

*Fiscal Year 2008
Inspector General Statement
on the
Social Security Administration's
Major Management and
Performance Challenges*

A-02-09-19074



November 2008

Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, 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

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

November 5, 2008

The Honorable Michael J. Astrue
Commissioner

Dear Mr. Astrue:

The *Reports Consolidation Act of 2000* (RCA) (Pub. L. No. 106-531) requires that Inspectors General provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. RCA requires that the Agency place the final version of this Statement in its (FY) 2008 *Performance and Accountability Report*.

In November 2007, we identified six significant management and performance challenges facing the Social Security Administration for FY 2008.

- **Social Security Number Protection**
- **Management of the Disability Process**
- **Improper Payments and Recovery of Overpayments**
- **Internal Control Environment and Performance Measures**
- **Systems Security and Critical Infrastructure Protection**
- **Service Delivery and Electronic Government**

I congratulate you on the progress made during FY 2008 in addressing these challenges. My office will continue to focus on these issues in FY 2009. I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively. I am providing you with the Office of the Inspector General's assessment of these six management challenges.

Sincerely,

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

Patrick P. O'Carroll, Jr.
Inspector General

Social Security Number Protection

In Fiscal Year (FY) 2008, the Social Security Administration (SSA) processed approximately 6 million original and 12 million replacement Social Security number (SSN) cards and received approximately \$671 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits due them.

SSA has taken significant steps over the past decade to improve controls in its enumeration process, which have provided greater SSN integrity. Nevertheless, based on our recent audit work, we continue to believe that additional steps need to be taken regarding SSN assignment and protection. To further strengthen SSN integrity, SSA should

- support legislation to limit public and private entities' collection and use of SSNs and improve the protection of this information when obtained,
- work with the Internal Revenue Service (IRS) to develop alternatives to assigning SSNs to noncitizens who are authorized to work, but may only be in the country for a few months,
- continue its efforts to safeguard and protect personally identifiable information (PII), and
- improve the Enumeration at Entry process before its expansion.

Additionally, SSA is devoting resources to developing an on-line system for issuing replacement SSN cards. While we support the Agency's decision to offer more services on-line to enhance customer service, we are concerned about the potential for unscrupulous individuals to manipulate such a system, given the IRS' experience with fraud and abuse in its e-file program. Therefore, we believe SSA should develop appropriate authentication measures to ensure a high level of security and identity assurance before moving forward in offering on-line replacement SSN cards.

Maintaining the integrity of the SSN and Social Security programs also involves properly posting earnings reported under SSNs. Properly posting earnings is essential in determining whether individuals are eligible to receive retirement, survivor, and/or disability benefits as well as to calculate the benefit amounts. If earnings information is reported incorrectly or not reported at all, SSA cannot ensure all individuals eligible to benefits are receiving the correct payment amounts. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for wage earners whose names and/or SSNs fail to match SSA's records. As of October 2007, the ESF had accumulated approximately 275 million wage items for Tax Years 1937 through 2005, representing about \$661 billion in wages.

While SSA cannot control all of the factors associated with erroneous wage reports, it can improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, encouraging greater use of the Agency's employee verification programs, and enhancing the employee verification feedback to provide employers with sufficient information on potential employee issues. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the IRS to achieve more accurate wage reporting. SSA also needs to work with the Department of Homeland Security (DHS) to help resolve vulnerabilities we identified with the E-Verify program (formerly the Basic Pilot), which is a DHS initiative, in which SSA participates, that assists employers in verifying the employment eligibility of newly hired employees. In June 2008, the Commissioner of Social Security expressed his desire to work with DHS to help resolve some of the weaknesses with the E-Verify program. Specifically, he expressed the need for SSA and DHS to develop a more stringent registration process for E-Verify to reasonably guard against improper users registering and using E-Verify.

SSA Has Taken Steps to Address this Challenge

Over the past decade, SSA has implemented numerous improvements to its enumeration process. We recognize that with these new procedures, the enumeration workload has increased in complexity for SSA personnel and resulted in some difficulties or delays for SSN applicants. Despite these challenges, we believe SSA's improved procedures help ensure the Agency is properly assigning these very important numbers. Some of SSA's more notable enumeration improvements include the following.

- Verifying the authenticity of most documents evidencing citizenship or lawful alien status before assigning an original SSN.
- Establishing six SSN Card Centers in Brooklyn and Queens, New York; Las Vegas, Nevada; Phoenix, Arizona (Downtown and North); and Orlando, Florida, which focus exclusively on assigning SSNs and issuing SSN cards.
- Requiring that field office personnel processing SSN applications use the Agency's *SS-5 Assistant*, a Microsoft Access-based application intended to increase control over the SSN application process. This program provides field office personnel processing SSN applications structured interview questions and requires certain data to complete the application process. Additionally, SSA plans to implement a web-based enumeration system known as the SSN Application Process in the next few years.
- Strengthening the standards and requirements for identity documents presented with SSN applications to ensure the correct individual obtains the correct SSN.

SSA has also taken steps to reduce the size and growth of the ESF. The Agency offers employers the ability to verify names and SSNs of their employees using the Agency's *Social Security Number Verification Service (SSNVS)*, which is an on-line verification

program. SSNVS allows employers to verify the information before reporting their wages to SSA. As of August 2008, SSNVS had processed over 53 million verifications for over 33,000 registered employers.

SSA also supports DHS in administering the E-Verify program. The program was recently enhanced to include a Photo Screening Tool feature, which allows an employer to check the photographs of a new hire's *Employment Authorization Document* or *Permanent Resident Card* (Green Card) against images stored in DHS immigration databases. As of June 2008, the E-Verify program had processed more than 4 million verification requests for about 69,000 employers.

