



SOCIAL SECURITY

MEMORANDUM

Date: February 3, 2004

ICN-34035-23-544

To: The Commissioner

From: Inspector General

Subject: Operations of the Office of Hearings and Appeals Megasite (A-12-03-13039)

The attached final report presents the results of our audit. Our objective was to evaluate the Office of Hearings and Appeals' Megasite operations, including the case folder inventory system.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

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

James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**OPERATIONS OF THE
OFFICE OF HEARINGS
AND APPEALS MEGASITE**

February 2004

A-12-03-13039

AUDIT REPORT



Mission

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

Authority

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

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

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

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

Vision

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

Executive Summary

OBJECTIVE

Our objective was to evaluate the Office of Hearings and Appeals' (OHA) Megasite operations, including its case folder inventory system.

BACKGROUND

The Social Security Administration's (SSA) disability hearing process begins after an applicant for benefits is denied at the initial and reconsideration level. The next step in the appeals process is a hearing before an Administrative Law Judge (ALJ). The final step rests with the Appeals Council and Administrative Appeals Judges. To review the ALJ's decision, SSA must ensure that all case folders are accurately tracked.

Hearing Offices send folders with unfavorable decisions to the Megasite in Springfield, Virginia. We conducted our sample test of the inventory of folders stored in the Megasite in January 2003, at which time there were approximately 200,000 folders stored there. The Megasite serves as the Office of Appellate Operations' off-site active claims folder storage facility. The ability of the Megasite's physical and computer inventory tracking system to accurately and quickly identify and locate the claimant's folder and shelf position is critical to the timely processing of appealed claims.

RESULTS OF REVIEW

Prior to our audit, OHA purchased computer technology and equipment to scan folders using an automated bar coding system. Installation was ongoing as we completed our field work in May 2003. In July of 2003, OHA management informed us that the new computer inventory system had been implemented and folders stored in the Megasite have bar-code labels and are in the new inventory system. Some of the manual processes we audited have been replaced by this new automation. We plan to review the new system to determine if it effectively tracks folders and provides the technological support to better safeguard folders stored in the Megasite.

The previous Megasite folder inventory system did not allow OHA to account for all folders stored at the Megasite. The loss of folders jeopardizes the safekeeping of sensitive, personal information and bears directly on the timeliness of appeals reviews and subsequent award of benefits. At the time of our audit, the Megasite had an in-house computer tracking system called the Megasite Case Control System (MSCCS). It now uses an upgraded system called the Enhanced Megasite Case Control System. According to Megasite management, MSCCS did not have the systems capacity to hold the large amount of folder information stored in the Megasite. As new claim folder information was added or deleted into MSCCS, excessive demand on internal memory caused the system to crash frequently and, inadvertently, about 3 percent of data was not tracked.

We assessed the accuracy of the computer inventory records in MSCCS and the retrieval of folders at the Megasite. Due to inadequate inventories, OHA could not track all folders stored, transferred, or disposed of during the Appeals Council's adjudicative review process. We project that OHA could not locate as many as 10,100 folders. In addition, 8,700 folders may not be in MSCCS, and 7,300 folders were in MSCCS, but may be physically located on the wrong shelf.

CONCLUSIONS AND RECOMMENDATIONS

The Megasite's physical and computerized inventories we tested were not accurate. OHA's planned efforts to improve the records management accuracy at the Megasite are timely because folders were susceptible to loss or misplacement. The accuracy and completeness of the physical inventories conducted needs improvement, and a physical records management program needs to be developed to provide timely and accurate data on the number of folders and their physical location.

We provided seven recommendations to SSA to improve its method of storing folders and their contents. The recommendations also include establishing written procedures for inventories and developing inventory reports.

AGENCY COMMENTS

SSA agreed with six of our seven recommendations. SSA did not agree with our first recommendation. SSA is taking action on the other six recommendations. The text of SSA's comments is included in Appendix C.

