

# Office of Audit Annual Work Plan

## Fiscal Year 2006

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# A C R O N Y M S

ALJ	Administrative Law Judge
CDI	Cooperative Disability Investigation
CDR	Continuing Disability Review
CPMS	Case Processing and Management System
DDS	Disability Determination Services
DI	Disability Insurance
DoJ	Department of Justice
ESF	Earnings Suspense File
FECA	Federal Employees' Compensation Act
FO	Field Office
FY	Fiscal Year
GAO	Government Accountability Office
HSPD	Homeland Security Presidential Directive
IRS	Internal Revenue Service
MADCAP	Manual Adjustment, Credit and Award Processes
NWALIEN	Non-Work Alien File
OASDI	Old-Age, Survivors and Disability Insurance
OHA	Office of Hearings and Appeals
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PMA	President's Management Agenda
SEI	Self-Employment Income
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSNVS	Social Security Number Verification System
USCIS	U.S. Citizenship and Immigration Services
VA	Veteran's Affairs
WC	Worker's Compensation

# Executive Overview

## *Annual Work Plan*

Our Annual Work Plan (Plan) outlines our perspective of the top management challenges facing the Social Security Administration (SSA) and serves as a tool for communicating our priorities to SSA, the Congress, the Office of Management and Budget (OMB), and other interested parties. The activities described address the fundamental goals related to SSA's mission to administer Social Security programs and operations effectively and efficiently. Our work is prioritized to focus our resources on those areas that are most vulnerable to fraud, waste and abuse. To ensure we provide a coordinated effort, we work closely with the Offices of Investigations, Chief Counsel to the Inspector General, and Executive Operations.











Our Plan is categorized to mirror the top management challenges that cut across the Government, as outlined in the President's Management Agenda (PMA) and rated by OMB's Scorecard.

The PMA was designed to coordinate agency efforts to "address the most apparent deficiencies and focus resources where the opportunity to improve performance is the greatest." The PMA's goal is to establish a more responsible and responsive Government that is citizen-centered, results-oriented, and market-based. OMB provides each Federal agency a scorecard rating their performance. The scorecard is designed around a simple grading system: green for success, yellow for mixed results, and red for unsatisfactory. Following is the status of SSA's efforts, as reported by OMB's June 2005 Scorecard.

The **Office of the Inspector General** (OIG) improves SSA programs and operations and protects 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.

The **Office of Audit** conducts and/or supervises financial and performance audits of SSA's programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits determine whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. The Office of Audit also conducts short-term management and program evaluations and projects on issues of concern to SSA, the Congress, and the general public. In Fiscal Year (FY) 2005, we issued 109 reports containing recommendations with about \$560 million in cost savings to SSA.

*The President's Management Agenda*  
**SSA's Management Scorecard**

	Status 3/31/05	Status 6/30/05
Human Capital		
Competitive Sourcing		
E-Government		
Budget/Performance Integration		
Improve Financial Management		

**Red** - Improvement is still needed   **Yellow** - Some goals have been accomplished   **Green** - Meets all standards for success

This Plan describes 102 reviews we intend to complete, 73 reviews we intend to begin, and 16 performance indicator reviews we will oversee in FY 2006 in the following issue areas.

- 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

To assist us in this analysis, we crosswalked the PMA, Commissioner Priorities, Social Security Advisory Board, and Government Accountability Office (GAO) high-risk areas to those identified by our prior and ongoing work. The following table demonstrates that our perspective is congruent with other key decisionmakers.

## Crosswalk of PMA to Commissioner Priorities, OIG Management Challenges, Social Security Advisory Board, and GAO Challenges

PMA	Commissioner Priorities	OIG Major Management Challenges	Social Security Advisory Board	GAO Performance and Accountability Challenges
Expanded Electronic Government	Service	Service Delivery & Electronic Government  Management of the Disability Process	Service to the Public  Disability Reform	Service Delivery Improve the Disability Determination Service Process and Return to Work Disability Insurance—High Risk
Improved Financial Performance  Competitive Sourcing  Budget and Performance Integration	Stewardship  Solvency	Improper Payments & Recovery of Overpayments Systems Security/Critical Infrastructure Protection Social Security Number Protection  Internal Control Environment and Performance Measures	Social Security Number Case Handling Quality  Social Security Number Misuse	Supplemental Security Income  Information Security
Strategic Management of Human Capital	Staff	Service Delivery & Electronic Government	Staffing Hiring Training Management Measurement	Human Capital

In preparing this Plan, we solicited suggestions from the Agency. We received a number of suggestions for inclusion in our Plan, and we have incorporated as many of them as possible.

We recognize this Plan is dynamic, so we encourage continuous feedback and additional suggestions. This flexibility enables us to meet emerging and critical issues evolving throughout the upcoming year.

For more information on this Plan, please contact the Office of Audit at (410) 965-9700.

# Social Security Number Protection

In FY 2004, SSA issued over 17.8 million original and replacement Social Security number (SSN) cards, and SSA received approximately \$545 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the earnings reported under SSNs are critical to ensure individuals entitled to benefits receive the full benefits due them.

## *Efforts to Protect the SSN*

The SSN has become a key to social, legal, and financial assimilation in this country. Because the SSN is so heavily relied on as an identifier, it is also valuable as an illegal commodity. Criminals improperly obtain SSNs by (1) presenting false documentation; (2) stealing another person's SSN; (3) purchasing an SSN; (4) using the SSN of a deceased individual; or (5) contriving an SSN by selecting any nine digits.

SSA has taken steps to improve controls in its enumeration process. SSA verifies all immigration documents before assigning SSNs to noncitizens. Additionally, SSA requires (1) mandatory interviews for all applicants for original SSNs who are age 12 or older (lowered from age 18) and (2) evidence of identity for all children, regardless of age. In addition, SSA has established Enumeration Centers in Brooklyn, New York, and Las Vegas, Nevada, that focus exclusively on assigning SSNs and issuing SSN cards. Also, in FY 2005, SSA implemented new systems enhancements that simplified the interpretation of, and compliance with, SSA's complex enumeration policies. Furthermore, the Agency enhanced its Modernized Enumeration System to interrupt the issuance of SSN cards when a parent claims to have an improbably large number of children and add an alert to an individual's record when the SSN has been used to establish a fictitious identity.

In addition to these improvements, SSA is planning to implement several other enhancements that will better ensure SSN protection. These endeavors were required by the *Intelligence Reform and Terrorism Prevention Act of 2004*. The plans include the following:

- Restricting the issuance of multiple replacement SSN cards to 3 per year and 10 in a lifetime.
- Requiring independent verification of any birth record submitted by an individual to establish eligibility for an SSN, other than for purposes of enumeration at birth.
- Coordinating with the Department of Homeland Security (DHS) and other agencies to further improve the security of Social Security cards and numbers.
- Working with the Department of Health and Human Services to promulgate standards to increase the integrity and consistency of birth certificates.

We applaud the Agency for these efforts and believe, over the past several years, SSA has made significant strides in providing greater protection for the SSN. Nevertheless, throughout society, incidences of SSN misuse continue to rise. Accordingly, to further protect SSN integrity, we believe SSA should:

- Encourage public and private entities to limit use of the SSN as an individual identifier.
- Continue to address identified weaknesses in its information security environment to better safeguard SSNs.
- Continue to coordinate with partner agencies to pursue any data sharing agreements that would increase data integrity.

### ***The SSN and Reported Earnings***

Properly posting earnings ensures eligible individuals receive the full retirement, survivor and/or disability benefits due them. If earnings information is reported incorrectly or not reported at all, SSA cannot ensure all individuals entitled to benefits are receiving the correct payment amounts. In addition, SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and to calculate the amount of benefit payments.

SSA spends scarce resources correcting earnings data when incorrect information is reported. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for which wage earners' names and SSNs fail to match SSA's records. As of October 2004, SSA had posted approximately 9 million wage items to its ESF for Tax Year 2002, representing about \$56 billion in wages. This was before some planned edits, which may have further reduced this number.

While SSA has limited control over the factors that cause the volume of erroneous wage reports submitted each year, there are still areas where the Agency can improve its processes. SSA can improve wage reporting by educating employers on reporting criteria, identifying and resolving employer reporting problems, and encouraging greater use of the Agency's SSN verification programs. SSA also needs to coordinate with other Federal agencies with separate, yet related, mandates. For example, the Agency now collaborates with the Internal Revenue Service (IRS) to achieve more accurate wage reporting.

SSA has taken steps to reduce the size and growth of the ESF. For example, in June 2005, SSA expanded its voluntary Social Security Number Verification Service (SSNVS) to all interested employers nationwide. SSNVS allows employers to verify the names and SSNs of employees before reporting their wages to SSA. SSA also participates in a joint program with DHS, called the Basic Pilot, which verifies the names and SSNs of employees as well as their citizenship and authorization to work in the U.S. economy. In December 2004, the Basic Pilot program was made available to employers nationwide.

The Agency is also modifying the information it shares with employers. Under the *Intelligence Reform and Terrorism Prevention Act of 2004*, 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.



### *The SSN and Unauthorized Work*

SSA assigns nonwork SSNs to noncitizens who are (1) in the United States but are not authorized to work and (2) are applying for, or are recipients of, a federally financed benefit that requires an SSN. Recently, SSA strictly limited the assignment of such numbers. Furthermore, SSA tracks earnings reported under a nonwork SSN and reports this information to DHS. Nonetheless, our audits have noted several issues related to nonwork SSNs, including (1) the type of evidence provided to obtain a nonwork SSN, (2) the reliability of nonwork SSN information in SSA's records, (3) the significant volume of wages reported under nonwork SSNs, and (4) the payment of benefits to noncitizens who qualified for their benefits while working in the country without proper authorization.

In March 2004, Congress placed new restrictions on the receipt of SSA benefits by noncitizens who are not authorized to work in the United States. Under the *Social Security Protection Act of 2004*, if a noncitizen worker was first assigned an SSN on or after January 1, 2004, Title II benefits are precluded based on his/her earnings unless the noncitizen was ever

- assigned an SSN for work purposes or
- admitted to the United States as a visitor for business (B-1) or as an allied crewman (D-1/D-2).

SSA's implementation of this new law will require increased coordination with DHS to ensure SSA has the correct work status information in its records.

In FY 2006, we plan to complete 19 reviews and begin 13 reviews in this area.

***We Plan to Complete the Following Reviews in FY 2006***

Assessment of the Validity of Earnings Posted to the Social Security Administration's Master Earnings File for Children Ages 7 Through 13

Basic Pilot Between the Social Security Administration and the Department of Homeland Security

Congressional Response Report: Enumeration of F-1 Students

Disposal of Sensitive Documents at the Social Security Administration

Effectiveness of the Young Children's Earnings Records Reinstatement Process

Employers with the Most Wage Items in the Nonwork Alien File

Follow-up: Controls over Nonwork Social Security Numbers

Follow-up: Enumeration at Birth Program

Follow-up: Issues Identified During the Internal Control Review over the Processing of Social Security Number Cards

Hospitals' Use and Protection of Social Security Numbers

Impact of Employer Wage Corrections on the Earnings Suspense File

Individuals Receiving Benefits Under Multiple Social Security Numbers at Different Addresses

Issuance of Replacement Social Security Number Cards to Prisoners

Prisoners' Access to Social Security Numbers

Self-Employment Income Earnings Suspense File

Suspended and Nonwork Wages Among the Social Security Administration's Contractors

Suspended and Nonwork Wages in the Social Security Administration's Payroll

The Impact of Unauthorized Employment on Social Security Benefits

Universities' Use of Social Security Numbers as Student Identifiers in Region IX

***We Plan to Begin the Following Reviews in FY 2006***

Controls over Manual Wage Adjustments

Effectiveness of the Large Employer Reinstatement Facility

Evaluation of the Social Security Number Verification Service Pilot

Follow-up: Assessment of the Enumeration at Entry Process

Follow-up: The Social Security Administration's Processing of Requests for Social Security Numbers in Emergency Situations

Individuals Working in the Economy with Special Indicators on their Numident Record

New Social Security Numbers Issued to Individuals over Age 16

Separation of Duties Relating to the Enumeration and Claim Taking Processes

Social Security Administration Verification Feedback to Divisions of Motor Vehicles

Special Indicator Codes on the Numident and the Effect on Title II and Title XVI Claims

The Social Security Administration's Compliance with SS-5 Assistant Policies and Procedures

The Social Security Administration/Internal Revenue Service Reconciliation Process

The Social Security Administration's Las Vegas Social Security Card Center

## Assessment of the Validity of Earnings Posted to the Social Security Administration's Master Earnings File for Children Ages 7 Through 13

### Objective

To determine whether individuals are inappropriately claiming earnings on children's SSNs.

### Background

The Office of Earnings, Enumeration and Administrative Systems has ESF alerts for multiple/unusual postings for children under age 7. Effective Tax Year 1991, the Annual Wage Reporting process checks the Numerical Identification (Numident) for the reported SSN and date of birth. If the date of birth indicates the numberholder is age 6 or younger, the earnings are identified as a Young Children's Earnings Record item and placed in the ESF. When the Annual Wage Reporting process is complete, a Young Children's Earnings Record investigate file is generated to determine whether the earnings belong to the reported SSN. There is no alert process in place for earnings on the records of children ages 7 through 13.