The Agency continues to modify the information it shares with employers. Under the *Intelligence Reform and Terrorism Prevention Act of 2004* (Pub. L. No. 108-458), SSA is required to add both death and fraud indicators to the SSN verification systems for employers, State agencies issuing drivers' licenses and identity cards, and other verification routines, as determined appropriate by the Commissioner of Social Security. SSA added death indicators to those verification routines used by employers and State agencies in March 2006 and added fraud indicators in August 2007.

Management of the Disability Process

Modernizing Federal disability programs, including SSA's disability programs, has been included on the Government Accountability Office's (GAO) high-risk list since FY 2003 due, in part, to outmoded concepts of disability, as well as ongoing challenges to make timely, accurate, and consistent decisions. Moreover, at the forefront of congressional and Agency concern is the timeliness of SSA's disability decisions at the hearings adjudicative level. The average processing time at the hearings level continues to increase—from 293 days in FY 2001 to 514 in FY 2008. Additionally, the pending workload continues to increase. At the end of FY 2008, the pending workload was 760,813 cases—up from 746,744 in FY 2007 and almost double the 392,387 cases in FY 2001.

As of October 2008, we were conducting a review to determine overall average processing times at each stage of the process—disability determination services (DDS), ALJ hearing, Appeals Council, and the Federal Courts. We expect to complete this work in FY 2009 and provide some insights into the process by taking a big-picture look at the whole process from the claimant's perspective—from the time they apply until they receive a check or exhaust all appeals. We will follow this with another review in FY 2009 where we will obtain information directly from disability claimants on how their lives were impacted by the length of the disability process.

In our February 2008 review of administrative law judges' (ALJ) caseload performance, we found that the Office of Disability Adjudication and Review's (ODAR) ability to process projected hearing requests and address the growing backlog of cases will continue to be negatively impacted by the caseload performance of some ALJs if their status quo performance levels continue. Accordingly, we recommended that SSA establish a performance accountability process that allows ALJ performance to be addressed when it falls below an acceptable level.

In August 2008, we issued a follow-up report to Congress highlighting that ALJs have varying levels of productivity (both high and low productivity) for internalized reasons, such as motivation and work ethic. We also reported on factors impacting ALJ and hearing office productivity and processing times, including hearing office staff levels, hearing dockets, favorable rates, individual ALJ preferences, Agency processes and DDS case development. In another review for Congress, we assessed the organizational culture at the DDS for approving and denying disability claims. This congressional request was precipitated by a media story that SSA maintains a culture to deny disability claims. In our August 2008 report, we stated that the weight of the evidence does not support the allegation that there is a culture to deny within the DDSs.

In other audits, we highlighted the need for greater oversight of ALJ training programs as well as improved management information. In our April 2008 review of the Association of ALJ's training conference costs, we found the Agency was supporting ALJ training as a way to improve ALJ productivity but could implement better controls over expenditures and attendance by running such conferences in-house. Our

June 2008 report on the timeliness of medical evidence assessed the availability of management information at the hearing office and national level to assist managers in monitoring timeliness trends. After we identified an area where more accurate coding of hearing activity could improve the management information, the Agency issued new guidance to hearing offices instructing them on the proper use of these codes.

SSA Has Taken Steps to Address this Challenge

SSA's FY 2008 Semiannual Report detailed its plan to eliminate the backlog of hearing requests and prevent its recurrence. The Commissioner's plan focused on (1) compassionate allowances, (2) improving hearing office procedures, (3) increasing adjudicatory capacity and (4) increasing efficiency with automation and improved business processes. However, it may take time for these new initiatives and additional resources to lead to a reduction in the backlog. As we noted earlier, the backlog of hearing requests in FY 2008 was actually greater than it was at the end of FY 2007.

Compassionate Allowances. This initiative builds on the success of the Quick Disability Determination process that identifies and allows benefits to applicants who are obviously disabled. SSA has been developing and expanding the use of automated screening tools to identify the types of cases that fall under the compassionate allowances initiative. SSA is also refining its rules, regulations, and listing codes to reflect current advances in medical science. When SSA announced this initiative in FY 2007, the expectation was that 3 to 10 percent of new claims would be decided as compassionate allowances. However, this initiative is still in its infancy, and we expect to initiate a review in this area to determine whether it is helping address the backlog of hearing requests and prevent its recurrence.

Improve Hearing Office Procedures. As part of the two initiatives under this effort, in FY 2007 SSA focused on eliminating the backlog of aged cases that would be 1,000 days or older by the end of the FY and successfully reduced the backlog of 1,000 day-old cases to just over 100 cases. In FY 2008, SSA redefined aged cases to those that would be 900 days old or older by the end of FY 2008 and reduced the number of such cases from 135,160 to 281 cases.

Increase Adjudicatory Capacity. One of six initiatives is to improve ALJ productivity. Under this initiative, the Chief ALJ requested that each ALJ issue 500 to 700 dispositions per year. This initiative also includes appropriate training to assist ALJs with these workloads. Another initiative is hiring new ALJs. In FY 2008, SSA hired 190 new ALJs.

Increase Efficiency with Automation and Improved Business Process. One of 27 initiatives is transitioning to the electronic folder. Under this initiative, all DDSs and ODAR offices are transitioning from processing disability claims using paper folders to using electronic folders. Other initiatives in this area include electronic case file assembly, electronic scheduling, centralized printing and mailing, enhanced hearing office management information and expanded use of video hearings.

