurement/budget staff. SSA's accounting office also analyzes changes in open obligations after the close of each fiscal year and systematically confirms the validity of transactions that remain open.

### Item 3

PwC recommended SSA seek to formalize, via a Memorandum of Understanding (MOU), the process used to transfer revenue estimates from the Department of Treasury (Treasury) to the SSA trust funds.

As noted in the report, the Agency developed procedures outlining the process for providing revenue estimates to Treasury and submitted them to Treasury for review. However, Treasury plans to meet with every Federal agency to establish an MOU regarding each agency's role in relation to Treasury's responsibilities. SSA will include the revenue estimate process in this MOU, which is scheduled to be completed in FY 2002.

### Item 4

PwC recommended SSA maintain documentation of the Continuing Disability Review (CDR) profiling and scoring programs, including input data sets and all variables used in fitting the prediction models.

Under the Agency's contract with PwC, PwC has developed an entirely new set of profiling models. Part of the profiling package includes reference material that provides complete technical documentation of these profiling models. These models were used in creating the FY 2002 CDR selection file and are the only profiling models currently in use. This contract with PwC ended in December 2001, and the profiling model technical documentation is available for review.

### Item 5

PwC recommended the Office of the Chief Actuary create and implement a formal policy which addresses version and document control surrounding the semi-annual model outputs and identify a standard set of checks and procedures that should be performed on short-term revenue data and calculations produced by the models.

SSA continues to disagree with OIG's statement that the actions taken did not meet the intent of PwC's recommendations. The Agency identified and developed a standard set of checks and procedures, and they are evidenced in our model output.

### **Recommendation 1**

SSA should continue to work to bring all of the issues identified by PricewatersCoopers (PwC) to closure within the next audit cycle.

### **Comment**

We agree. SSA will continue to work with PwC to resolve outstanding financial statement issues within the timeframes established between auditors and the Agency. Any outstanding recommendations contained in Appendix A from the 1999 Management Letter recommendations will be updated and addressed in the FY 2001 Financial Statement review expected to be completed by the end of January 2002.

## **Recommendation 2**

The Agency should, at a minimum, report any unfunded liabilities in the footnote section of the SF-133 (Report on Budget Execution and Budgetary Resources) and disclose the unfunded liability in the Financial Statement footnote associated with the Statement of Budgetary Resources (SBR). However, PwC may determine that further reporting or disclosure is necessary. This may require additional action on the part of the agency.

### **Comment**

While we agree that the SF-133 can include a footnote whenever an unfunded liability situation exists, we do not agree that a footnote should be included on the SBR. As OIG states in the report, PwC is currently reviewing the accounting for unfunded liabilities as part of its Financial Statement audit. Additionally, the Agency's secondary management representation letter for the FY 2001 Financial Statements identifies this non-material issue as needing further research during FY 2002. We believe it would be prudent to withhold judgment concerning the SF-133 and the SBR footnotes pending the results of PwC's current review of the Financial Statements.

## **Recommendation 3**

The Agency should institute a monitoring system to ensure that annual Supplemental Security Income (SSI) expenses and obligations made in excess of the annual SSI administrative allotment do not continue to grow.

### **Comment**

We agree. The Agency currently has a monitoring system in place to track and handle any unfunded SSI expenditures. However, the integrated nature of SSA workloads makes it difficult to predict with absolute precision the amount of resources that will be expended for any one program in any given year. That is why Congress provided funding flexibility in Section 201 of the Social Security Act. SSA estimates annually what it will need for all programs, including SSI. If SSI funding levels are inadequate in any one year, SSA requests additional dollars to cover unfunded liabilities in subsequent years.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Frederick C. Nordhoff, Director, Financial Management and Performance Monitoring  
Audit Division (410) 966-6676

Victoria Vetter, Deputy Director, Financial Management, (410) 966-9081

### ***Acknowledgments***

In addition to those named above:

Kristen Schnatterly, Auditor-in-Charge

Lance Chilcoat, Senior Auditor

Dory Dillard, Auditor

Pat Kennedy, CAATs Support

Chuck Zaepfel, CAATs Support

Annette DeRito, Program Analyst

Lewis Dardick, Office of the Counsel to the Inspector General

## **DISTRIBUTION SCHEDULE**

	<u>No. of Copies</u>
Commissioner of Social Security	1
Management Analysis and Audit Program Support Staff, OFAM	10
Inspector General	1
Assistant Inspector General for Investigations	1
Assistant Inspector General for Executive Operations	3
Assistant Inspector General for Audit	1
Deputy Assistant Inspector General for Audit	1
Director, Data Analysis and Technology Audit Division	1
Director, Financial Audit Division	1
Director, Western Audit Division	1
Director, Southern Audit Division	1
Director, Northern Audit Division	1
Director, General Management Audit Division	1
Issue Area Team Leaders	25
Income Maintenance Branch, Office of Management and Budget	1
Chairman, Committee on Ways and Means	1
Ranking Minority Member, Committee on Ways and Means	1
Chief of Staff, Committee on Ways and Means	1
Chairman, Subcommittee on Social Security	2
Ranking Minority Member, Subcommittee on Social Security	1
Majority Staff Director, Subcommittee on Social Security	2
Minority Staff Director, Subcommittee on Social Security	2
Chairman, Subcommittee on Human Resources	1
Ranking Minority Member, Subcommittee on Human Resources	1
Chairman, Committee on Budget, House of Representatives	1
Ranking Minority Member, Committee on Budget, House of Representatives	1
Chairman, Committee on Government Reform and Oversight	1
Ranking Minority Member, Committee on Government Reform and Oversight	1
Chairman, Committee on Governmental Affairs	1
Ranking Minority Member, Committee on Governmental Affairs	1

Chairman, Committee on Appropriations, House of Representatives	1
Ranking Minority Member, Committee on Appropriations, House of Representatives	1
Chairman, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives	1
Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives	1
Chairman, Committee on Appropriations, U.S. Senate	1
Ranking Minority Member, Committee on Appropriations, U.S. Senate	1
Chairman, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate	1
Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate	1
Chairman, Committee on Finance	1
Ranking Minority Member, Committee on Finance	1
Chairman, Subcommittee on Social Security and Family Policy	1
Ranking Minority Member, Subcommittee on Social Security and Family Policy	1
Chairman, Senate Special Committee on Aging	1
Ranking Minority Member, Senate Special Committee on Aging	1
Vice Chairman, Subcommittee on Government Management Information and Technology	1
President, National Council of Social Security Management Associations, Incorporated	1
Treasurer, National Council of Social Security Management Associations, Incorporated	1
Social Security Advisory Board	1
AFGE General Committee	9
President, Federal Managers Association	1
Regional Public Affairs Officer	1
<b>Total</b>	<b>97</b>

# **Overview of the Office of the Inspector General**

## **Office of Audit**

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency.

## **Office of Executive Operations**

The Office of Executive Operations (OEO) supports the Office of the Inspector General (OIG) by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from the Agency, as well as conducting employee investigations within OIG. Finally, OEO administers OIG's public affairs, media, and interagency activities and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

## **Office of Investigations**

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

## **Counsel to the Inspector General**

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.