## Basic Pilot Between the Social Security Administration and the Department of Homeland Security

### Objective

To assess the controls over data sharing and verification in SSA's joint pilot with DHS to verify employment eligibility.

### Background

The *Illegal Immigration Reform and Immigration Responsibility Act of 1996* established the Basic Pilot, a voluntary employee verification program for employers.

The program involves verifying the employment authorization of all newly hired employees against SSA and DHS databases.

The President signed the *Basic Pilot Extension and Expansion Act of 2003* on December 3, 2003. This new law extends the pilot program for 5 more years (11 years total) and expands it to all 50 States as of December 2004.

## Congressional Response Report: Enumeration of F-1 Students

### Objective

To determine whether foreign students receiving SSNs based on work authorization letters from schools and documentation of promised or actual employment attend classes and are employed on-campus.

### Background

In October 2004, SSA implemented the regulation, *Evidence Requirements for Assignment of Social Security Numbers; Assignment of SSNs to Foreign Academic Students in F 1 Status*. The regulation requires that F-1 students who do not have a DHS Employment Authorization Document or authorization for curricular practical training must provide an on-campus work authorization and evidence they have secured employment or a promise of employment.

The Senate Committee on Governmental Affairs is concerned that some educational institutions are providing students with work authorization letters and documentation of promised employment when they do not intend to hire the students for on-campus employment. Rather, the schools may be providing this documentation solely to assist the students in obtaining SSNs.

## Disposal of Sensitive Documents at the Social Security Administration

### Objective

To determine whether employees are disposing of sensitive documents in accordance with SSA's policy.

### Background

As a part of SSA's financial statement audit, we accompanied PricewaterhouseCoopers' staff during site visits to various SSA facilities nationwide. During several site visits, we observed conditions regarding the disposal of sensitive documents that warranted management's attention.

We have issued memorandums to the Deputy Commissioner for Operations and the Regional Commissioner for Seattle identifying several instances of improper disposal of sensitive documents in various SSA offices. These documents contained SSNs and other identifying information, such as names, addresses, earnings, and bank account numbers.

## Effectiveness of the Young Children's Earnings Records Reinstatement Process

### Objective

To assess the effectiveness of the Young Children's Earnings Record reinstatement process in resolving suspended wages, reducing the size of the ESF, and detecting potential fraud.

### Background

As part of the annual earnings reporting process, SSA reviews the Numident to determine whether the individual is a minor. If the date of birth indicates the individual is under age 7, the earnings are placed in the ESF and transmitted to a Young Children's Earnings Record investigate file so notices can be printed and mailed to employers and/or employees. These notices request that the

addressee confirm or update the employee's information.

The suspended earnings are reinstated if the employer confirms the information SSA received is correct. If the information is incorrect, SSA contacts the employee and instructs him or her to visit an SSA field office (FO) to update his or her information. Unresolved earnings remain in the ESF.

## Employers with the Most Wage Items in the Nonwork Alien File

### Objective

To (1) identify and profile the 100 employers responsible for sending the most wage items to the Nonwork Alien (NWALIEN) file for Tax Years 2001 through 2003 and (2) determine the accuracy of the data in this file.

### Background

SSA assigns SSNs to noncitizens who do not have DHS' permission to work in the United States under very limited circumstances. These reasons include (1) a Federal statute or regulation requiring that a noncitizen provide his or her SSN to get a particular benefit or service to which he or she has otherwise established entitlement or (2) a State or local law requiring that a noncitizen who is legally in the United States provide his or her SSN to get public assistance benefits to which he or she has otherwise established entitlement and for which all other requirements have been met. SSA issues these individuals SSN cards that are annotated with a "not valid for employment" legend. Each year, SSA informs DHS of noncitizens who are potentially working illegally using nonwork SSNs.

## Follow-up: Controls over Nonwork Social Security Numbers

### Objective

To review SSA's efforts to resolve nonwork SSN issues reported by our earlier audit, which (1) analyzed Social Security benefits being paid to individuals under nonwork SSNs, (2) analyzed earnings reported for nonwork SSNs, and (3) determined whether SSA had adequate controls over the issuance of nonwork SSNs.

### Background

SSA regulations regarding the assignment of nonwork SSNs were published in March 1974 during the Agency's implementation of the Social Security Amendments of 1972. SSA's policies implementing these regulations required that applicants for nonwork SSNs document a valid reason for needing an SSN, but it was not until January 1996 that SSA officially defined what constituted a valid reason. Before this time, SSA issued nonwork SSNs for a variety of reasons including tax, banking, school, insurance, driver's license, and Government benefit purposes. As of August 1997, SSA had issued approximately 7 million nonwork SSNs. Recently, the number of nonwork SSNs issued has declined because SSA has limited the circumstances under which it will issue these numbers.

Based on our prior audit results, we believed there was a need for legislation prohibiting the crediting of SSN accounts with earnings and related quarters of coverage for periods of unauthorized work. The amount of benefit payments resulting from the credits is

significant. We estimate that about \$63 million in benefits would be paid under the accounts of SSN holders who were age 62 and older as of August 7, 1997, for the 12-month period ended May 1999. In addition, we estimated \$1.7 billion would have been paid under these accounts by 2019 as a result of the credits. We recommended that SSA (1) propose legislation to prohibit the crediting of nonwork earnings and related quarters of coverage for purposes of benefit entitlement; (2) perform its own actuarial calculations of the effects of the nonwork quarters of coverage on benefit payments, if deemed necessary, to support changes in legislation; (3) conduct periodic quality reviews of processed SSN applications and provide timely feedback to field office personnel; and (4) review the 452 unrestricted SSNs processed by the California field offices temporary Service Representatives to identify other coding errors that resulted in the incorrect issuance of SSN cards containing work authorization.

In its response, SSA stated it had long been concerned about the use of nonwork SSNs in the employment sector. However, the Agency believed the issue of unauthorized work could be dealt with more effectively through pilot projects for determining work eligibility than through a legislative proposal. SSA asserted that the legislative proposal we recommended would be difficult to administer because the Agency's records would not allow the determination of when an individual may or may not be allowed to work.

## Follow-up: Enumeration at Birth Program

### Objective

To determine the status of corrective actions SSA has taken to address recommendations resulting from our September 2001 report, *Audit of the Enumeration at Birth Program*. We will also determine whether SSA's internal controls adequately protect the integrity of the Enumeration at Birth process.

### Background

Implemented in 1990, the Enumeration at Birth program assigns SSNs to newborns, with parental approval, as part of States' birth registration process. In FY 2004, SSA assigned about 4 million original SSNs to newborns through Enumeration at Birth.

Our prior review of the procedures and related controls employed by the hospitals, cognizant Bureaus of Vital Statistics, and SSA disclosed the need for SSA to establish additional controls to reduce the Enumeration at Birth program's vulnerability to error and misuse and to enhance program efficiency. For example, we recommended that SSA enhance its duplicate record detection and prior SSN detection routines to provide greater protection against the assignment of multiple SSNs.

## Follow-up: Issues Identified During the Internal Control Review over the Processing of Social Security Number Cards

### Objective

To determine whether the proposed recommendations from the previous review have been implemented.

### Background

In January 2004, we issued a report on the internal controls over the processing of SSN cards at SSA's National Computer Center. This report identified significant internal control weaknesses. We made several recommendations to strengthen the internal control structure.

## Hospitals' Use and Protection of Social Security Numbers

### Objective

To assess hospitals' use and protection of SSNs and the potential risks associated with such use.

### Background

Millions of individuals seek medical care each year. To assist in this process, many hospitals use individuals' SSNs as unique identifiers. The potential for identity theft increases each time an individual divulges his or her SSN. Recent incidents of identity theft at hospitals have led some hospitals to reconsider the practice of using SSNs as identifiers. However, at many hospitals, individuals continue to be identified primarily by their SSN, even when another identifier would suffice.



## Impact of Employer Wage Corrections on the Earnings Suspense File

### Objective

To assess the effect of corrected wage postings on the size of the ESF.

### Background

Each year, employers send SSA over 230 million Forms W-2, *Wage and Tax Statement*. Periodically, an employer will report an incorrect amount for an employee and send SSA a corrected W-2.

Earnings reported under a name/SSN that do not match SSA's records go into the ESF. If the suspended wage report is later corrected, the original and corrected W-2s remain in the ESF until they are reinstated to the Master Earnings File. However, if the employer corrects a wage amount but does not correct the name/SSN, the ESF will continue to show original and corrected wages, which could lead to an over/underestimate of the ESF's true size.

## Individuals Receiving Benefits Under Multiple Social Security Numbers at Different Addresses

### Objective

To identify improper payments made to Title II and/or Title XVI beneficiaries who are receiving payments under multiple SSNs at different addresses.

### Background

In FY 2005, we issued a report on individuals who received benefits under multiple SSNs at the same address. This report identified over \$9.1 million in overpayments and \$1.4 million in savings.

Our initial computer analysis of Title II and XVI recipient records on the date of birth, first five characters of the individual's first name, mother's maiden name, father's last name, and place of birth resulted in numerous

matches where it appears to be the same person with a different SSN and address.

## Issuance of Replacement Social Security Number Cards to Prisoners

### Objective

To assess the effectiveness of SSA's controls for issuing replacement SSN cards under prison agreements.

### Background

Correctional institutions often assist inmates in obtaining a replacement SSN card before their release to facilitate their return to society. In some cases, the only proof of identity the inmates provide is a prison record. At least three cases have been identified in which individuals were incarcerated in a State prison under someone else's identity. In two of those cases, the individuals attempted to obtain replacement SSN cards under aliases and were only caught because the individuals were dead.

## Prisoners' Access to Social Security Numbers

### Objective

To determine the extent to which prisoners have access to SSNs and how this could increase incidences of identity theft.

### Background

There is no legal prohibition on inmates working in prison industries from having access to customers' SSNs. The *Social Security Number Privacy and Identity Theft Prevention Act of 2005* seeks to prohibit government entities from employing inmates in any type of prison industry that would allow prisoners access to the SSNs of other individuals. GAO found that, as of 1998, about 1.2 million inmates had access to personal information through correctional industry work programs.

## Self-Employment Income Earnings Suspense File

### Objective

To identify patterns of errors and irregularities in self-employment income (SEI) posted to the ESF.

### Background

Section 1401 of the Internal Revenue Code requires that the IRS impose the *Self-Employment Contributions Act* tax on self-employment earnings. This tax is equivalent to the Federal Insurance Contributions Act tax and includes contributions for the Social Security and Medicare programs. IRS shares SEI information with SSA so it can be posted to the appropriate earner's record.

SSA matches this reported SEI with its Numident file to verify an individual's name and SSN to record the earnings in the individual's Master Earnings File. Income reports with invalid name/SSN combinations are placed in the SEI ESF.

## Suspended and Nonwork Wages Among the Social Security Administration's Contractors

### Objective

To determine whether contractors providing goods and services to SSA have employees with (1) SSNs that do not match the name/SSN combination in SSA's records or (2) nonwork SSNs.

## Background

SSA does business with thousands of contractors who provide a variety of goods and services including medical, worker rehabilitation, consulting, auditing, and verification services. SSA information and facilities could be exposed to unnecessary risks if these contractors are employing individuals who provided incorrect name/SSN combinations and/or are not authorized to work in the United States.

## Suspended and Nonwork Wages in the Social Security Administration's Payroll

### Objective

To determine whether SSA employees are working under (1) SSNs that do not match the name/SSN in SSA's records or (2) nonwork SSNs.

### Background

SSA employees should (1) provide SSA with a correct name/SSN combination so their wages can be properly posted to their earnings record and (2) be authorized to work in the United States. SSA employees who do not meet these criteria could expose SSA's information and facilities to unnecessary risks.

Our September 2003 report, *Profile of the Social Security Administration's Non-Work Alien File*, stated that individuals who have public responsibilities and positions of trust, including SSA employees, have wages recorded in SSA's unauthorized employment file.



## **The Impact of Unauthorized Employment on Social Security Benefits**

### **Objective**

To assess the impact of unauthorized employment on Social Security benefits and the accuracy of employment authorization information as recorded on SSA's Numident.

### **Background**

Each year, SSA informs the U.S. Citizenship and Immigration Services (USCIS) about earnings reported on nonwork SSNs. SSA sends the notification in the NWALIEN file. Resource priorities and data compatibility problems have prevented USCIS from effectively using this information.

While SSA notifies USCIS of earnings reported under nonwork SSNs, USCIS does not routinely tell SSA when it changes a person's employment status from unauthorized to authorized. Unless the person informs SSA of such a change, the person's earnings will continue to be reported in the NWALIEN file. Consequently, SSA does not know the number of workers shown on the NWALIEN file who are authorized for employment, or the amount of SSA benefits resulting from unauthorized employment.