We continue to work with SSA to address the integrity of the disability program through the Cooperative Disability Investigations (CDI) program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability claims. Since the program's inception in FY 1998, the 19 CDI units, operating in 17 States, have been responsible for over \$1 billion in projected savings to SSA's disability programs and approximately \$665 million in projected savings to non-SSA programs. This effort will be further assisted in the new FY with the opening of a 20th CDI unit in Little Rock, Arkansas, October 2008.

Improper Payments and Recovery of Overpayments

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

Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to millions of people, even the slightest error in the overall process can result in millions of dollars in over- or underpayments. In FY 2007, SSA issued over \$612 billion in Old-Age, Survivors and Disability Insurance (OASDI) and SSI benefit payments to about 54 million people. A January 2008 Office of Management and Budget (OMB) report, *Improving the Accuracy and Integrity of Federal Payments*, noted that nine Federal programs—including SSA's OASDI and SSI programs—accounted for more than 90 percent of the improper payments in FY 2007.

The reduction of improper payments is one of SSA's key strategic objectives. In addition, elimination of improper payments is one of the program initiatives in the President's Management Agenda (PMA), a Government-wide initiative for improving financial performance. In furtherance of this initiative, Congress passed the *Improper Payments Information Act of 2002* (Pub. L. No. 107-300), and OMB issued implementing guidance clarifying the definition of an improper payment and OMB's authority to require that agencies track programs with low error rates (that is, less than 2.5 percent) but significant improper payment amounts.

We issued a report in 2006 on overpayments in SSA's disability programs in which we estimated that SSA had not detected about \$3.2 billion in overpayments and had paid about \$2.1 billion in benefits annually to potentially ineligible beneficiaries. Although SSA tries to achieve a balance between stewardship and service, it has been a challenge due to the resources required to conduct an adequate number of medical and work-related continuing disability reviews (CDR). Although the Agency had special funding for CDRs in FYs 1996 through 2002 and SSA's data show that CDRs save about \$10 for every \$1 spent to conduct them, the Agency has cut back on this workload.

SSA Has Taken Steps to Address this Challenge

SSA has been working to improve its ability to prevent over- and underpayments by agreeing to and then implementing OIG audit recommendations. For example, in March 2008, we issued a report identifying \$7.6 million in overpayments to auxiliary beneficiaries because SSA's records did not have their SSNs on its payment records; and as a result, the Agency's data matching efforts did not detect that these individuals were incorrectly paid. When we issued the report, SSA had already recovered \$3.1 million (41 percent) of the improper payments.

We also issued a report in May 2008 showing that an estimated 2,088 SSI recipients were overpaid about \$24.8 million because they did not report their marriage to SSA. As a result, the Agency is taking corrective action to stop the improper payments and collect the overpayments. Additionally, in an April 2008 report, we determined that despite SSA's efforts to identify residency violations, about \$226.2 million in overpayments went undetected because about 40,560 recipients did not inform SSA of their absence from the United States. SSA agreed with our recommendation to obtain and analyze electronic bank statement information to prevent these types of overpayments in the future. In two other 2008 reports we identified approximately \$467 million in underpayments were owed to about 395,000 beneficiaries.

We will continue to work with SSA to identify improper payments in its programs and recommend improvements to prevent them from occurring in the future.

Internal Control Environment and Performance Measures

Sound management of public programs includes both effective internal controls and performance measurement. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. The *Federal Managers' Financial Integrity Act of 1982* (FMFIA) (Pub. L. No. 97-255) requires that the Agency establish management controls and financial systems that provide reasonable assurance the integrity of Federal programs and operations is protected. It also requires that the Commissioner, based on an evaluation, provide an annual Statement of Assurance on whether SSA has met this requirement. Similarly, OMB Circular A-123, *Management's Responsibility for Management Control*, which is issued under the authority of FMFIA, requires that the Agency and its managers take systematic and proactive measures to develop and implement appropriate, cost-effective internal control for results-oriented management. Accordingly, SSA management is responsible for determining, through performance measurement and systematic analysis, whether the programs it manages achieve intended objectives.

In FY 2008, the Commissioner reported that SSA could provide reasonable assurance that its internal controls over the effectiveness and efficiency of its operations and compliance with applicable laws and regulations was operating effectively, and no material weaknesses were found in the design or operations of the internal controls as of September 30, 2008. While we do not question the Commissioner's conclusion, we realize that SSA's overall control environment can be free of material weaknesses but still have room for improvement.

Establishing appropriate controls over the development of disability claims under the Disability Insurance (DI) and SSI programs is one of the main processes for which SSA is responsible. Disability determinations under DI and SSI are performed by DDSs in each State or other responsible jurisdictions in accordance with Federal regulations. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. In FY 2008, SSA allocated over \$1.8 billion to fund DDS operations.

From FYs 2000 through 2008, we conducted 72 DDS administrative cost audits. In 40 of the 72 audits, we identified internal control weaknesses and over \$114 million that SSA reimbursed to the States that was not properly supported or could have been put to better use. Nine of the 72 audits conducted were completed in FY 2008. Six of these audits noted similar internal control weaknesses identified in previous DDS audits and over \$4 million of questioned costs and/or funds that could have been put to better use. We believe the large dollar amounts expended by DDSs and the related internal control issues we identified warrant this issue remaining a major management challenge.

Another area that requires sound management and effective internal control is the selection and oversight of contractors assisting the Agency in meeting its mission. In FY 2008, SSA spent over \$881 million on contracts. We reviewed two of SSA's contracts in FY 2008. We generally found that the costs claimed for services provided by the contractors involved were reasonable and allowable but found room for improvement. For example, temporary badges assigned to some contract employees improperly had a "not-to-exceed date" that extended beyond the end of the contract period. Accordingly, the contract employees could have gained access to SSA facilities after they were no longer working on the contract. Also, the contract employees working status with SSA was not accurately reflected in suitability records. We believe ensuring proper oversight and controls over its contracts is inherently a major management challenge for SSA due to the total dollar amounts awarded and risks involved with contractors adequately delivering services and meeting contract objectives.