Table of Contents

	Page
INTRODUCTION	1
RESULTS OF REVIEW	3
Automated Inventory Records Incomplete	4
Missing Folders	6
Megasite Physical Inventory Lacks Basic Controls	8
Disability Program Branches Missing Folders	10
CONCLUSIONS AND RECOMMENDATIONS	13
APPENDICES	
Appendix A – Scope and Methodology	
Appendix B – Sampling Methodology and Results	
Appendix C – Agency Comments	
Appendix D – OIG Contacts and Staff Acknowledgements	

Acronyms

AAJ	Administrative Appeals Judge
AC	Appeals Council
ALJ	Administrative Law Judge
CA	Civil Action
CCPRB	Court Case Preparation and Review Branch
CFR	Code of Federal Regulations
CICS	Customer Information Control System
DO	District Office
FY	Fiscal Year
GAO	General Accounting Office
HO	Hearing Office
MSCCS	Megasite Case Control System
OAO	Office of Appellate Operations
OHA	Office of Hearings and Appeals
RR	Request for Review
SSA	Social Security Administration
SSN	Social Security Number
UTL	Unable to Locate

Introduction

OBJECTIVE

Our objective was to evaluate the Office of Hearings and Appeals (OHA) Megasite operations, including its case folder inventory system.

BACKGROUND

OHA is one of the largest administrative adjudicative systems in the world. There are two primary organizational components of OHA. The first level of administrative appeal is handled within Hearings Operations, where a claimant is afforded an opportunity for a hearing and a decision by an Administrative Law Judge (ALJ).¹ Cases involving disability under the Disability Insurance program (Title II) and the Supplemental Security Income program (Title XVI) account for approximately 90 percent of OHA's work.

The second and final level of administrative appeal is handled within the Office of Appellate Operations (OAO), where the Appeals Council (AC) affords a claimant an opportunity for a record review of the ALJ's decision. At the last decisional level, the AC renders the Agency's final decision.² In Fiscal Year (FY) 2002, the AC reviewed and decided over 115,000 cases.

One of the Social Security Administration's (SSA) highest priorities is to assure the integrity, independence, fairness and effectiveness of the Social Security disability hearing process for those it serves. At the AC, fairness requires that all adjudicators assess a disability claim using the same legal standards, and the claim should be awarded to claimants as soon as their disability has been determined under law. To meet these standards, OHA needs to ensure that all disability folders are accurately received, tracked, stored, and afforded an opportunity for a timely record review of the ALJ's decision and are not lost or misplaced in the process.

When claimants receive unfavorable hearing decisions at the ALJ level, Hearing Offices (HO) send the folders to the Megasite in Springfield, Virginia. The Megasite serves as OAO's off-site active claims storage facility and repository for all folders processed by the AC. The folders are stored pending the possibility that the claimant may wish to file an appeal of the ALJ decision, or the dismissal order is wrong. Approximately 40 percent of claimants who received an unfavorable decision file an appeal for the AC to review the ALJ decision.

Each claim constitutes a basic record for payment and determination under the Social Security Act. The AC review is based on the content of the folder, and it is imperative that the folders are accessible to the AC timely and are not misplaced or lost.

¹ 20 Code of Federal Regulations (CFR) §§ 404.929 et seq. and 416.1429 et seq., *Hearing Before An Administrative Law Judge*.

² 20 CFR §§ 404.966 et seq. and 416.1466 et seq., Appeals Council Review.

Folders stored at the Megasite are retained anywhere from 6 months to 2 years depending on whether the claimant files an appeal at the AC or civil court level.³ Folders at the Megasite include: 1) claims that are pending a potential appeal for review of the ALJ decision; 2) claims with a request for review of the ALJ decision; 3) new civil court cases pending a civil action; and 4) copies of claims filed in civil suit in Federal District Court. Once folders are delivered to the Megasite, they are shelved randomly as space is available throughout the warehouse on 1 of the more than 18,000 shelves. At the time we conducted our audit, there were approximately 200,000 folders stored at the Megasite in January 2003. The Megasite can hold approximately 300,000 folders on its shelves. Detailed information on the scope and methodology of our audit is contained in Appendix A.