## **Universities' Use of Social Security Numbers as Student Identifiers in Region IX**

### **Objective**

To assess universities' use of SSNs as student identifiers and the potential risks associated with such use.

### **Background**

Millions of students enroll in educational institutions each year. To assist in this process, many colleges and universities use students' SSNs as personal identifiers. The American Association of Collegiate Registrars and Admissions Officers found that almost half (1,036) of member institutions that responded to a 2002 survey used SSNs as the primary student identifier.

The potential for identity theft increases each time an individual divulges his or her SSN. Recent incidents of identity theft at universities have led some schools to reconsider the practice of using SSNs as the primary student identifier. However, at many colleges and universities, students continue to be identified primarily by their SSN, even when another identifier would suffice.

# Management of the Disability Process

SSA administers the Disability Insurance (DI) and Supplemental Security Income (SSI) programs, which provide benefits based on disability. Most disability claims are initially processed through a network of Social Security FOs and State Disability Determination Services (DDS). SSA representatives in the FOs are responsible for obtaining applications for disability benefits, disability report forms and authorization for disclosure of information forms as well as verifying non-medical eligibility requirements, which may include age, employment, marital status, or Social Security coverage information. After initial processing, the FO sends the case to a DDS to develop medical evidence and evaluate the disability.

Once SSA establishes an individual is eligible for disability benefits under either the DI or SSI program, the Agency turns its efforts toward ensuring the individual continues to receive benefits only as long as SSA's eligibility criteria are met. For example, a continuing disability review (CDR) may show the individual no longer meets SSA's disability criteria or has demonstrated medical improvement.

If an individual disagrees with the Agency's decision on his or her claim or CDR, the claimant can appeal to SSA's Office of Hearings and Appeals (OHA). OHA's field structure consists of 10 regional offices and 140 hearing offices. OHA's administrative law judges (ALJ) hold hearings and issue decisions. In FY 2004, hearing offices processed 497,379 cases. OHA's average processing time has increased significantly from 308 days in FY 2001 to 391 days in FY 2004. Further, the pending workload was 635,601 cases on September 30, 2004, whereas it was 392,387 cases on September 30, 2001. We have focused our attention on weaknesses within OHA—such as the backlog of cases, safeguards for sensitive information in case files, and shredding documents.

GAO added modernizing Federal disability programs—including SSA's—to its 2003 high-risk list due, in part, to outmoded concepts of disability, lengthy processing times, and decisional inconsistencies. To address improvements needed in SSA's disability programs, the Commissioner of Social Security presented to Congress, on September 25, 2003, her proposed plan for the disability determination process. On July 26, 2005, the Commissioner announced proposed regulations in the Federal Register, which outlines her plan. The proposed regulations would:

- establish a Quick Disability Determination process through which State agencies will expedite initial determinations for claimants who are clearly disabled;
- create a Federal Expert Unit to augment and strengthen medical and vocational expertise for disability adjudicators at all levels of the disability determination process;
- eliminate the State agency reconsideration step and terminate the disability prototype that SSA is conducting in 10 States;
- establish Federal reviewing officials to review State agency initial determinations upon the claimants' request;
- preserve the claimants' right to request and be provided a de novo hearing, which will be conducted by an ALJ;

- close the record after the ALJ issues a decision, but allow for the consideration of new and material evidence under certain circumstances;
- gradually shift certain Appeals Council functions to a newly established Decision Review Board; and
- strengthen in-line and end-of-line quality review mechanisms at the State agency, reviewing official, hearing, and Decision Review Board levels of the disability determination process.

In addition to the Commissioner's proposed improvements to the disability process, the Agency is transitioning to the electronic disability folder. The electronic disability folder will allow for disability claims information to be stored and transmitted electronically between FOs, DDSs, and OHA.

SSA is working to ensure that individuals with disabilities who want to work have the opportunity to do so. The Comprehensive Work Opportunity Initiative represents the Agency's overarching strategy to assist individuals with disabilities in attaining economic self-sufficiency and breaking through potential barriers to employment. The Ticket to Work program, which provides beneficiaries with disabilities expanded options for access to employment, vocational rehabilitation, and other support services to help them work, is one element of SSA's Comprehensive Work Opportunity Initiative.

### ***Disability Fraud***

Fraud is an inherent risk in SSA's disability programs. Some unscrupulous people view SSA's disability benefits as money waiting to be taken. A key risk factor in the disability program is individuals who feign or exaggerate symptoms to become eligible for disability benefits. Another key risk factor is the monitoring of medical improvements for disabled individuals to ensure those individuals who are no longer disabled are removed from the disability rolls.

We are working with SSA to address the integrity of the disability programs through the Cooperative Disability Investigation (CDI) program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability programs. The CDI program is managed in a cooperative effort between SSA's Office of Operations, the OIG, and the Office of Disability Programs. There are 19 CDI units operating in 17 States. During FY 2004, the CDI units saved SSA almost \$133 million by identifying fraud and abuse related to initial and continuing claims in the disability program.

In FY 2006, we plan to complete 13 reviews and begin 7 reviews in this area.

***We Plan to Complete the Following Reviews in FY 2006***

Assessing the Application Controls for the Social Security Administration's Integrated Disability Management System

Case Management Procedures at the Hearing Office in Creve Coeur, Missouri

Case Processing and Management System and Workload Management

Controls over Payments to Attorneys

Demonstration Project: Qualifications for Non-Attorney Representatives

Digital Recording Acquisition Project at the Office of Hearings and Appeals

Disability Determinations Made for Beneficiaries Convicted of Disability Insurance Fraud

Impact of Statutory Benefit Continuation on Disability Insurance and Supplemental Security Income Benefit Payments Made During the Appeals Process (2 Reports)

Office of Hearings and Appeals Reversal of Disability Denial Decisions Involving Investigative Information from Cooperative Disability Investigation Units

The Social Security Administration's Independence Day Assessment

The Social Security Administration's Ticket to Work Program—Employment Networks

The Social Security Administration's Ticket to Work Program—Ticket Assignments

***We Plan to Begin the Following Reviews in FY 2006***

Aged Cases at the Hearing Level

Diagnosis Codes for Favorable Office of Hearings and Appeals Disability Decisions

Duplicative Use of Vocational Expert Evidence by the Office of Hearings and Appeals

Office of Hearings and Appeals Video Hearings

Representatives Barred from Practicing Before the Social Security Administration  
(Public Law 108-203)

The Office of Hearings and Appeals' Cap on Attorney Assessments Under Public Law 108-203

The Social Security Administration's Oversight of Manual Adjustment, Credit and Award Processes Payments

## Assessing the Application Controls for the Social Security Administration's Integrated Disability Management System

### Objective

To assess the application controls for SSA's Integrated Disability Management System.

### Background

The Integrated Disability Management System was established as the central repository for disability information for all Title II and XVI beneficiaries to enhance management of post-entitlement disability-related actions and determinations. The Integrated Disability Management System houses most of the disability-related data that were previously contained in SSA's Master Beneficiary Record, including claims information by individual SSN.

The Integrated Disability Management System integrates several disability-related systems and databases, including the Disability Control File, Ticket Payment File, Earnings File, and Employment Network payment system. The integration of these systems and databases helps SSA monitor all disability-related information for a beneficiary, including work and earnings, Ticket to Work status, pending and processed CDRs, and expedited reinstatement actions. The Integrated Disability Management System processes Employment Network payments and helps ensure SSA periodically reviews the medical condition of all individuals receiving disability benefits to determine whether beneficiaries and recipients continue to be disabled.

## Case Management Procedures at the Hearing Office in Creve Coeur, Missouri

### Objective

To determine whether evidence exists to substantiate allegations related to inefficient case management procedures at the Creve Coeur Hearing Office.

### Background

OHA is responsible for holding hearings and issuing decisions as part of SSA's process for determining whether a person may receive benefits. OHA directs a nation-wide field organization staffed with more than 1,150 ALJs who conduct impartial "de novo" hearings and make decisions on appealed determinations involving SSA's retirement, survivors, disability, and supplemental security income programs.

We received an allegation related to the Creve Coeur Hearing Office's case management procedures. Specifically, it was alleged that (1) the hearing office delays the issuance of decisions once its monthly quota has been met and (2) ALJs process an inequitable number of cases, which has resulted in a backlog of thousands of cases.

To address the allegations, we will interview staff at the Creve Coeur Hearing Office and analyze OHA case processing statistics. If our analysis of these statistics discloses that these alleged practices are occurring at other hearing offices, we will extend our work to hearing offices nationwide.

## Case Processing and Management System and Workload Management

### Objective

To assess the Case Processing and Management System's (CPMS) ability to improve workload management at hearing offices in OHA.

### Background

SSA designed and developed CPMS to enhance and improve the efficiency of its hearings case management system in its hearing offices. CPMS is one part of SSA's Electronic Disability initiative.

OHA completed its installation of CPMS in 2004. CPMS replaces the Hearing Office Tracking System for all cases, with the exception of cases pertaining to Medicare claims. CPMS implementation began in pilot sites in December 2003, and, by August 2004, it was operational in all 140 hearing offices.

CPMS contains significant enhancements for OHA, including improved development tools, case controls, notice tools, and management information. In addition, CPMS will provide extensive data propagation, new automated scheduling techniques, an automated knowledge base, interactive screens, a secure and centralized repository of data, hyperlinks to reference material and interfaces with other SSA systems, including the electronic folder. It will also eliminate a number of manual processes.

## Controls over Payments to Attorneys

### Objective

To determine whether SSA has adequate controls over fees paid to attorneys.

### Background

OHA holds hearings as part of SSA's process for determining whether a person is eligible for benefits. The first step in the appeals process is called reconsideration. If the claimant disagrees with that decision, the claimant may request a hearing before an ALJ. The claimant may appoint either an attorney or other qualified individual to represent him or her at the hearing.

Claimant representatives charge and receive a fee for their services.

Attorney fee payments are processed at program service centers using the Single Payment System. The Single Payment System replaced the manual One Check Only payment system in May 2002. The Single Payment System is a national system used to automate attorney fee payments and other Title II payments that cannot be made through the Title II system. It was created to ensure timeliness of attorney fee payments, stop duplicate and erroneous payments, reduce the number of inputs, and document management information.

Our August 2001 report, *Approval of Claimant Representatives and Fees Paid to Attorneys*, stated that SSA made duplicate payments to attorneys, staff did not follow procedures, and attorney fee payments with invalid or incorrect SSNs were not detected. Also, the One Check Only Payment System was used to process payments to attorneys. We made several recommendations, and SSA agreed with most of them. For those recommendations with which SSA disagreed, SSA stated that the Single Payment System should resolve these issues.

## Demonstration Project: Qualifications for Non-Attorney Representatives

### Objective

To assess the implementation of SSA's demonstration project.

### Background

In March 2004, Congress enacted the *Social Security Protection Act*. Under section 303 of the *Social Security Protection Act*, the Commissioner of Social Security is required to develop and implement a 5-year, nationwide demonstration project that gives certain non-attorney representatives the option of having approved representatives' fees withheld and paid directly from the beneficiary's past due benefits. Non-attorney representatives who participate in the demonstration project must: hold a bachelor's degree, pass a written examination, secure professional liability insurance, undergo a criminal background check, and complete continuing education courses. OHA is required to report to Congress within 1 year on the demonstration project.

## Digital Recording Acquisition Project at the Office of Hearings and Appeals

### Objective

To assess the implementation of digital recording equipment in OHA.

### Background

In FY 2003, as part of SSA's electronic disability initiative, the Agency started the Digital Recording Acquisition Project. The Digital Recording Acquisition Project's mission entails replacing all of OHA's aging analog, four-track tape recorders with digital equipment to provide an electronic recording that is compatible with the electronic disability initiative.

Digital recording equipment, and the associated recordable compact discs, are less bulky than the analog equipment and audiocassettes and therefore take less storage space in both the claims folder and SSA's Payment Centers and the Federal Records center.

In FY 2004, SSA entered into a contract for the installation and maintenance of digital recording equipment. The contractor is to install and fully integrate 1,470 systems at OHA's hearing offices, regions and remote sites. SSA anticipates all hearings will be digitally recorded by February 2006.



## Disability Determinations Made for Beneficiaries Convicted of Disability Insurance Fraud

### Objective

To examine the sufficiency of disability determinations made for DI beneficiaries subsequently convicted of DI fraud. Specifically, we will identify trends related to fraud cases identified by the Office of Investigations.

### Background

The State DDSs are responsible for determining whether individuals who applied for disability benefits are disabled. When the DDS determines the individual is not disabled, the decision can be appealed to OHA, which can, and often does, rule in favor of the applicant with a finding that the individual was disabled. All approved disability claims are then subject to CDRs. If a beneficiary's condition has substantially improved, the individual may be found to be no longer disabled and disability payments are stopped. We received a complaint alleging that DDSs are hard pressed to document substantial improvement when they initially found the individual was not disabled but OHA later ruled in favor of the individual. Consequently, without a determination of substantial improvement in cases where the disabling condition was originally questionable, the individual is not likely to have benefits stopped as a result of the CDR process.