The use of performance measures provides SSA with information about program results and service quality. The *Government Performance and Results Act of 1993* (Pub. L. No. 103-62) and the PMA require the identification of outcome measures that accurately monitor programs' performance. Also, SSA managers need sound information to monitor and evaluate performance. In FY 2008, we issued four audits that addressed eight of SSA's performance measures. All four audits released in FY 2008 were based on work initiated in FY 2007 and completed in FY 2008. The eight performance measures addressed in these four reports are listed below.

- Maintain the number of initial disability claims pending in the DDS (at/below FY 2007/2008 goal)
- DDS net accuracy rate (allowances and denials combined)
- Number of SSI disabled beneficiaries earning at least \$100 per month
- Remove 3 percent of the earnings items that remain in the ESF for a new tax year and post the earnings to the correct earnings records
- Number of periodic CDRs processed to determine continuing entitlement based on disability
- Number of SSI non-disability redeterminations processed
- SSA hearings case production per workyear
- Issue annual SSA-initiated Social Security Statements to eligible individuals age 25 and older

We concluded that the data used for two of the eight measures were reliable, and the data used for the remaining six were unreliable. Generally, when data were determined to be unreliable, it was due to weaknesses in internal or access controls over the systems used to collect and process it. Due to the control weaknesses, the data were not sufficiently secure to be certain of their integrity. The challenge SSA faces in this area is ensuring that it has reliable management information when making strategic and operational plans.

SSA Has Taken Steps to Address this Challenge

SSA has taken steps to develop internal controls over its operations and contractor performance and in developing sound performance data. SSA has generally agreed with our recommendations that address internal control weaknesses associated with DDSs and has taken the recommended steps to ensure reimbursements provided to DDSs are allowable and properly supported. Additionally, SSA is working to limit the number of employees who have access and the ability to change data in its performance data collection systems to help ensure the integrity of its management information.

While the Agency has taken steps to address our recommendations, we will continue to audit DDSs and SSA's contracts in the upcoming FY. Additionally, we plan to audit a number of grants SSA has awarded to ensure it has proper controls over the funds provided to grantees and the funding leads to the desired impact of the grants. Given the large dollar amounts involved and the importance of the work provided by DDSs, contractors and grantees, we believe it is important to monitor SSA's oversight of these entities, ensuring that funds are spent appropriately and critical missions are met.

Systems Security and Critical Infrastructure Protection

The vulnerability of critical infrastructures and the unique risks associated with networked computing have been recognized for some time. Federal agencies rely heavily on information technology to run their daily operations and deliver products and services. With an increasing reliance on information technology, a growing complexity of Federal information technology infrastructure, and a constantly changing information security threat and risk environment, information security has become a mission-essential function.

SSA's information security challenge is to understand and mitigate system vulnerabilities. Weaknesses in controls over physical and logical access to its electronic information, technical security configuration standards, suitability and continuity of systems operations have been identified. The information security challenge extends to the Agency's ability to properly maintain its operations and recover from a disaster. While many of these weaknesses have been resolved, SSA needs to monitor these issues diligently to ensure they do not recur. This means ensuring the security of its critical information infrastructure and sensitive data. Federal agencies maintain significant amounts of personal information concerning individuals, often referred to as PII. The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information.

Incidents of Federal agencies losing PII demonstrate the importance of data security. The public will be reluctant to use electronic access to SSA services if it does not believe the Agency's systems and data are secure. Without due diligence, sensitive information can become available to those who are not entitled to it and may use it for personal gain. For example, in June 2008, we reported that since January 2004, the publication of the Death Master File (DMF) has resulted in the breach of PII for over 20,000 living individuals erroneously listed as deceased on the DMF. To address increasing workloads and the changing work environment, SSA constantly assesses and implements new technologies, such as the Internet Protocol version 6 and Voice over Internet Protocol. New technology often brings advantages but also presents new security challenges. SSA needs to understand and address potential risks before such technology is implemented.

SSA Has Taken Steps to Address this Challenge

SSA addresses critical information infrastructure and systems security in a variety of ways. For example, it created a Critical Infrastructure Protection work group to ensure continued compliance with various directives, such as the Homeland Security Presidential Directives (HSPD) and *Federal Information Security Management Act of 2002* (FISMA) (Pub. L. No. 107-347). HSPD 12 mandates the development of a common identification standard for all Federal employees and contractors. Federal Information Processing Standard 201, *Personal Identity Verification of Federal Employees and Contractors*, was developed to satisfy the requirements of HSPD 12. SSA worked with other agencies and OMB to address HSPD 12 and comply with

Personal Identity Verification. To date, SSA has issued more than 63,000 Personal Identity Verification compliant credentials to employees and contractor personnel and is on target to issue credentials to all 85,000 employees by September 30, 2008.

To meet FISMA requirements, SSA and we annually evaluate SSA's security program. FISMA requires that agencies institute a sound information security program and framework. Since the inception of FISMA, we have worked with the Agency to ensure prompt resolution of security issues. The House Oversight and Government Reform Committee rated SSA "A+" for FY 2007 on its computer security based on its compliance with the OMB FISMA reporting guidance. This guidance merely requires that Federal agencies report on the status of certain elements of their information security programs. Reporting under these criteria does not ensure a lack of system security deficiencies.