Prior to implementation of the new bar-coding system, as folders were shelved, Megasite staff wrote the shelf location and Social Security number (SSN) on work sheets. This information was (and still is) entered manually into a computer inventory tracking system. Folders stored at the Megasite are moved between the AC and Megasite during different stages of the appellate process and/or released to permanent SSA storage outside the Megasite. Until we conduct a follow-up audit, we cannot determine whether the bar-coding system corrects the problems discussed in this report.

³ Megasite management establishes the retention times in accordance with 41 CFR § 102-193.5 et seq. and to accommodate the appeals process.

Results of Review

The Megasite case folder inventory systems in place prior to July 2003 did not provide OHA the ability to account for all folders stored at the Megasite. Specifically, our audit found that:

- 1) the computer inventory tracking system tested during our audit was technologically inadequate and records were missing from the data base;
- 2) the physical inventory lacked management controls and procedural standards, such as written reports and records, to show how the inventory is organized and how physical inventory counts are conducted;
- 3) the documents reconciling discrepancies between the computer and physical inventories were not retained;
- 4) the computer system we tested was used as the inventory “control,” and all corresponding adjustments from the physical inventories were re-entered in the computer inventory system, which did not retain all data; and
- 5) there was a lack of oversight of folders released from the Megasite to the AC, i.e., some folders were erroneously coded as having been sent to the branches, but in fact, were never delivered there and many were missing.

Without adequate computer and physical inventory systems, many folders were lost or misfiled. Due to the inadequate inventories, OHA cannot track folders stored, transferred, or disposed of during the AC’s adjudicative review process. We project that approximately:

- 7,300 folders may not be readily located because the wrong shelf location is recorded in MSCCS;
- 10,100 folders listed in MSCCS may not be located on the shelves; and
- 8,700 folders may not be inventoried at all in MSCCS.

As a result of missing and misfiled folders, AC decisions and actions are unnecessarily delayed because folders are not readily accessible to the AC. In FY 2002, 29,542 claims were remanded, which represent about 25 percent of all appealed claims.⁴ Generally, claims are remanded because the claim was not legally sufficient, and a new hearing is held at the HO level. However, claims for which a folder cannot be located are also remanded, and the folder content has to be reconstructed. OHA could not provide information on the number of claims remanded due to missing folders because it does not track such information. OHA management estimated that approximately 1,500 claims are remanded because all or a part of the folder is missing.

⁴ OHA’s Key Workload Indicators, FY 2002.

According to a consultant for OHA, the cost to remand a claim is \$1,882 (\$579 per preparation work and \$1,303 for the second hearing).⁵ Remands due to missing folders cost SSA approximately \$2.8 million dollars a year. Missing folders are a significant concern that produces avoidable workloads and delays benefits to individuals.

In addition to the increased workload from conducting new hearings and the cost to reconstruct lost records, these delays seriously affect the public's confidence in SSA's ability to serve the public. Each folder lost also holds sensitive information such as the name and SSN of the claimant. Other sensitive documents supporting findings of fact regarding entitlement, such as medical and earnings histories, family living arrangements, and information from third parties including social service agencies, Internal Revenue Service, Department of Veterans Affairs, and mental health providers are also lost. OHA can improve the oversight and integrity of folders stored at the Megasite by establishing effective physical inventory controls and ensuring that the newly installed computer technology adequately tracks the data for each claim folder stored there.

AUTOMATED INVENTORY RECORDS INCOMPLETE

To evaluate the inventory tracking system at the Megasite, we first gained an understanding of the computer system used up until mid-July 2003, to record and track folders stored there. The in-house computer inventory system, MSCCS, is the principal records control point. Any inventory adjustments to cleanse or reconcile inventory data following a physical inventory are entered in MSCCS. When we conducted our audit, there were approximately 200,000 folders actively stored at the Megasite, according to Megasite management.

Each day, Megasite staff receive and shelve new folders on available shelf space. As they are shelved, Megasite staff wrote the shelf location and SSN on work sheets. Work sheet content was then entered manually into MSCCS by the Megasite staff person or one of three team leaders who oversee their respective teams. There are approximately 40 staff members who enter data into MSCCS manually. They also update MSCCS as the folder is transferred to the AC's branches for review. If the claim is denied at the AC level, it is returned to the Megasite. Since the case is pending civil litigation, it is coded as such and remains there for 6 months pending an appeal. Folders are released to permanent SSA storage when the retention period at the Megasite has expired as long as an appeal has not been filed for civil litigation in Federal District Court.