## Impact of Statutory Benefit Continuation on Disability Insurance and Supplemental Security Income Benefit Payments Made During the Appeals Process (2 Reports)

### Objective

To evaluate the financial impact of DI and SSI benefit payments made during the SSA appeals process on the trust fund and the effectiveness of the Public Law allowing benefits to continue.

### Background

A determination of benefit cessation is made when a CDR reveals the beneficiary no longer meets the requirements for disability benefits. Benefit cessation decisions are made by disability examiners in the Office of Central Operations and the DDSs, as well as by disability specialists in the program service centers. Public Law 97-455, as extended by Public Law 101-508, provides the disabled beneficiary the option for DI benefit continuation through the reconsideration and/or ALJ hearing process in medical cessation determinations. Public Law 98-460 provides the same payment continuation option to SSI recipients.

The average OHA processing time for hearings is approximately 370 days for the DI program and 420 days for the SSI program. Benefit payments made during the OHA appeals process are considered overpayments if the cessation decision is upheld. SSA waives the overpayment when the claimant is found to be without fault in causing the overpayment, and recovery or adjustment would defeat the purpose of the disability program.



## **Office of Hearings and Appeals Reversal of Disability Denial Decisions Involving Investigative Information from Cooperative Disability Investigation Units**

### **Objective**

To identify the circumstances that may have resulted in the allowance of benefits at the hearings level when a prior investigation conducted by a CDI unit contributed to a denial decision.

### **Background**

CDI units support SSA's strategic goal of establishing zero tolerance for fraud, thus ensuring public confidence in the integrity of SSA's programs and operations. The CDI unit reports facts uncovered during an investigation to resolve questions of fraud in SSA's disability programs. The CDI unit does not make disability determinations; it provides information to the DDSs for their use in making timely and accurate disability determinations. SSA provides most of the funding for the CDI program, while the OIG maintains the day-to-day operations. Together, these agencies have dedicated over 100 full-time staff to the initiative.

During the period July 1999 through April 2004, CDI investigative results were used to support over 4,700 DDS decisions to deny SSA disability benefits. This allowed SSA to avoid improper payments of approximately \$278 million. However, 906 decisions were appealed to OHA, of which, 526 were overturned.

## **The Social Security Administration's Independence Day Assessment**

### **Objective**

To determine whether Independence Day Assessment procedures are effective for deciding when DDSs are ready to implement the electronic folder system.

### **Background**

To certify that a DDS can operate in a paperless environment, SSA created the Independence Day Assessment. SSA's four-step process is to (1) conduct assessment visits to identify impediments to moving to a fully electronic environment; (2) provide necessary instructions and training for SSA and DDS employees; (3) certify that National Archives and Records Administration recordkeeping requirements are met; and (4) conduct validation visits to certify the DDS is ready to transition to a fully electronic environment.

Before a DDS can be certified to operate in a fully electronic environment, all "critical" or "adjudicatively significant" discrepancies must be resolved. A "critical" or an "adjudicatively significant" discrepancy is an error that can alter the outcome of the disability determination. After certification of the DDS, the appropriate Regional Commissioner will work with the DDS administrator and appropriate SSA officials to decide when the DDS can discard paper source documents.

## The Social Security Administration's Ticket to Work Program—Employment Networks

### Objective

To conduct a performance review of SSA and its contractor MAXIMUS, Inc., to ensure contract objectives are being met and are in accordance with the *Ticket to Work and Work Incentives Improvement Act of 1999*.

### Background

*The Ticket to Work and Work Incentives Act of 1999* was enacted to enable eligible Social Security and SSI recipients with disabilities to receive a ticket they can use to obtain employment services, vocational rehabilitation services, or other support services from an approved provider of their choice, called an Employment Network. The Employment Network can be a private organization or public agency that agrees to work with SSA to provide Vocational Rehabilitation, employment, and other support services to assist beneficiaries in going to work and remaining on the job. The Employment Network designs a signed agreement to help the disabled beneficiary return to work. As of July 25, 2005, SSA had enrolled 1,347 Employment Networks and 79 Vocational Rehabilitation Agencies. To date, SSA has issued over 10 million tickets.

## The Social Security Administration's Ticket to Work Program—Ticket Assignments

### Objective

To determine whether vocational rehabilitation agencies completed *Agency Ticket Assignment Forms (Form SSA-1365)* in accordance with the *Ticket to Work and Work Incentives Improvement Act of 1999* and related SSA policies.

### Background

Advocates of disabled individuals have charged that State vocational rehabilitation agencies have taken advantage of the Ticket to Work program at the expense of the ticket holders. They charge that State vocational rehabilitation agencies are sending the Ticket to Work program manager Forms SSA-1365, *State Agency Ticket Assignment Form – Ticket to Work and Self-Sufficiency Program*, that are unsigned by the disabled beneficiary. The State vocational rehabilitation agencies attach an Individual Plan for Employment to the Form. The Individual Plans for Employment were developed by the State vocational rehabilitation agencies and the disabled beneficiaries. By doing this, State vocational rehabilitation agencies have been able to assign tickets without the ticket holders' knowledge.

As of May 20, 2004, 44,850 tickets have been assigned to State vocational rehabilitation agencies and 4,522 had been assigned to Employment Networks.

# Improper Payments and Recovery of Overpayments



Improper payments are defined as any payment that should not have been made or that was in an incorrect amount. Examples of improper payments include inadvertent errors, payments for unsupported or inadequately supported claims, or payments to ineligible beneficiaries. Furthermore, the risk of improper payments increases in programs with a significant volume of transactions, complex criteria for computing payments, and an overemphasis on expediting payments.

SSA and the OIG have discussed such issues as detected versus undetected improper payments and avoidable versus unavoidable overpayments that are outside the Agency's control and a cost of doing business. OMB issued specific guidance to SSA to only include avoidable overpayments in its improper payment estimate because those payments can be reduced through changes in administrative actions. Unavoidable overpayments that result from legal or policy requirements are not to be included in SSA's improper payment estimate.

The President and Congress have expressed interest in measuring the universe of improper payments in the Government. In August 2001, OMB published the PMA, which included a Government-wide initiative for improving financial performance, including reducing improper payments. In November 2002, the *Improper Payments Information Act of 2002* was enacted, and OMB issued guidance in May 2003 on implementing this law. Under the *Social Security Act*, SSA must estimate its annual amount of improper payments and report this information in the Agency's annual Performance and Accountability Report. OMB will then work with SSA to establish goals for reducing improper payments in its programs.

SSA issues billions of dollars in benefit payments under the Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs—and some improper payments are unavoidable. In FY 2004, SSA issued about \$522 billion in benefit payments to about 52 million people. 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 2005 (through June), SSA reported that it detected over \$3 billion in overpayments. SSA also noted in its Performance and Accountability report for FY 2004 that the Agency recovered almost \$2 billion in overpayments.

In January 2005, OMB issued a report *Improving the Accuracy and Integrity of Federal Payments* that noted that seven Federal programs—including SSA's OASDI and SSI programs—accounted for approximately 95 percent of the improper payments in FY 2004. However, this report also noted that SSA had reduced the amount of SSI improper payments by over \$100 million since levels reported in FY 2003.

SSA has been working to improve its ability to prevent over- and underpayments by obtaining beneficiary information from independent sources sooner and using technology more effectively. For example, the Agency is continuing its efforts to prevent improper payments after a beneficiary dies through the use of Electronic Death Registration information. Also, the Agency's CDR process is in place to identify and prevent beneficiaries who are no longer disabled from receiving payments. Additionally, in FY 2005, SSA implemented eWork—a new automated system to control and process work related CDRs—which should strengthen SSA's ability to identify and prevent improper payments to disabled beneficiaries.

SSA is also taking action to prevent and recover improper payments.

- Working with us in FY 2005 on an OIG audit of *Individuals Receiving Benefits Under Multiple Social Security Numbers at the Same Address*, SSA identified about \$9.2 million in overpayments.
- In another FY 2005 review—*School Attendance by Student Beneficiaries over Age 18*—we estimated that SSA disbursed about \$70 million in incorrect payments to 32,839 students. SSA agreed with our recommendation to ensure the overpayments are established and collection activities initiated for the incorrect payments identified in this audit.

We have helped the Agency reduce improper payments to prisoners and improper SSI payments to fugitive felons. However, our work has shown that improper payments—such as those related to workers' compensation (WC)—continue to occur. Additionally, with the passage of the *Social Security Protection Act of 2004*, SSA has new opportunities and faces new challenges in preventing and recovering improper payments—such as OASDI benefits to fugitives.

In FY 2006, we plan to complete 20 reviews and begin 18 reviews in this area.

***We Plan to Complete the Following Reviews in FY 2006***

Controls over Miscellaneous Payments Made Using the Social Security Administration's Single Payment System

Controls over Old-Age, Survivors and Disability Insurance Replacement Checks

Controls over Payments to Auxiliary Beneficiaries Enumerated After the Primary's Death

Controls over Survivor's Benefits When Indications Exist a Wage Earner is Alive

Controls over the Social Security Administration's Death Resurrection Process

Cross-program Recovery of Benefit Overpayments

Federal Employees' Compensation Act—Nation-wide Review of Federal Employees with Wages on the Master Earnings File

Follow-up: Controls over Supplemental Security Income Replacement Checks

Improper Benefits Paid to Dually Entitled Title II Beneficiaries

Improperly Paid Lump Sum Death Payments

Match of Veteran's Affairs Historical Death File Against Social Security Administration Payment Files

Nursing Home Residents Receiving Supplemental Security Income

Overstated Earnings and Their Effect on Social Security Administration Programs

Payment Accuracy of Disability Insurance Benefits with a Workers' Compensation Offset

Payments Resulting from Disability Insurance Actions Processed via the Social Security Administration's Manual Adjustment, Credit and Award Processes

Payments to Surviving Spouses at Retirement Age

The Social Security Administration's Collection of Court-ordered Restitutions

The Social Security Administration's Controls over the Old-Age, Survivors and Disability Insurance Waiver Approval Process

The Social Security Administration's Controls over the Write-off of Uncollectible Title XVI Overpayments

The Social Security Administration's Decisions to Terminate Collection Efforts for Old-Age, Survivors and Disability Insurance Overpayments

***We Plan to Begin the Following Reviews in FY 2006***

Accuracy of the Social Security Administration's Second Clean-up of Title II Disability Insurance Cases with a Workers' Compensation Offset

Analysis of the Supplemental Security Income Financial Account Verification Process

Beneficiaries Who Refuse Part B Medicare Coverage

Disabled Adult Children Not Receiving Old-Age, Survivors and Disability Insurance Benefits

Effectiveness of Social Security Administration Field Offices' Use of On-line Access to Detect Wages When Processing Supplemental Security Income Claims

Follow-up: Supplemental Security Income Overpayments

Follow-up: The Social Security Administration's Management of its Federal Employees' Compensation Act Program

Improper Retirement and Survivor Payments Resulting from the Annual Earnings Test

Multiple Direct Deposits for Individual Title XVI Payments into the Same Bank Account

Payments to Spouses and Surviving Spouses over Age 70

Procedures and Circumstances that Result in the Issuance of Supplemental Security Income Replacement Checks in the Regions with the Greatest Number of Double-check Negotiations

Supplemental Security Income Recipients' Dedicated Accounts

Suspension of Supplemental Security Income Eligibility for Failure to Provide Information

The Social Security Administration's Automated Cross-recovery of Supplemental Security Income Overpayments from Monthly Title II Benefits

The Social Security Administration's Oversight of the Clean-up of Title II Disability Insurance Cases Involving a Workers' Compensation Offset

Title II Beneficiaries Living in Canada

Title II Benefits with Unearned Income on the Supplemental Security Record

Underpayments on Prior Supplemental Security Records not Recognized on Current Records

## Controls over Miscellaneous Payments Made Using the Social Security Administration's Single Payment System

### Objective

To determine whether SSA has established adequate controls to ensure miscellaneous payments made through the Single Payment System are valid.

### Background

SSA uses the Single Payment System to issue payments for attorney fees and OASDI payments that cannot be made through the current Title II system. The Single Payment System was created to ensure the timeliness of payments, stop duplicate and erroneous payments and document management information.

The Single Payment System is used to make miscellaneous payments:

- when payments due for a prior period (such as prior year earnings) and the continuing status of the case is deferred,
- when the computed net amount due exceeds \$29,999.99,
- to pay a death underpayment to a nonbeneficiary,
- to issue an excess refund to a nonbeneficiary or financial institution,
- to pay a limited payability check replacement to a terminated beneficiary and to nonbeneficiaries.

## Controls over Old-Age, Survivors and Disability Insurance Replacement Checks

### Objective

To determine (1) whether SSA FO and teleservice center employees are following procedures for nonreceipt of OASDI payments; (2) the effectiveness of controls over the number of double-check negotiations issued to the same beneficiary or payee; and (3) the effectiveness of actions to recover double-check negotiations.