Even though SSA is substantially compliant with the OMB FISMA requirements, there are several system security areas that the Agency could improve upon. SSA needs to ensure (1) controls to protect PII are fully developed and implemented in accordance with OMB guidance; (2) adequate incident response and reporting policies and procedures are implemented Agencywide; (3) system access controls are fully implemented to meet least privilege criteria for all users of SSA systems; (4) systems are sufficiently tested to fully meet FISMA requirements; and (5) all contractor personnel are appropriately suitability tested and receive annual security awareness training.

Additionally, SSA has taken steps in the area of PII. The Agency has established a PII Executive Steering Committee, which provides oversight and recommendations on SSA policy, and the PII Breach Response Group whose role is to engage in Agency planning if a breach occurs. SSA has developed strict policies and procedures for employees to protect PII. In May 2008, SSA began notifying the U.S. Computer Emergency Readiness Team, a partnership between DHS and the public and private sectors established to protect the Nation's Internet infrastructure, that individuals were erroneously included in the DMF. SSA is also completing an assessment of the risks involved with the affected individuals and developing an appropriate notification policy for these individuals. Because of the critical nature of PII, we plan to audit SSA's compliance with its own PII policies in the coming FY.

SSA's most important asset is the sensitive information in its databases. To ensure effective use of these databases in the future, SSA is converting them from legacy systems to more commercially used applications. This will take several years to complete. Additionally, in recent years, the need to recover from a disaster or significant event has become increasingly evident. To better enable itself to recover from such an event, SSA is building a second Data Center to handle some of the current workload of SSA's primary data center and temporarily replace the primary data center in the event of a significant incident. SSA plans to begin occupancy of this facility in January 2009, but there have been delays to the original occupancy date. Because of the importance of the new data center, we plan to continue to monitor SSA's progress.

Service Delivery and Electronic Government

Two of SSA's strategic goals in effect in FY 2008 were to deliver high-quality, "citizen-centered" service and to strategically manage and align staff to support the mission of the Agency. The service goal encompassed traditional and electronic services to applicants for benefits, beneficiaries, and the general public. It included services to and from States, other agencies, third parties, employers, and other organizations, including financial institutions and medical providers. The staff goal focused on the Agency's strategies for maintaining a high-performing workforce that is prepared to deliver quality service to the American public. This management challenge includes such areas as the Representative Payee Process, Managing Human Capital, and Electronic Government.

When SSA determines a beneficiary cannot manage his or her benefits, it selects a representative payee who must use the payments for the beneficiary's interests. There are approximately 5.4 million representative payees who managed about \$52.7 billion in annual benefit payments for approximately 7.2 million beneficiaries. While representative payees provide a valuable service for beneficiaries, SSA must provide appropriate safeguards to ensure its responsibilities are met to the beneficiaries it serves.

Representative payees continue to be a significant challenge for SSA. Most notably, SSA needs to improve its identification of incapable beneficiaries in need of representative payees; selection of suitable representative payees; and subsequent monitoring to ensure beneficiaries' funds are properly managed. Our audits and investigations of representative payees have found significant problems with the management of beneficiaries' funds that, in some cases, had been occurring for several years in spite of SSA's previous identification of these problems. We are also concerned that SSA may not be aware of aged beneficiaries who may be in need of representative payees. We have found that as many as 50 percent of individuals over the age of 85 may suffer from some form of dementia or Alzheimer's disease; however, only 4.4 percent of SSA beneficiaries over age 85 have representative payees. We also identified several instances of beneficiaries who may need representative payees since their payments were sent "in-care of" nursing homes. We plan to conduct reviews focused on this population of beneficiaries who may need a representative payee but do not have one. In July 2007, the National Academy of Sciences (NAS) issued a report, *Improving the Social Security Representative Payee Program: Serving Beneficiaries and Minimizing Misuse*. The report contained 28 recommendations to improve SSA's representative payee program. In FY 2008, we identified several problematic conditions during our reviews of SSA's representative payee process. We plan a number of reviews that will provide information to the Agency as it attempts to implement the NAS recommendations.

GAO has included strategic human capital management on its list of high-risk Federal programs and operations since FY 2001. Further, Strategic Management of Human Capital is one of five Government-wide initiatives contained in the PMA. By the end of 2012, SSA projects its DI rolls will have increased by 35 percent. Further, the Agency

projects 53 percent of its employees will be eligible to retire by FY 2017. It is expected this will result in a loss of institutional knowledge that will affect SSA's ability to deliver quality service to the public.

SSA is being challenged to address its human capital shortfalls. The growing workload and retirement wave are expected to have a significant impact on SSA's ability to deliver quality service to the public. For SSA field offices to continue providing the quality service its customers expect, we believe training is needed to enable staff to remain current on Agency policies, procedures, operations, and changes in technology. Thus, the Agency's succession planning related to automated workloads is a concern. In a review of SSA field offices' training of staff, we found SSA had a structured training program, and the training was accessible to field office employees. We also found most Claims and Service Representatives responding to our questionnaire were satisfied that the general and disability-related training received for their position had helped them do their job effectively and efficiently, and the training was provided timely. However, most staff perceived the existence of barriers that prevented them from receiving training needed to perform their duties; and a lack of communication with management and expressed a need for SSA to improve the training experience. Furthermore, it is imperative that staff in mission-critical occupations possess certain competencies. We plan to examine the issue of competency gaps for mission-critical occupations during the upcoming FY.

In a review of SSA's Electronic Services (eServices), we found that over the last 9 years, SSA has automated more of its workload and is attempting to conduct more of its business with the public using eServices. However, SSA must overcome several challenges to meet its Internet services goals including increasing its use, implementing planned enhancements, and addressing critical issues. Additionally, as the Agency implements its planned expansion of eServices, it also needs to develop appropriate authentication measures tailored to each electronic application to identify individuals and maintain the security of SSA's most sensitive information. We plan to continue to monitor SSA's steps to address these challenges.