The Megasite initially stores the folder pending a request from the claimant for the AC to review the ALJ's action. Usually a "Request for Review" (RR)⁶ form is filed and sent to 1 of the 24 Disability Program Branches that makes up OAO. The folder is reviewed by

⁵ *Preliminary Return on Investment Analysis, Office of Hearings and Appeals*, Booz Allen Hamilton, January 31, 2002.

⁶ The most common method to file an appeal is by filing a Form SSA-RR. The forms can be (1) faxed or mailed to OAO Headquarters or to the Branches directly; or (2) filed in an HO or District Office (DO) and then the HO or DO mails or faxes the form to OAO.

an Administrative Appeals Judge (AAJ) who makes the final decision on the case. A computer system internal to the AC, the Appeals Council Automated Processing System, updates MSCCS twice a week and enters data once an RR is filed in 1 of the 24 branches.

The MSCCS computer tracking system was implemented in 1998. MSCCS was designed in Microsoft Access which is SSA's Systems approved software for locally designed computer applications. The volume of folders and records grew as the increase in disability appeals doubled from the mid to late 1990's. The computer system was not designed to hold the number of records stored in MSCCS nor designed for the number of simultaneous users. Consequently, MSCCS lacked the internal memory capacity to hold such a large volume of records or support the number of staff using it.

As the number of records grew at the Megasite, the system would potentially crash daily due to excessive demand on internal memory. Due to the large volume of records stored, the systems administrator routinely shut down MSCCS to avoid the computer crashing—often as many as 3 times a day to compact data. Compacting data can be done safely only when access to the file is suspended.

Megasite staff spent up to several hours a day in MSCCS downtime while the system compacted data, during which time Megasite and AC staff were unable to use MSCCS. We observed MSCCS downtime during five of our visits to the Megasite. If the folders were stored on shelves in a logical order, such as by SSN, then staff could find folders when MSCCS is idle or losing records. In addition, it would be very easy to tell that a folder is in the wrong place by spot checks.

Despite efforts to compact data, OHA estimates that approximately 3 percent of folder data was routinely lost at any time from the data base. Information about the folder location, SSN of the appellant, and the status of the request for an appeal could be randomly missing from the computer inventory system at any time.

It is not possible for the AAJ to conduct a review without the record of events affecting entitlement. The AC process involves review of all previous evidence and review of the ALJ's most recent decision and any new evidence submitted to the AC. Consequently, when folders stored in the Megasite cannot be located within a certain time frame,⁷ the

⁷ Hearings, Appeals and Litigation Law manual I-3-0-71 OAO Branch Procedures. After the OAO branches exhaust all claim file location leads or after a 60-day search period (20-day for "critical" cases, which includes terminally ill claimants), which ever comes first, the Branches initiate the reconstruction process by:

- obtaining a copy of the ALJ's decision and exhibit list if not already available;
- notifying the representative or claimant that the original file cannot be located and must be reconstructed, and simultaneously providing the representative or claimant with a copy of the exhibit list and asking each to furnish copies of any listed documents in their possession;
- following up on all requests for documentation at 20-day (7-day for critical cases) intervals;
- if necessary, requesting the cassette from the Computer Cassette Library; and
- reviewing case locator queries at 30-day (10-day for critical cases) intervals and following up on all new leads to the location of the original file.

AC reconstructs the complete disability case folder and remands the claim back to the HO for a new hearing.

In reconstructing folders, OHA must pay for all charges from medical experts, vocational experts, and other sources for supplying medical and other evidence if the representative or claimant cannot furnish copies of his or her documents in the folder. Although OHA does not track missing folders, OHA management estimated that during FY 2002, approximately 1,500 claims were remanded because the folder, or some portion of it, could not be located.

OHA took steps to resolve the systems' inadequacies.⁸ In March 2003, OHA began implementation of new technology with an upgraded computer system and bar coding equipment to scan in folders. Implementation was completed in mid-July 2003. Currently, all folders processed in the Megasite are tracked in the new computer system. We plan to review the new system to ensure that it effectively tracks folders and provides the technological support needed to safeguard the folders stored there.