### Background

When SSA receives a report of nonreceipt of a benefit check, the interviewer reviews the Master Beneficiary Record, the Payment History Update System, the Supplemental Security Record, or Inquiry Response queries to determine whether the nonreceipt report is appropriate. If appropriate, and the required delivery time has elapsed, the nonreceipt report is transmitted with a B- or C-stop, as appropriate, via direct input to the central office.

In certain situations, a replacement check should not be issued to a beneficiary until SSA receives a reply from Treasury on the status of the original check if the MBR contains a special message alerting that the claimant has previously misused the non-receipt reporting process. SSA staff can annotate the Master Beneficiary Record with a special message if a claimant negotiated both an original and a replacement check within the 2 years immediately preceding a claim of non-receipt.

## Controls over Payments to Auxiliary Beneficiaries Enumerated After the Primary's Death

### Objective

To determine whether controls over payments to auxiliary beneficiaries enumerated after a wage earner's death were effective.

### Background

Children, widows, spouses, and parents who receive Social Security benefits based on a primary wage earner's Social Security record are referred to as auxiliary beneficiaries. Each auxiliary beneficiary must have an assigned SSN to receive benefits. If an auxiliary or survivor claimant does not have an SSN, an *Application for a Social Security Card* (Form SS-5) must be completed.

The primary wage earner's SSN is used to track the auxiliary beneficiary's benefit payments. SSA commonly refers to the auxiliary beneficiary's SSN as the Beneficiary's Own Account Number and maintains this information on the Master Beneficiary Record.

In the Dallas Region, the Office of Investigations found an SSA employee was committing fraud by enumerating nonexistent children for deceased wage earners. The "false" children applied for survivor's benefits, and the benefits were deposited into bank accounts that were accessible by the SSA employee. The fraudulently obtained funds were then used at the employee's discretion. In all these cases, the fictitious children were enumerated after the primary's date of death.

## Controls over Survivor's Benefits When Indications Exist a Wage Earner is Alive

### Objective

To determine the appropriateness of continued survivor's benefits when SSA records indicate the wage earner is alive.

### Background

SSA accepts and posts death reports for nonbeneficiaries received from a relative, friend, neighbor, or others. The reporter must provide the name, date of birth, and SSN before SSA can add the death to the Numident. These reports can be made by mail, telephone, or in person. Although SSA may accept death reports for nonbeneficiaries from third parties, proof of death is required when a claimant applies for benefits based on the earnings of a deceased person or when a claimant's eligibility is dependent on another person's death. If the death report is posted in error, SSA deletes the death data from its Numident.

During our audit of *Social Security Number Cards Issued After Death*, we found survivor's benefits paid without proof of death. We also identified 15 cases in which the primary account holder personally applied for a replacement card while survivor's payments were being made to the numberholder's auxiliary beneficiaries. During our review of the SSN application, we determined that SSA verified the individuals' identities to issue the SSN cards. Even after the individuals' identities were verified, the survivor's benefits continued.



## Controls over the Social Security Administration's Death Resurrection Process

### Objective

To assess SSA's procedures and internal controls for its Death Resurrection Process.

### Background

On March 18, 2003, SSA changed the death resurrection process; however, it appears that vulnerabilities remain under the new procedures. Unless the death input is an obvious administrative error, a face-to-face interview is required with the individual. Proof of identity is documented electronically and annotated to show the names of two SSA employees: an initiator and an approver. The approver then takes action to resume benefit payments. If the reinstatement action results in an exception, the matter is referred to the Payment Service Center for resumption of benefits.

## Cross-Program Recovery of Benefit Overpayments

### Objective

To review the Agency's actions pertaining to cross-program recovery of benefit overpayments as authorized by the *Social Security Protection Act of 2004*.

### Background

The *Social Security Protection Act of 2004*, section 210, authorizes SSA to recover overpayments paid under one program from the benefit payments of another program. The provision allows the Agency to withhold up to 100 percent of any underpayment and 10 percent of ongoing monthly benefit payments.

## Federal Employees' Compensation Act—Nation-wide Review of Federal Employees with Wages on the Master Earnings File

### Objective

To determine whether Federal employees are receiving Federal Employees' Compensation Act (FECA) payments for periods in which wages were reported on SSA's Master Earnings File.

### Background

FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. It provides payment as compensation for lost wages, monetary awards for bodily impairment or disfigurement, medical care, vocational rehabilitation, and survivor's compensation.

FECA is administered by the Office of Workers' Compensation Programs, Department of Labor. Benefits are paid from the Employees' Compensation Fund, which is principally funded by the Federal agency that employs the injured worker.

## Follow-up: Controls over Supplemental Security Income Replacement Checks

### Objective

To determine whether SSA has addressed the recommendations made in our prior audit, *Controls over Supplemental Security Income Replacement Checks*.

### Background

SSA generally issues an immediate replacement for missing checks. If SSA has reason to believe an individual is misusing policy of immediate replacement, it can request that Treasury determine the status of the original check before issuing a replacement payment. In addition, if an individual is unsure whether a benefit check was received, SSA will direct Treasury to determine the status of the original check before issuing a replacement.

## Improper Benefits Paid to Dually Entitled Title II Beneficiaries

### Objective

To assess SSA's controls to prevent improper payments to dually entitled Title II beneficiaries.

### Background

Individuals may be entitled to Title II benefits based on several workers' earnings simultaneously (for example, the earnings of both parents) but may generally only be paid on the higher benefit. When a beneficiary becomes entitled to another, higher benefit, SSA stops issuing the lower benefit payments, thus preventing an overpayment.

In March 2005, an SSA employee alerted us to a group of cases where it appeared dually entitled Title II beneficiaries were being overpaid. Based on our analysis and discussions with SSA program staff, SSA's controls over dual-entitlement cases could be strengthened.

## Improperly Paid Lump Sum Death Payments

### Objective

To determine whether SSA is incurring losses due to Lump Sum Death Payments erroneously paid when an outstanding overpayment remains on the numberholder's record.

### Background

A lump-sum death benefit of \$255 may be paid upon the death of a person who has enough quarters of coverage. This payment is limited to a spouse or a minor child who, in the month of death, is eligible for certain Social Security benefits based on the worker's record. If no spouse or child meeting these requirements exists, the Lump Sum Death Payment is not paid.

SSA policy states that, when there is a recoverable overpayment to any person on a record, the Lump Sum Death Payment must be withheld. However, Lump Sum Death Payments are routinely paid through SSA FOs via the Modernized Claims System. FOs are responsible for recognizing that an overpayment exists on the record and sending the case to be manually processed in an SSA program service center. If the FO does not recognize the overpayment on the record, the Modernized Claims System will erroneously pay the Lump Sum Death Payment rather than reduce the overpayment.

## Match of Veteran's Affairs Historical Death File Against Social Security Administration Payment Files

### Objective

To determine whether SSA has identified all beneficiaries reported by Veteran's Affairs (VA) as deceased.

### Background

In a 2001 audit, we found that SSA had not been matching death records received from VA for at least 2 years. SSA began matching these records again after our audit, but this would only ensure future deaths are identified. To identify all deaths, SSA needs to obtain a historical death file from VA to match against SSA program data. Follow-up with SSA in 2003 found the Agency had not pursued this issue.

We obtained a death file from VA and matched it against Title II and XVI payment records. We identified 1,691 records with a date of death on VA's file but that were in current pay status on SSA's records as of June 2005.

## Nursing Home Residents Receiving Supplemental Security Income

### Objective

To determine whether SSA is obtaining nursing home residential data timely and effectively processing the data to avoid overpayments.

### Background

SSI payments are available under Title XVI of the *Social Security Act* to people who are aged, blind, or disabled and have limited resources. Residence in a nursing home or other long-term care facility may affect an SSI recipient's eligibility and/or payment amount.

*The Social Security Domestic Employment Reform Act of 1994* requires that nursing homes and other long-term care administrators report the admission of any SSI recipient to SSA within 2 weeks of admission. SSA requires that FO liaisons work closely with the administrators and staff of these institutions to facilitate the flow of information regarding SSA recipients. Further, SSA conducts a monthly match of records maintained by the Centers for Medicare and Medicaid Services to identify recipients whose admission to a nursing home has not been reported. This match produces diary alerts that are sent to field offices for further processing and verification.

SSA attempts to prevent overpayments to nursing home residents by relying on recipient self-reporting and maintaining contact with nursing homes to obtain admissions information. When SSA does not receive timely notification of an SSI recipient's admission, it may continue to issue benefit payments for months, or even years, after the month of admission.

## **Overstated Earnings and Their Effect on Social Security Administration Programs**

### **Objective**

To determine whether Title II and XVI recipients are overstating SEI on their Federal income tax returns and, if so, the effect on SSA programs.

### **Background**

SSA regional offices have reported that disabled Title II and XVI recipients are overstating SEI on their Federal income tax returns. The overstated SEI makes the individuals eligible for the Federal Earned Income Tax Credit and potentially (1) increases their monthly Title II benefits and (2) allows them to acquire quarters of coverage for Title II and Medicare benefits.

We have reviewed a number of cases where individuals receiving Title II and/or XVI disability benefits reported SEI for Tax Years 2000 to 2003 on their Federal income tax returns. When questioned by SSA, the individuals disclaimed the earnings and stated their tax preparer instructed them to report the earnings to become eligible for the Earned Income Tax Credit. SSA removed the SEI from individual earnings records in most of these cases and was still investigating the other cases.

We plan to review SSA records to determine whether other SSA regions have experienced these problems, what efforts have been taken to remove these earnings, what information has been shared with the IRS, and whether the overstated earnings have led to improper payments.

## **Payment Accuracy of Disability Insurance Benefits with a Workers' Compensation Offset**

### **Objective**

To determine the accuracy of DI payments with a WC offset that began between January 1, 1998 and December 31, 2004.

### **Background**

SSA acknowledged the complexity of administering the WC offset provision related to DI claims and that these claims have a relatively high rate of payment errors. As a result, SSA

1. Conducted a nation-wide WC refresher training course.
2. Revised the WC chapter in the Program Operations Manual System.
3. Implemented a revised process to re-verify WC information every 3 years.
4. Released a Title II software redesign to improve payment accuracy by automating computations.

## Payments Resulting from Disability Insurance Actions Processed via the Social Security Administration's Manual Adjustment, Credit and Award Processes

### Objective

To determine the accuracy of DI payments resulting from actions completed through the Manual Adjustment, Credit and Award Processes (MADCAP).

### Background

SSA administers the OASDI program under Title II of the *Social Security Act*.

MADCAP is a system used to manually establish, change or correct information maintained on a Title II claimant's Master Beneficiary Record. When SSA's direct input systems cannot automatically process certain actions, SSA's program service center staff manually processes the actions. Certain manual actions can result in MADCAP payments. Between July 1, 2004 and September 30, 2004, SSA made over \$773.8 million in MADCAP payments, of which \$578.4 million (74.7 percent) was to DI beneficiaries.

## Payments to Surviving Spouses at Retirement Age

### Objective

To determine whether surviving spouses are receiving the highest benefit due them at retirement age and SSA properly identified and notified eligible survivors about those higher benefits.

### Background

Title II of the *Social Security Act* provides retirement and disability benefits to surviving spouses who are over age 60 based on their deceased spouse's earnings. The Act also provides reduced retirement benefits to individuals with sufficient earnings who are age 62 or older.

When a surviving spouse under age 62 applies for Title II benefits, the spouse is limited to survivor benefits because they are not eligible for retirement benefits. If the spouses are age 62 but under full retirement age, they may be eligible to receive reduced retirement benefits based on their own earnings. Surviving spouses who elect not to receive reduced retirement benefits must reapply to obtain retirement benefits, when they reach full retirement age.

## The Social Security Administration's Collection of Court-ordered Restitutions

### Objective

To determine the effectiveness of SSA's efforts to collect court-ordered restitutions.

### Background

The Department of Justice (DoJ) has responsibility for collecting payment of Federal debts through its Financial Litigation Unit. The Financial Litigation Unit enforces collection of civil debts on behalf of Federal agencies in litigation that most often involves Federal loan programs, civil penalties assessed by Federal agencies, and civil fraud actions litigated by the U.S. Attorney's Office. DoJ may impose collection efforts, such as property liens and garnishment of wages. DoJ does not, however, discourage the Agency's collection efforts.

SSA's Program Operations Manual System contains procedures for the collection of court-ordered restitutions. It specifically states that regular adjustment and recovery policies apply and cites the actions staff must take to ensure recovery of court-ordered restitutions.

## The Social Security Administration's Controls over the Old-Age, Survivors and Disability Insurance Waiver Approval Process

### Objective

To determine (1) whether SSA's waiver approval process for administrative waivers of \$500 or less safeguard program integrity for the OASDI program and (2) if waiver decisions exceeding \$500 are in accordance with Title II of the *Social Security Act*.

### Background

The OASDI program provides protection against the loss of earnings due to retirement, disability or death.