Although SSA's Internet retirement application is one of the highest rated Internet applications in the Government, SSA reported that only 15.2 percent of retirement benefit claims were filed through the Internet in FY 2008. According to Commissioner Astrue, the Agency's online filing percentage will need to increase to 50 percent within the next 5 years "in order to keep field offices from being totally overwhelmed." The Agency believes maximizing the use of modern technology and changing the service delivery model will enable SSA to continue to provide critical services to all future beneficiaries. The Agency was able to issue a number of improvements to the Internet retirement application in September 2008. However, some of the planned improvements were postponed. The application status enhancement is planned to be released at the same time the Agency releases iClaim -- its new online application for Social Security Benefits which will replace the Internet Social Security Benefits Application.

SSA Has Taken Steps to Address this Challenge

SSA has taken some actions to address the challenges of its representative payee process. SSA provided to Congress its response to the NAS report in April 2008. The Agency agreed with most of the recommendations made by NAS. For example, SSA agreed to redesign the Representative Payee System, which is SSA's database of representative payees. SSA also committed to developing an interactive video training initiative to provide better training to its employees. Additionally, SSA agreed with our report recommendations to address issues related to the suitability of representative payees who are geographically separated from the beneficiaries they serve when they conduct representative payee reviews. SSA also agreed to correct Representative Payee System records where information does not match the Master Beneficiary and Supplemental Security Records. Further, SSA agreed to follow up with organizational payees to recover debts owed to SSA. Finally, SSA has self-initiated random reviews of individual representative payees servicing fewer than 15 beneficiaries and organizational representative payees serving fewer than 50 beneficiaries.

As of September 30, 2008, SSA scored "green" in both "Current Status" and "Progress in Implementing the PMA" for Human Capital on the Executive Branch Management Scorecard. The Scorecard tracks how well the departments and major agencies are executing the five Government-wide management initiatives.

SSA has implemented various strategies to address its human capital challenges, such as filling positions before key vacancies occur, using understudies in targeted positions, conducting leadership symposiums to strengthen knowledge and skills of mid-level managers and developing plans to minimize competency gaps in mission critical occupations. The Agency reported that it also redirected and established new priorities to address its service delivery challenges. One of the priorities was to increase efficiency through technology. SSA reported using speech technology for the National 800-Number Network to reduce call handle-time, increase overall accuracy, and improve efficiency by reducing the time callers spend navigating through menu prompts. The Agency also released a newly redesigned *Social Security Online* homepage to make the website more user-friendly and to help reduce the number of unnecessary trips to the local Social Security office.

GAO reported SSA field offices largely met work demands between FYs 2005 and 2007, despite operating with fewer staff and an increased demand for services. To manage the workload, field offices shared work among offices and redirected staff to meet critical needs. The Agency also encouraged customers to make greater use of Internet and other eServices.

Studies have shown that the public wants to conduct more business via the Internet, and SSA has taken steps to address the challenges of offering eServices to the public. Since the Agency publicized that the first baby boomer to file for retirement used the Internet to file her claim, it has seen a 43-percent increase in the number of retirement applications filed on-line. SSA's Internet retirement application is one of the highest

rated Internet applications in the Government, and the Agency estimates that Internet retirement claims have saved adjudicators an average of 13 minutes, up from 9 minutes in 2006. Furthermore, SSA has been successful in familiarizing field office staff with the Internet application, with almost two-thirds of the staff saying it was very easy to assist the public when asked questions regarding the application. SSA plans to implement a redesigned Internet retirement application that features easier navigation and simple on-screen help and will only ask questions pertinent to an individual's personal situation based on information already housed in SSA's electronic records.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Related Office of the Inspector General Reports

[APPENDIX C](#) – Office of the Inspector General Contacts

Acronyms

ALJ	Administrative Law Judge
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
DDS	Disability Determination Services
DHS	Department of Homeland Security
DI	Disability Insurance
DMF	Death Master File
eServices	Electronic Services
ESF	Earnings Suspense File
FISMA	<i>Federal Information Security Management Act of 2002</i>
FMFIA	<i>Federal Managers' Financial Integrity Act of 1982</i>
FY	Fiscal Year
GAO	Government Accountability Office
HSPD	Homeland Security Presidential Directive
IRS	Internal Revenue Service
NAS	National Academy of Sciences
OASDI	Old-Age, Survivors and Disability Insurance
ODAR	Office of Disability Adjudication and Review
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PII	Personally Identifiable Information
PMA	President's Management Agenda
Pub. L. No.	Public Law Number
RCA	<i>Reports Consolidation Act of 2000</i>
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSNVS	Social Security Number Verification Service

Related Office of the Inspector General Reports

Management Challenge Area, Report Title and Common Identification Number	Report Issued
Social Security Number Protection	
Social Security Number Misuse for Work and the Impact on the Social Security Administration's Master Earnings File (A-03-07-27152)	September 29, 2008
Quick Response Evaluation: Controls over the Social Security Administration's Celebrity File (Limited Distribution) (A-08-08-28118)	September 9, 2008
Effectiveness of the Social Security Statement in Correcting Earnings Records (A-15-07-17089)	August 27, 2008
Social Security Cards Mailed to the Social Security Administration's Field Offices (A-09-07-27154)	August 19, 2008
Follow-up: The Social Security Administration's Internal Use of Employees' Social Security Numbers (A-13-07-27164)	June 9, 2008
Personally Identifiable Information Made Available to the General Public Via the Death Master File (A-06-08-18042)	June 4, 2008
The Social Security Administration's Compliance with <i>Intelligence Reform and Terrorism Prevention Act of 2004</i> Provisions Regarding Security of Social Security Cards and Numbers (A-08-08-18058)	May 21, 2008
Assignment of Social Security Numbers to Noncitizens with Fiancé Visas (A-08-07-17044)	May 6, 2008
Removing Social Security Numbers from Medicare Cards (A-08-08-18026)	May 2, 2008
Follow-up: Assessment of the Enumeration at Entry Process (A-08-07-17143)	March 20, 2008