Payments in an amount greater than the amount to which an individual is entitled are considered overpayments. When an overpayment occurs, it is SSA's responsibility to identify the overpayment and pursue recovery of the debt. Beneficiaries can seek relief from repaying an overpayment by requesting a waiver. Generally, SSA policy allows field office personnel to waive recovery of an overpayment if the beneficiary is without fault and recovery would "defeat the purpose of Title II" or is "against equity and good conscience."

## The Social Security Administration's Controls over the Write-off of Uncollectible Title XVI Overpayments

### Objective

To determine whether SSA properly classified Title XVI overpayments as uncollectible.

### Background

To determine whether an individual qualifies for SSI payments, SSA relies on beneficiary self-disclosure of their financial position and computer matching of financial data from other Federal and State agencies. SSI recipients' income and living expenses may vary over time. If this financial information is not reported to SSA promptly, SSI payments could be made in error and may result in overpayments. In certain situations, SSA determines the overpayment is uncollectible and elects to write the debt off. Generally, SSA writes off uncollectible overpayments when

- the debt is discharged in a Bankruptcy Court decision,
- an ALJ declared the overpayment uncollectible,
- the overpaid beneficiary is dead and all proper efforts to collect the overpayment have proved fruitless,
- there was an early delivery of an SSI check in the month of the recipient's death,
- SSA's system erroneously computed an overpayment, and
- presumptive disability payments were paid in an earlier month when a later date of onset was established.

In FY 2004, SSA wrote off about \$84 million in overpayments designated with an "N" Transaction code and a "blank" Recovery Transaction Code.

## The Social Security Administration's Decisions to Terminate Collection Efforts for Old-Age, Survivors and Disability Insurance Overpayments

### Objective

To determine whether SSA's decisions to terminate collection efforts for OASDI overpayments were in accordance with its policies and procedures.

### Background

SSA may decide to terminate collection efforts after all collection tools have been used and an overpayment is considered uncollectible. Although collection efforts cease, the overpayments are maintained on SSA's Recovery of Overpayments Accounting and Reporting System as inactive debts that may be recovered in the future. Our August 2004 data extract from SSA's Recovery of Overpayments Accounting and Reporting System identified 64,753 decisions to terminate collection efforts for overpayments totaling approximately \$312.8 million in FY 2003.



# Internal Control Environment and Performance Measures

Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal controls help safeguard assets and prevent and detect errors and fraud. Assessing the internal control environment is important since internal control is a critical part of performance-based management. SSA's internal control environment helps its managers achieve desired results through effective stewardship of public resources.

SSA is responsible for implementing policies for the development of claims under the DI and SSI programs. Disability determinations under DI and SSI are performed by DDSs in each State in accordance with Federal regulations. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. Each DDS is authorized to purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources. There are 52 DDSs: 1 in each of the 50 States, the District of Columbia, and Puerto Rico. SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. In FY 2005, SSA allocated over \$1.7 billion to fund DDS operations.

During FY 2000 through July 2005, we conducted 39 DDS administrative cost audits. In 20 of the 39 audits, we identified internal control weaknesses. For example, we reported that improvements were needed to ensure Federal funds were properly drawn and payments to medical providers were in accordance with Federal regulations. The lack of effective internal controls can result in the mismanagement of Federal resources and increase the risk of fraud.

In 15 of the 39 DDS administrative cost audits, we reported about \$21.2 million in unallowable indirect costs. As a result, we initiated a separate review of SSA's oversight of indirect costs. We reported that SSA needed to improve its oversight of indirect costs claimed by DDSs to ensure SSA funds obligated by DDSs benefited SSA and were equitably distributed to its programs.

Congress, external interested parties, and the general public need sound data to monitor and evaluate SSA's performance. SSA relies primarily on internally generated data to manage the information it uses to administer its programs and report to Congress and the public. The necessity for good internal data Government-wide has resulted in the passage of several laws, including the *Government Performance and Results Act*. In addition to legislation calling for greater accountability within the Government, the PMA has focused on the integration of the budget and performance measurement processes. The PMA calls for agencies to, over time, identify high quality outcome measures, accurately monitor programs' performance, and integrate this presentation with associated costs.

SSA sets forth its mission and strategic goals in strategic plans, establishes yearly targets in its annual performance plan, and reports on its performance annually. Each year, we assess the reliability of SSA's performance data and evaluate the extent to which SSA's performance measures describe its planned and actual performance. Assessing the control environment over DDSs and SSA's performance measures helps ensure the Agency is managing its resources to meet its mission.

In FY 2006, we plan to complete 20 reviews, begin 19 reviews, and oversee the reviews of 16 performance measures in this area.



***We Plan to Complete the Following Reviews in FY 2006***

Administrative Costs Claimed by State Disability Determination Services: Indiana, Louisiana, Maine, Maryland, New Jersey, North Carolina, Oklahoma, Tennessee, Texas, Virginia, Washington D.C., and Wisconsin

Controls over Representative Payee Accounting of Social Security Funds (Public Law 108-203)

Costs Claimed by the Virginia Commonwealth University on Contract Number 600-99-38679

Disclosure Statement for MAXIMUS Human Services Operations

Fiscal Year 2005 Financial Statement Audit Oversight

Fiscal Year 2005 Inspector General Statement on the Social Security Administration's Major Management Challenges

Indirect Cost Rates for MAXIMUS, Inc.

Indirect Costs for the Connecticut Disability Determination Services for the Period July 1, 2003 - September 30, 2005

The Social Security Administration's Compliance with Employee Tax Requirements

***We Plan to Begin the Following Reviews in FY 2006***

Administrative Costs Claimed by the California, Florida, Idaho, Illinois, Mississippi, Missouri, New York, Puerto Rico, Rhode Island, Utah, Vermont, and West Virginia Disability Determination Services

Contract Audit of Contract Number 300-01-60127-AAU AP

Costs Incurred by MAXIMUS, Inc., on Contract Number 0600-00-60020

Credit Evaluations on Social Security Administration Employees Before the Issuance of Government Charge Cards

Fiscal Year 2006 Financial Statement Audit Oversight

Fiscal Year 2006 Inspector General Statement on the Social Security Administration's Major Management Challenges

Indirect Costs Claimed by the Kansas Disability Determination Services

The Social Security Administration's Oversight of Contracts

***We Plan to Oversee Reviews of 16 Performance Indicators***

## Administrative Costs Claimed by State Disability Determination Services

### Objective

We will be conducting reviews in the following State DDSs: Indiana, Louisiana, Maine, Maryland, New Jersey, North Carolina, Oklahoma, Tennessee, Texas, Virginia, Washington D.C., and Wisconsin to:

1. Evaluate the DDS' internal controls over the accounting and reporting of administrative costs,
2. Determine whether costs claimed by the DDS were allowable and funds were properly drawn, and
3. Assess limited areas of the general security controls environment.

### Background

The DI program was established in 1956 under Title II of the *Social Security Act*. The program is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the SSI program under Title XVI of the *Social Security Act*. The SSI program provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled. Disability determinations under DI and SSI are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations. DDSs are authorized to purchase consultative examinations to supplement evidence obtained from the claimants' physicians or other treating sources. SSA pays the DDS for 100 percent of allowable expenditures.

## Controls over Representative Payee Accounting of Social Security Funds (Public Law 108-203)

### Objective

To ensure annual representative payee accounting is done timely and accurately and that, when the accounting is not completed, SSA takes appropriate action.

### Background

The *Social Security Protection Act of 2004* was signed into law on March 2, 2004. It gives SSA the authority to redirect delivery of benefit payments when a representative payee fails to provide a required accounting report. The provision was effective September 2004.

## Costs Claimed by the Virginia Commonwealth University on Contract Number 600-99-38679

### Objective

To determine whether costs claimed by the Virginia Commonwealth University were allowable, allocable and reasonable according to applicable Federal regulations and the terms of the contract.

### Background

SSA's Office of Acquisition and Grants requested an audit of costs Virginia Commonwealth University incurred for Contract Number 600-99-38679. This contract was awarded to Virginia Commonwealth University to continue its development of a prototype software decision tool that would let SSA determine the net benefit effects for beneficiaries considering returning to work. Virginia Commonwealth University claimed \$2.1 million for the contracted service period from September 30, 1999 through March 29, 2005.

## Disclosure Statement for MAXIMUS Human Services Operations

### Objective

To ensure the adequacy of the disclosure statement submitted by MAXIMUS for its Human Services segment, effective October 1, 2003. Specifically, we will determine whether the disclosure statement:

- is current, accurate, complete and
- adequately describes the contractor's cost accounting practices.

In addition, we will determine whether the disclosed practices comply with Federal cost accounting standards.

### Background

SSA contracted with MAXIMUS to manage the Ticket to Work program. Because of the proportion of contract funding provided to MAXIMUS, SSA has been designated with audit oversight for FYs 2000 through 2003. As the cognizant agency, SSA is required to review, negotiate, and approve MAXIMUS' cost allocation plans or indirect cost proposals on behalf of all Federal agencies. After FY 2003, SSA is cognizant for those contracts under the MAXIMUS Human Services Operations segment. During FY 2005, MAXIMUS submitted to SSA's Office of Acquisition and Grants a disclosure statement, effective October 1, 2003, for the Human Services Operations segment. The disclosure statement indicates cost accounting practices and changes since the prior submission. As the cognizant agency, SSA has requested we conduct an adequacy determination of the disclosure statement.

## Fiscal Year 2005 Financial Statement Audit Oversight

### Objective

To fulfill our responsibilities under the *Chief Financial Officers Act of 1990* and related legislation for ensuring the quality of the audit work performed, we will monitor PricewaterhouseCoopers' audit of SSA's FY 2005 financial statements.

### Background

The *Chief Financial Officers Act of 1990* requires that agencies annually prepare audited financial statements. Each agency's Inspector General is responsible for auditing these financial statements to determine whether they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the Agency's internal control structure and its compliance with laws and regulations. PricewaterhouseCoopers will perform the audit work to support this opinion of SSA's financial statement. We will monitor the contract to ensure the reliability of PricewaterhouseCoopers' work to meet our statutory requirements for auditing the Agency's financial statements.

## **Fiscal Year 2005 Inspector General Statement on the Social Security Administration's Major Management Challenges**

### **Objective**

To summarize and assess SSA's progress in addressing its most serious management and performance challenges as identified by the OIG.

### **Background**

In November 2000, the President signed the *Reports Consolidation Act of 2000*, which requires that Inspectors General provide a summary and assessment of the most serious management and performance challenges facing the agencies and the agencies' progress in addressing these challenges.

We identified the following management challenges for FY 2005.

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

We will summarize each challenge and document actions SSA has taken to address them.

## **Indirect Cost Rates for MAXIMUS, Inc.**

### **Objective**

To review the indirect cost rates used by MAXIMUS and recommend adjustments to those rates, as necessary, for FYs 2000 through 2003.

### **Background**

MAXIMUS offers various services to Federal clients and has worked with over 100 agencies and offices over its 28-year history. Some of the services provided are financial management and consulting, research and evaluation studies, education, health care, and human resource management consulting.

MAXIMUS must submit indirect cost proposals to the cognizant Federal agency for approval. For the 4 years of our audit, SSA was the cognizant agency.

## **Indirect Costs for the Connecticut Disability Determination Services for the Period July 1, 2003 - September 30, 2005**

### **Objective**

To assess the indirect costs for the Connecticut DDS for the period July 1, 2003 - September 30, 2005 and follow up on prior recommendations.

### **Background**

Disability determinations are performed by DDSs in each State or other responsible jurisdictions according to 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 the allowable expenditures, including direct and indirect costs.

SSA requested this audit in response to a prior *Audit of the Administrative Costs Claimed by the Connecticut Disability Determination Services*. Specifically, SSA raised the issue of rising indirect costs resulting from the State of Connecticut's change in methodology for determining indirect costs from an indirect cost rate agreement to a Public Assistance Cost Allocation Plan.

## **The Social Security Administration's Compliance with Employee Tax Requirements**

### **Objective**

To determine whether SSA is (1) appropriately paying employment taxes on wages and (2) reporting required wage information and other payments on the designated IRS forms.

### **Background**

Federal agencies are subject to the same requirements as all employers. The Internal Revenue Code requires that employers pay employment taxes on wages and report wages and certain other payments on various IRS forms. Federal employment taxes include Federal income tax withholdings, social security, and Medicare taxes. Employers are required to deposit employment taxes on a daily, weekly, or semi-weekly schedule depending on the amount of tax they accumulate for deposits.

## Performance Indicator Audits: The Social Security Administration's Performance Data

### Objective

To determine the reliability of the performance data SSA uses to measure selected performance indicators

### Background

Congress passed the *Government Performance and Results Act of 1993* to bring greater accountability to Federal agencies. The *Government Performance and Results Act* established a system for strategic and annual performance planning and reporting to set goals for program performance and to measure results. The law requires that each agency create (1) 5-year strategic plans, (2) annual performance plans, and (3) annual performance reports. SSA released its latest strategic plan in 2003, which covers FYs 2003 through 2008. The Agency's latest annual performance plan was released in March 2005. It presents the annual performance indicators and goals for FY 2006. SSA established 4 strategic goals, and 44 Government Performance and Results Act performance measures, and an additional 9 Program Assessment Rating Tool performance measures.