Management Challenge Area, Report Title and Common Identification Number	Report Issued
Controls for Issuing Social Security Number Verification Printouts (A-04-07-27112)	December 5, 2007
The Social Security Administration's Controls over Rediscovery of Sensitive Information in the Kansas City Region (A-07-07-17055)	November 28, 2007

Management Challenge Area, Report Title and Common Identification Number	Report Issued
Management of the Disability Process	
Medical Consultant Contracts (A-02-07-17050)	September 30, 2008
Hearing Office Remand Processing (A-12-08-28036)	September 29, 2008
Congressional Response Report: Disability Determination Services Disability Decisions (A-15-08-28114)	August 14, 2008
Accuracy of Title II Disability Insurance Benefits Processed with Workers' Compensation Settlements (A-04-07-17059)	August 13, 2008
Ticket to Work and Self-Sufficiency Program Cost Effectiveness (A-02-07-17048)	August 11, 2008
Congressional Response Report: Administrative Law Judge and Hearing Office Performance (A-07-08-28094)	August 8, 2008
Quick Response Evaluation: Timeliness of Medical Evidence at Hearing Offices (A-05-08-28106)	June 13, 2008
Association of Administrative Law Judges' Training Conference Costs (A-12-08-28037)	April 7, 2008
Administrative Law Judges' Caseload Performance (A-07-07-17072)	February 6, 2008

Management Challenge Area, Report Title and Common Identification Number	Report Issued
Improper Payments and Recovery of Overpayments	
The Social Security Administration's Computation of Delayed Retirement Credits (A-09-07-17135)	September 22, 2008
The Social Security Administration's Use of Administrative Sanctions in the Old-Age, Survivors and Disability Insurance Program (A-07-07-17052)	September 19, 2008
Automated One-Time Payments (A-06-08-18035)	September 19, 2008
Administrative Wage Garnishment (A-13-08-28009)	September 18, 2008
Dually Entitled Beneficiaries Who are Subject to Government Pension Offset and the Windfall Elimination Provision (A-09-07-27010)	September 10, 2008
Accuracy of Title II Disability Insurance Benefit Triennial Redeterminations for 2006 (A-04-07-17078)	September 9, 2008
Status of Title II Installment Agreements (A-02-08-18074)	September 5, 2008
Unprocessed Manual Recalculations for Title II Payments (A-03-07-17090)	August 14, 2008
Supplemental Security Income Recipients with Excess Income and/or Resources (A-01-08-18022)	July 23, 2008
Title II Benefits to Fugitive Felons and Probation or Parole Violators (A-01-07-17039)	July 2, 2008
Benefit Payments in Instances Where the Social Security Administration Removed a Death Entry from the Beneficiary's Record (A-06-07-27156)	June 19, 2008
Underpayments Payable on Behalf of Terminated Title II Beneficiaries (A-09-07-17160)	June 9, 2008

Management Challenge Area, Report Title and Common Identification Number	Report Issued
Quick Response Evaluation: Underpayments to Widows (A-01-08-28116)	May 22, 2008
Supplemental Security Income Recipient Marriages Not Reported to the Social Security Administration (A-01-07-27109)	May 19, 2008
Joint Social Security and Canadian Beneficiaries Residing in the United States (A-01-05-25124)	May 2, 2008
Supplemental Security Income Recipients with Automated Teller Machine Withdrawals Indicating They Are Outside the United States (A-01-07-17036)	April 23, 2008
Follow-up on the Impact on the Social Security Administration's Programs When Auxiliary Beneficiaries Do Not Have Their Own Social Security Numbers (A-01-07-17038)	March 14, 2008
Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age (A-09-07-17134)	March 14, 2008
Adjustments of Overpayment Balances Related to Title II Critical Payments (A-04-07-17028)	January 22, 2008
Social Security Administration Employees Receiving Benefits (A-01-07-27116)	December 12, 2007
Controls over Miscellaneous Payments Made Through the Single Payment System (A-09-07-17119)	October 25, 2007

Management Challenge Area, Report Title and Common Identification Number	Report Issued
Internal Control Environment and Performance Measures	
Quick Response Evaluation: Individuals Withdrawing Title II Benefit Applications (A-05-08-28110)	September 30, 2008
Administrative Costs Claimed by the New Mexico Disability Determination Services (A-06-08-18034)	September 29, 2008
The Social Security Administration's Contract with Unified Consultants Group, Inc., Contract Number SS00-05-60015 (A-15-08-18033)	September 26, 2008
Controls over the Social Security Administration's Transit Subsidy Program (A-02-08-18050)	September 11, 2008
Cherry Engineering Support Services, Inc., Indirect Cost Rate Proposal for Fiscal Year 2006 (Limited Distribution) (A-15-08-18086)	August 21, 2008
Administrative Costs Claimed by the Georgia Disability Adjudication Services (A-04-08-18013)	August 20, 2008
Quick Response Evaluation: Connecticut Department of Social Services' Request for Additional Funding (A-15-08-28120)	July 31, 2008
Performance Indicator Audit: Disability Determination Services Processing (A-02-07-17131)	July 11, 2008
Administrative Costs Claimed by the Nebraska Disability Determination Services (A-07-07-17170)	June 19, 2008
Performance Indicator Audit: Post-entitlement Actions (A-15-07-17130)	May 16, 2008
Performance Indicator Audit: Earnings Information (A-15-07-17126)	May 2, 2008
Assessing the Application Controls for the Social Security Administration's Modernized Claims Systems and National Disability Determination Services System (A-15-07-17155)	April 23, 2008