The success of SSA's performance measurement initiatives hinges on the quality of the data used to measure and report upon program performance. Consequently, it is important that SSA have assurance the data reported are reliable and meaningful and its performance report will be useful to the Congress and Agency management.

As a result, we will award a contract to test SSA's performance data and the systems from which they are generated to gain assurance that the data reported in the performance plan are reliable and meaningful. We will oversee the contractor, who will assess the reliability of the performance data used with the following performance measures.

- Agency Decisional Accuracy Rate
- Align Employee Performance with Agency Mission and Strategic Goals
- Average Processing Time for Hearings
- Average Processing Time for Initial Disability Claims
- DDS Cases Processed Per Workyear
- Enhance Efforts to Improve Financial Performance Using *Management Cost Accountability Systems*
- Improve Workload Information Using *Social Security Unified Measurement System*
- Increase the Percent of Employee Reports (W-2 Forms) Filed Electronically
- Increase the Usage of Electronic Entitlement and Supporting Actions
- Maintain Zero Outside Infiltrations of SSA's Programmatic Mainframes
- Minimize Skill and Knowledge Gaps in Mission-Critical Positions
- Number of DI and SSI Beneficiaries, with Tickets Assigned, Who Work (over Calendar Year 2003 Baseline of 2,726)
- Number of Initial Disability Claims Processed by the Disability Determination Services
- Optimize the 800-Number Agent Busy Rate
- Optimize the Speed in Answering 800-Number Calls
- Reduce the Average Number of Days Needed to Process Hearings Appeals

# Systems Security and Critical Infrastructure Protection

The information technology revolution has changed the way governments and businesses operate. Today, the growth in computer interconnectivity brings a heightened risk of disrupting or sabotaging critical operations, reading or copying sensitive data, and tampering with critical processes. Those who wish to disrupt or sabotage critical operations have more tools than ever. The United States works to protect the people, economy, essential services, and national security by ensuring that any disruptions are infrequent, manageable, of minimal duration, and cause the least damage possible. The Government must continually strive to secure information systems for critical infrastructures.

SSA's information security challenge is to understand and mitigate system vulnerabilities. At SSA, this means ensuring the security of its critical information infrastructure, such as access to the Internet and its networks. By improving systems security and controls, SSA will be able to use current and future technology more effectively to fulfill the public's needs. The public will not use electronic access to SSA services if it does not believe those systems are secure. SSA addresses critical information infrastructure and systems security in a variety of ways. For example, it has created a Critical Infrastructure Protection work group that works toward compliance with various directives, such as the Homeland Security Presidential Directives (HSPD) and the *Federal Information Security Management Act of 2002*. Additionally, SSA created the Office of Information Technology Security Policy within the Office of the Chief Information Officer.

HSPD 7 requires that all Federal department and agency heads identify, prioritize, assess, remediate, and protect their respective critical infrastructure and key resources. To comply with HSPD 7, SSA submitted its *Critical Federal Infrastructure Protection Plan* to OMB in 2004. SSA continues to work with OMB to resolve any outstanding issues regarding its plan. We have worked with SSA to help meet these requirements. The Agency plans must address identification, prioritization, protection, and contingency planning, including the recovery and reconstitution of essential capabilities.

HSPD 12 mandates the development of a common identification Standard for all Federal employees and contractors. The Agency recently created a work group that coordinates with other Agencies and OMB to address HSPD 12. We plan to evaluate SSA's efforts to comply with HSPD 12, as required by Federal Information Processing Standards 201.

Another important systems security issue is the restriction of physical access to the Agency's systems and data. We reported on physical security problems at several hearing offices and noted that non-SSA employees were allowed inappropriate access to secured areas. Though the managers at these sites took prompt action to remedy the security breaches, we believe the same security concerns may be present at other hearing offices. Because of our findings at several hearing offices, we plan to expand our reviews to determine whether OHA has established adequate physical security controls at its numerous remote hearing sites.

In addition, under the *Federal Information Security Management Act*, we independently evaluate SSA's security program. Systems security is a key component of this initiative, and we will continue to work with the Agency to resolve outstanding issues so it can reach green on the Electronic Government Scorecard.

In FY 2006, we plan to complete 16 reviews and begin 7 reviews in this area.



***We Plan to Complete the Following Reviews in FY 2006***

Compliance with Homeland Security Presidential Directive 12 Personal Identification Verification Guidelines in Federal Information Processing Standards 201

Fiscal Year 2006 Federal Information Security Management Act

Physical Security at Remote Hearing Sites (10 reviews conducted)

Physical Security at the Great Lakes, Northeastern and Southeastern Program Service Centers (3 reviews conducted)

The Social Security Administration's E-mail Security

***We Plan to Begin the Following Reviews in FY 2006***

Death Alert Control and Update System

Follow-up: Information System Controls for the Social Security Administration's Representative Payee System

General Controls Review of the Florida Disability Determination Service Administration Office

Monitoring the Social Security Administration's Development of a Second Data Center

Physical Security at the Mid-America Program Service Center

The Social Security Administration's Implementation of Active Directory

The Social Security Administration's Patch Management Process

## Compliance with Homeland Security Presidential Directive 12 Personal Identification Verification Guidelines in Federal Information Processing Standards 201

### Objective

To evaluate SSA's compliance with HSPD 12, as required by Federal Information Processing Standards 201.

### Background

HSPD 12 mandates the development of a common identification "Standard" for all Federal employees and contractors and establishes milestones for adoption of the new identification Standard. HSPD 12 requires that the heads of executive departments and agencies, require the use of identification by Federal employees and contractors that meets the Standard in gaining physical access to federally controlled facilities and logical access to federally controlled information systems. HSPD 12 requires that agencies identify and validate that every Federal employee and contractor have at least a National Agency Check and Inquiry or higher security investigation on file.

In response to HSPD 12, National Institute of Standards and Technology published Federal Information Processing Standards 201. Federal Information Processing Standards 201 sets the "Standard" for Government-wide reliable Personal Identification Verification for Federal employees and contractors. Federal Information Processing Standards 201 addresses the fundamental control and security objectives of HSPD 12.

## Fiscal Year 2006 Federal Information Security Management Act

### Objective

To determine whether SSA is in compliance with the *Federal Information Security Management Act* for FY 2006.

### Background

*The Federal Information Security Management Act* requires that Agencies maintain an agency-wide information security program. Annual reviews of the security program are performed by the agency and the OIG. Each year, OMB issues questions to be answered concerning agencies' compliance with the *Federal Information Security Management Act*.

## Physical Security at Remote Hearing Sites (10 Reviews Conducted)

### Objective

To review controls over physical security in OHA's remote hearing sites.

### Background

OHA conducts work at remote sites to accommodate the hearing requests of individuals who do not live near a hearing office. OHA conducts about 40 percent of its hearings in remote sites.

OHA establishes temporary or permanent remote sites based on case receipts, service to the claimant, and cost factors. Employees who work at these remote sites (1) may operate in locations not under Government control, (2) perform their duties alone or in teams of 2 or 3 employees, and/or (3) are normally not accompanied by management officials.

Employees who work at remote hearing sites may need additional security measures because of their isolation from other OHA offices.

## Physical Security at the Great Lakes, Northeastern and Southeastern Program Service Centers

### Objective

To determine (1) what actions SSA has taken to address physical security vulnerabilities identified in prior reviews and (2) whether physical security standards used by other Federal agencies, such as the Department of Defense and VA, can be applied to SSA facilities.

### Background

Following the 1994 Oklahoma City bombing, a DoJ study created minimum physical security standards for Federal buildings. The President directed Federal agencies to upgrade the physical security of their facilities based on DoJ's recommendations. SSA placed its version of the DoJ standards into its Administrative Instructions Manual System.

Recently, several Federal agencies have published physical security guidelines that go beyond the DoJ minimum standards. In 2002, the Department of Defense issued a report entitled, *DoD Minimum Antiterrorism Standards for Buildings*, and made it available to the general public. A VA Task Group recently recommended that all VA facilities adopt the Department of Defense standards. The Federal Emergency Management Administration published considerable scientific research to support that buildings not meeting Department of Defense standards are vulnerable to catastrophic consequences if subjected to a terrorist attack.

## The Social Security Administration's E-mail Security

### Objective

To evaluate the adequacy of SSA's electronic mail (e-mail) services security controls designed to ensure confidentiality, availability, and integrity of sensitive information. As part of the audit, we will evaluate SSA's management, operational, and technical controls related to e-mail security for consistency with Federal standards and guidelines and industry best practices.

### Background

E-mail is used extensively within SSA for operational and business communications. Sensitive data are often sent via e-mail within, as well as outside, SSA. In today's network environment, e-mail is also a preferred path by hackers to distribute viruses, worms, and spam. It is critical to protect information sent or received via e-mail from unauthorized use, disclosure, modification, destruction, or exploitation.

SSA's e-mail system is based on the Microsoft Outlook Exchange 2003 software product. Employees can access their e-mail either from within SSA or remotely via a workstation (desktop or laptop). SSA employees can also use e-mail when communicating with individuals outside the Agency.

# Service Delivery and Electronic Government

One of SSA's goals is to deliver high-quality, "citizen-centered" service. This goal encompasses traditional and electronic services to applicants for benefits, beneficiaries and the general public. It includes services to and from States, other agencies, third parties, employers, and other organizations, including financial institutions and medical providers. This area includes basic operational services, and three of the greatest challenges in the area are the representative payee process, managing human capital and electronic Government.

## *Representative Payee Process*

When SSA determines a beneficiary cannot manage his or her benefits, SSA selects a representative payee who must use the payments for the beneficiary's needs. There are about 5.4 million representative payees who manage benefit payments for 6.9 million beneficiaries. While representative payees provide a valuable service for beneficiaries, SSA must provide appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve.

We have completed several audits of representative payees. Our audits have identified

- deficiencies with the accounting for benefit receipts and disbursements,
- vulnerabilities in the safeguarding of beneficiary payments,
- poor monitoring and reporting to SSA of changes in beneficiary circumstances,
- inappropriate handling of beneficiary-conserved funds, and
- improper charging of fees.

In March 2004, the President signed into law the *Social Security Protection Act of 2004*. This Act provides several new safeguards for those individuals who need a representative payee. In addition, it presents significant challenges to SSA to ensure representative payees meet beneficiaries' needs. For example, it requires that SSA conduct periodic on-site reviews of representative payees and a statistically valid survey to determine how payments made to representative payees are being used. It also authorizes SSA to impose civil monetary penalties for offenses involving misuse of benefits received by a representative payee. In FY 2006, we plan to conduct reviews that focus on SSA's efforts to implement the provisions of the *Social Security Protection Act of 2004*.

## *Managing Human Capital*

SSA, like many other Federal agencies, is being challenged to address its human capital shortfalls. As of January 2005, GAO has continued to identify strategic human capital management on its list of high-risk Federal programs and operations. GAO initially identified human capital management as high-risk in January 2001. In addition, 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 and Old-Age and Survivors Insurance benefit rolls will increase by 35 percent and 18 percent, respectively. Further, by FY 2014, SSA projects 56 percent of SSA's employees will be eligible to retire. This retirement wave will result in a loss of institutional knowledge that will affect SSA's ability to deliver quality service to the public.

Along with the workload increase, the incredible pace of technological change will have a profound impact on both the public's expectations and SSA's ability to meet those expectations. In the face of these challenges, technology is essential to achieving efficiencies and enabling employees to deliver the kind of service that every claimant, beneficiary and citizen needs and deserves.

SSA's Office of Systems is responsible for guiding and managing the development, acquisition, and use of the information technology resources that support the Agency's program and business functions. The Office of Systems estimates 66 percent of its FY 2003 Information Technology workforce will be eligible for retirement over the next 10 years.

The critical loss of institutional skills and knowledge, combined with greatly increased workloads at a time when the baby-boom generation will require its services must be addressed by succession planning, strong recruitment efforts, and the effective use of technology. As of June 30, 2005, SSA continued to score "green" in "Progress in Implementing the President's Management Agenda" on the OMB Scorecard.

### ***Electronic Government***

The Expanded Electronic Government, or "e-Government," initiative of the PMA directs the expanded use of the Internet to provide faster and better access to Government services and information. Specifically, e-Government instructs SSA to help citizens find information and obtain services organized according to their needs.

According to SSA, its e-Government strategy is based on the deployment of high-volume, high-payoff applications, for both the public and the Agency's business partners. To meet increasing public demands, SSA has pursued a portfolio of services that enable on-line transactions and increase opportunities for the public to conduct SSA business electronically in a private and secure environment.

Over the past 6 years, SSA has launched the Internet Social Security Benefit Application and created on-line requests for Social Security Statements, replacement Medicare cards, proof of income letters and change of address. The Agency also added more on-line reports, such as the Adult Disability and Work History Report, the Childhood Disability Report and the Appeals Disability Report.

In FY 2006, we plan to complete 14 reviews and begin 9 reviews in this area.

***We Plan to Complete the Following Reviews in FY 2006***

Assessment of the Adequacy of the Social Security Administration's Controls over the Use of Signature Proxies on Applications for Benefits

Assessment of the Implementation of Workers' Compensation Offset in Title II Redesign Release 3

Beneficiaries in Suspended Payment Status Pending the Selection of a Representative Payee

Concurrent Beneficiaries Receiving Representative Payee and Direct Payments

Follow-up: The Social Security Administration's Management of Congressional Inquiries

Follow-up: The Social Security Administration's Procedures to Identify Representative Payees Who Are Deceased

New System to Provide Disabled Beneficiaries Receipts for Work Activity

Referral of Information from the Telephone Service Centers to the Responsible Field Offices

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The Social Security Administration's Nation-wide Asbestos Program

The Social Security Administration's Office of Systems' Training Program

***We Plan to Begin the Following Reviews in FY 2006***

Assessment of Advanced Aged Beneficiaries' Need for a Representative Payee

Beneficiaries Who Previously Had Representative Payees Receiving Benefit Payments Directly

Medicare Modernization Act—Part D Subsidy Income Verification

Organizations Serving as Representative Payees Who Are Not Registered with the Social Security Administration

Organizational Payees Who Do Not Promptly Notify the Social Security Administration When a Beneficiary in Their Care Dies

Public Law 108-203, Section 105, Liability of Representative Payees for Misused Funds

The Accuracy of Addresses on Social Security Statements

The Social Security Administration's Competitive Sourcing Efforts

The Social Security Administration's Electronic Disability Training Program

## Assessment of the Adequacy of the Social Security Administration's Controls over the Use of Signature Proxies on Applications for Benefits

### Objective

To assess the adequacy of controls over the use of signature proxies as alternatives to the pen-and-ink or "wet" signatures on applications for benefits.

### Background

SSA is evolving its claims-taking process to an electronic environment. To eliminate the need for retaining paper applications, SSA implemented three signature proxy alternatives to the pen-and-ink or "wet" signatures required on applications for Title II and XVI benefit payments. The signature alternatives apply to cases processed on or after June 21, 2004 in SSA's Modernized Claims and the Modernized Supplemental Security Income Systems. The three types of signature proxies implemented by SSA are: (1) Attestation; (2) Witnessed Signature; and (3) Click and Sign.

## Assessment of the Implementation of Workers' Compensation Offset in Title II Redesign Release 3

### Objective

To assess changes to the WC portion of the Title II Initial Claim and Post Entitlement System made with the Title II Redesign Release 3 project.

### Background

Section 223 of the *Social Security Act* requires that SSA provide monthly DI benefits to individuals who meet specific disability requirements. Workers injured on the job may qualify for DI benefits in addition to benefits under Federal and State WC programs. However, combined DI and WC benefits could result in workers receiving more in disability payments than they earned before they became disabled. To prevent this, Congress enacted the WC offset provision under section 224 of the *Social Security Act*, which requires that SSA reduce DI benefits by the amount of any other disability benefit paid under any law or plan of the United States, a State, or a political subdivision. In each instance, SSA reduces the DI benefit unless the other disability payment originates in a State with a "reverse offset" law. For States with a recognized "reverse offset" law, the WC benefit would be reduced.

In July 2004, SSA implemented Title II Redesign Release 3 to reduce manual tasks, improve the quality of the data stored on the master records, and reduce the number of actions that result in exceptions that have to be worked by processing center technicians by 50 percent. As a result of the Redesign, new data collected and stored on the Master Beneficiary Record captures additional historical information and aids field personnel in claims development and post-entitlement actions.



## **Beneficiaries in Suspended Payment Status Pending the Selection of a Representative Payee**

### **Objective**

To determine whether SSA has adequate controls to ensure payments to beneficiaries are not improperly withheld pending the selection of a representative payee.

### **Background**

SSA selects representative payees for OASDI beneficiaries and SSI recipients when representative payments would serve the individual's interests.

SSA policy states that benefits should not be suspended when a beneficiary requires a representative payee and none is immediately available. Instead, benefits must be paid directly to the beneficiary while SSA searches for an individual or organization to serve as a representative payee. However, direct payment is prohibited to beneficiaries who are legally incompetent and beneficiaries who are under age 15. Finally, benefits can be suspended for a maximum of 1 month, if SSA determines direct payments to the beneficiary would cause "substantial harm."

## **Concurrent Beneficiaries Receiving Representative Payee and Direct Payments**

### **Objective**

Determine whether SSA has adequate controls to prevent the direct payment of concurrent OASDI and SSI benefit payments to individuals who have been appointed a representative payee.

### **Background**

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' and recipients' benefit payments. SSA selects representative payees for OASDI beneficiaries or SSI recipients when representative payments would serve the individual's interest.

About 6.9 million individuals have representative payees. Of these, approximately 800,000 are concurrently entitled under the OASDI and SSI programs. Generally, if SSA has made a determination that an individual is incapable of receiving direct payment under one of its programs, a similar decision would be warranted under the other program.

## Follow-up: The Social Security Administration's Management of Congressional Inquiries

### Objective

To determine the extent to which SSA implemented recommendations from our September 2002 evaluation report concerning its management of congressional inquiries.

### Background

Our September 2002 report stated SSA lacked an adequate national system of internal controls related to its management of congressional inquiries. We found no Agency-wide automated system for controlling, monitoring, and tracking inquiries. SSA could not identify the total number of congressional inquiries it received; no component was designated the responsibility of managing congressional inquiries nationwide; and multiple components were not complying with Agency-wide policies and procedures when responding to congressional inquiries.

The Agency agreed with two of our three recommendations. In addition, the Agency stated "In the spring of 2000, the Office of the Commissioner began efforts to replace the Commissioner's Correspondence System (CCS) with more current technology, which would enhance the Agency's ability to track correspondence processing as well as to facilitate document management. This commercial document management and workflow software product will form the core of our nationwide Assignment and Correspondence Tracking (ACT) application."

## Follow-up: The Social Security Administration's Procedures to Identify Representative Payees Who Are Deceased

### Objective

To follow up on the recommendations in our September 1999 report.

### Background

Our FY 1999 report stated that about 2,091 deceased representative payees received about \$17.3 million in OASDI and SSI benefit payments from the date of the payee's death through June 1998. Since SSA was not aware that payments had been made to these deceased payees, the Agency could not be sure the funds had been used for the sole benefit of the intended beneficiaries.

We also found several conditions that affected the completeness and accuracy of SSA's payee data files and adversely affected our ability to match these files with the Agency's Death Master File. We recommended that SSA (1) routinely match the Death Master File against the Master Representative Payee File, (2) emphasize the correct procedures to be performed to ensure funds paid to deceased payees are accounted for and transferred to the new payee, (3) correct instances where erroneous dates of death are contained on Master Beneficiary Records, (4) correct instances where the payee's SSN on the Master Beneficiary and Supplemental Security Records were erroneous, (5) implement an edit to ensure the payee's SSN is updated on the Master Beneficiary Record whenever a new payee is added, and (6) identify representative payees for SSI recipients who are not included in the Master Representative Payee File.

## New System to Provide Disabled Beneficiaries Receipts for Work Activity

### Objective

To assess SSA's development of a new system to provide receipts to disabled beneficiaries when they report work and earnings and assess SSA's integration of the new system into its current architecture.

### Background

The *Social Security Protection Act of 2004* contains a provision that requires that SSA issue a receipt to disabled beneficiaries each time they report their work and earnings. This provision is effective as soon as possible but no later than 1 year after enactment and until such time as SSA implements a centralized computer file.

## Referral of Information from the Telephone Service Centers to the Responsible Field Offices

### Objective

To determine whether calls received on SSA's 800-number that require FO involvement are being routed to the FO timely and the FO is timely resolving the pending issues.

### Background

SSA customers frequently contact SSA using the national 800-number to report changes that affect SSI eligibility and payment amounts (such as changes in address/living arrangements, income, and resources). SSA operating instructions require that teleservice representatives make any appropriate changes to the pending SSI event and, in some circumstances, transfer ownership of the event to the FO for further development and resolution.

## Representative Payee On-site Reviews of State Institutions

### Objective

To evaluate the adequacy of SSA's Representative Payee Onsite Review Program for State hospitals and developmental centers.

### Background

The *Social Security Disability Benefits Reform Act of 1984* requires that State hospitals and developmental centers be reviewed once every 3 years. The purpose of the on-site reviews is to:

- explore how SSA and State institutions can improve mutual understanding and work toward resolving common problems applicable to the beneficiaries for whom the institution serves as representative payee,
- determine whether a State institution's performance as representative payee conforms with SSA's policies regarding use of benefits and reporting of significant events, and
- determine the extent to which recommendations made in prior reviews have been implemented and take appropriate action to ensure compliance with SSA's policies.

## Representative Payees Receiving Benefits for Children in Foster Care

### Objective

To determine whether beneficiaries and recipients in the Baltimore City Department of Social Services' foster care program had their benefit payments managed by representative payees who were not their foster care parents and whether these funds were at-risk.

### Background

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' and recipients' benefit payments. A representative payee may be an individual or an organization. SSA selects representative payees for OASDI beneficiaries and SSI recipients when representative payments would serve the individual's interests.

Parents or relatives often serve as representative payees for children receiving benefit payments from these SSA-administered programs.

The Social Services Administration of the State of Maryland, Department of Human Resources, administers social services in each of Maryland's 23 counties and Baltimore City through local departments of social services. The local department of social services provides adoption, protective and foster care services to children and families with children.

## Restitution of Misused Funds to Beneficiaries Under Public Law 108-203

### Objective

To assess SSA's implementation of section 101 of the *Social Security Protection Act of 2004*.

### Background

The *Social Security Protection Act of 2004* requires that SSA reissue benefits to beneficiaries when such benefits were misused by organizational representative payees or individual payees serving 15 or more beneficiaries. This provision applies to misuse decisions made January 1, 1995 and later.

Before this law, SSA was liable to the affected beneficiary for repayment of the amount of misused benefits only if SSA's negligence in its failure to investigate or monitor a representative payee resulted in the misuse of benefits.

SSA identified 185 representative payees and 2,674 beneficiaries who met the requirements of section 101 of the *Social Security Protection Act of 2004*. SSA established the Misuse Restitution Control System to manage the completion of these cases. SSA's FOs processed the Title XVI cases and Title II/XVI concurrent cases, while both the FOs and program service centers processed the Title II cases.

## Scott County Community Services—A Fee-for-Service Representative Payee for the Social Security Administration

### Objective

To determine whether Scott County Community Services as a representative payee for SSA (1) has effective safeguards over the receipt and disbursement of Social Security benefits and (2) uses and accounts for Social Security benefits in accordance with SSA's policies and procedures.

### Background

SSA provides benefits to the most vulnerable members of society – the young, the elderly, and disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits.

Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the vulnerability of the beneficiaries and the risk a representative payee may misuse beneficiaries' funds, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities.

## The Social Security Administration's Nation-wide Asbestos Program

### Objective

To determine the validity of allegations of mismanagement regarding SSA's asbestos program.

### Background

SSA has a nation-wide asbestos management program, which was established in accordance with the *Asbestos Hazard Emergency Reauthorization Act*. The program includes the assessment, management, operations and maintenance, and abatement of asbestos.

In November 1999, we issued a report, *Selected Procedures Used in the Social Security Administration's Asbestos Management Program for its Main Complex*. We reported that SSA work sites were not monitored to ensure compliance with standard operating procedures for asbestos containment, and work order approvals were appropriate but lacked quality assurance review. SSA concurred with our findings and reported that action was underway to implement our recommendations. However, several of the allegations raised concerns about SSA's management of its Nation-wide Asbestos Program. Some of these concerns are similar to issues identified during our prior review.

## The Social Security Administration's Office of Systems' Training Program

### Objective

To evaluate the Office of Systems' process for providing training to current staff and new hires. We will review training opportunities, types of training provided, and cost of training for current Office of Systems staff and new hires to enhance skills/competencies needed to meet future workloads.

### Background

For SSA to meet its customers' future needs, it must restructure its systems' processes to effectively use new technologies and ensure it has staff trained to apply those technologies. Technologies expected to be commonplace in 2010 include a rapidly evolving Internet, advances involving speech and video, and a wide range of wireless, portable, connective devices.

A January 2003 GAO report, *Major Management Challenges and Program Risks: Social Security Administration*, stated "As SSA places increased emphasis on using information technology to support new ways of delivering service, it must also ensure that it effectively manages its human capital to anticipate, plan for, and support its requirements...Doing so is necessary to ensure that SSA's plans project workforce needs far enough in advance to allow adequate time for staff recruitment and hiring, skills refreshment and training. . . ."

The Office of Systems guides and manages the development, acquisition, and use of SSA's information technology resources. These resources support the Agency's program and business functions. Within the Division of Process Engineering, Project, and Customer Service, the Systems Training and Communications Branch manages and administers the Office of Systems' Technical Training Program.



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