Management Challenge Area, Report Title and Common Identification Number	Report Issued
Performance Indicator Audit: Hearings and Appeals (A-15-07-17132)	April 18, 2008
Administrative Costs Claimed by the Colorado Disability Determination Services (A-07-07-17136)	April 14, 2008
The District of Columbia's Disability Determination Division's Internal Controls over the Accounting and Reporting of Administrative Costs (A-15-08-18019)	March 20, 2008
Performance Review of the Social Security Administration's Contract with E-Structors, Inc., for the Disposal of Sensitive Documents (Limited Distribution) (A-15-08-28012)	March 20, 2008
Administrative Costs Claimed by the Washington Disability Determination Services (A-09-07-17103)	March 20, 2008
Administrative Costs Claimed by the Connecticut Disability Determination Services (A-15-07-27176)	February 29, 2008
Administrative Costs Claimed by the Alabama Disability Determination Services (A-08-07-17151)	February 29, 2008
Process for Awarding Sole Source Acquisitions (A-15-07-17061)	February 14, 2008
Congressional Response Report: Unimplemented Audit Recommendations Since January 2001 (A-15-08-28105)	January 31, 2008
Administrative Costs Claimed by the Rhode Island Disability Determination Services (A-01-06-15069)	December 13, 2007
Inspector General Statement on the Social Security Administration's Major Management Challenges (A-02-08-18061)	November 7, 2007
Fiscal Year 2007 Financial Statement Audit Oversight (A-15-07-17124)	November 7, 2007

Management Challenge Area, Report Title and Common Identification Number	Report Issued
Systems Security and Critical Infrastructure Protection	
Reliability and Accuracy of the Social Security Administration's Exhibit 300 Submissions to the Office of Management and Budget (A-14-08-18018)	September 30, 2008
Fiscal Year 2008 Evaluation of the Social Security Administration's Compliance with the <i>Federal Information Security Management Act</i> (A-14-08-18063)	September 19, 2008
Risks Posed by Digital Photocopiers Used in Social Security Administration Offices (A-06-08-28076)	September 18, 2008
The Social Security Administration's Enterprise-Wide Infrastructure Contract (A-14-08-18014)	September 2, 2008
The Social Security Administration's Implementation of Internet Protocol Version 6 (A-14-08-18064)	August 27, 2008
Quick Response Evaluation: The Social Security Administration's Electronic Government Services (A-14-08-28113)	August 11, 2008
The Social Security Administration's Consulting Services Contract for the Time Allocation System (A-14-08-18020)	August 5, 2008
Follow-up: The Social Security Administration's Processing of the Internal Revenue Service's Overstated Wage Referrals (A-03-07-17067)	June 16, 2008
On-site Security Control and Audit Reviews at Program Service Centers (A-03-07-17064)	April 17, 2008
Compliance with Disability Determination Services Security Review Requirements (A-05-07-17082)	February 6, 2008
Follow-up on the Social Security Administration's Monitoring of Potential Employee Systems Security Violations (A-14-07-17102)	October 29, 2007

Management Challenge Area, Report Title and Common Identification Number	Report Issued
Service Delivery and Electronic Government	
Social Security Administration Field Offices' Management of Allegations (A-13-08-18030)	September 15, 2008
Help Group Services, Inc., a Fee-for-Service Representative Payee for the Social Security Administration (A-04-08-28040)	September 9, 2008
Hawaii Department of Human Services - An Organizational Representative Payee for the Social Security Administration (A-09-08-28045)	September 2, 2008
Individual Volume Representative Payee in Topeka, Kansas (A-07-08-18039)	August 28, 2008
Beneficiary and Recipient Use of "In Care of" Addresses (A-06-08-18015)	August 19, 2008
Quick Response Evaluation: Evaluation of the Knowledge Management Website (A-13-08-30117)	July 31, 2008
The Social Security Administration Field Offices' Training of Staff (A-13-08-18029)	July 28, 2008
Congressional Response Report: Financial Institutions Deducting Fees and Garnishments from Social Security Benefits (A-15-08-28031)	July 2, 2008
Congressional Response Report: Social Security Administration Payments Sent to Payday Loan Companies (A-06-08-28112)	June 24, 2008
Organizational Representative Payees Reporting Beneficiaries' Deaths (A-01-06-15068)	April 23, 2008
Social Security Administration Employees Acting as Representative Payees (A-06-07-17047)	April 18, 2008
Follow-up: The Social Security Administration's Management of Its <i>Federal Employees' Compensation Act</i> Program (A-13-07-17074)	March 31, 2008
The Henry Ittleson Center - An Organizational Representative Payee for the Social Security Administration (A-02-07-27077)	March 27, 2008

Management Challenge Area, Report Title and Common Identification Number	Report Issued
The Appeals Process for Medicare Part D Low-Income Subsidy Eligibility Determinations (A-06-08-18005)	March 14, 2008
Partnership for Strong Families, an Organizational Representative Payee for the Social Security Administration (A-04-07-17084)	March 14, 2008
The Social Security Administration's Income and Resource Verification Process for Individuals Applying for Help with Medicare Prescription Drug Plan Costs (A-06-06-16135)	February 19, 2008
The Social Security Administration's Ability to Reach Individuals Using the Social Security Statement (A-15-07-17095)	January 11, 2008
The Effectiveness of the Social Security Administration's 800-Number Automation Service (A-02-07-17049)	October 19, 2007

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