MISSING FOLDERS

We assessed the accuracy of the previous automated inventory records and whether folders could be retrieved at the Megasite. Our assessment had two components, each of which involved statistical sampling (see Appendix B). First, we pulled 300 folders and compared the actual shelf location to what was shown in the computerized inventory to determine whether all folders were recorded. Second, we tracked 300 folders from the computerized inventory to determine whether the actual shelf location was correctly reflected in MSCCS.

TEST FOR UNRECORDED FOLDERS

On January 23, 2003, we pulled 300 folders in our sample from their shelf location and reviewed MSCCS information to determine the correctness of the data. We found that 13 (4.3 percent) folders taken from the shelves to trace to MSCCS were not recorded in the MSCCS inventory. We project that as many as 8,700 folders may not be inventoried in MSCCS.

All folders contained unfavorable decisions, and as such, they met the criteria for storage at the Megasite. In addition to the 13 folders mentioned above:

- 2 folders had documents that did not match the SSN on the front cover, and
- 1 folder had documents that did not match the claimant's name on the front cover.

We also found, in our statistical sample of the physical inventory of folders, that 11 (3.6 percent) folders were on a different shelf location than recorded in the

⁸ OHA purchased a Radio Frequency Bar coding system and changed the data base platform from Microsoft Access to Sequel Server. Sequel Server has greater memory capacity and serves as a data base program and server.

computerized inventory. We project that approximately 7,300 folders may not be readily located because the wrong shelf location is recorded in MSCCS.

TEST FOR MISSING FOLDERS

From our sample of 300 computerized records taken January 28, 2003, we found 16 (5.3 percent) folders selected from the computerized inventory were missing from the shelf. We estimate that as many as 10,100 folders that were listed in MSCCS cannot be located on the shelves.

All 284 of the folders we found contained unfavorable decisions, and as such, they met the criteria for storage at the Megasite. In addition to the 16 folders mentioned above:

- 3 folders had documents that did not match the SSN on the front cover,
- 2 folders had documents that did not match the claimant's name on the front cover, and
- 1 folder had an unanticipated error in which Megasite staff entered the claimant's name incorrectly into MSCCS.

We showed the claim folders and explained the problems described above to Megasite staff. The staff corrected the SSN and shelf location in the folders and appropriately updated MSCCS.⁹

Lost Folders Delay Benefits and Increase Processing Times

SSA strives to deliver the highest level of service by making fair, consistent, accurate and timely disability determinations at all adjudicative levels and SSA's disability programs have been growing and are poised to grow even more rapidly. A recent General Accounting Office (GAO) report¹⁰ states that SSA has been working for years to improve the disability process, yet the quality and timeliness of disability decisions remain one of SSA's greatest challenges. By 2010, SSA expects workers' applications for Disability Insurance to increase by as much as 32 percent over 2000 levels.

We believe that the complications from missing folders compound the history of problems in this area by adding unnecessary time and costs to the adjudication process and by delaying benefits to individuals awaiting appeals determinations. OHA's command of this problem is limited because it does not track the number of lost folders and therefore cannot determine the total cost to reconstruct them. OHA can achieve improvements in the timeliness of reviewing claims and accelerate the initiation of disability payments to those whose appeals result in reversals of OHA denials.

⁹ We also noted five invalid SSNs in the MSCCS data base that started with an "8" or "9." The SSNs had been improperly coded in the HO or MSCCS. We brought this to the attention of Megasite staff, and the correct SSNs were entered in MSCCS.

¹⁰ GAO Performance and Accountability Series, Major Management Challenges and Program Risks, Social Security Administration, January 2003. (GAO-03-117).

OHA recently enhanced the technological processes to support inventory operations at the Megasite. Establishing an effective physical records management system in compliance with physical inventory standards¹¹ would further improve physical inventories and safeguard folders from loss. Reducing the number of remands due to missing folders would lower hearing office backlogs and improve customer service.

MEGASITE PHYSICAL INVENTORY LACKS BASIC CONTROLS

We reviewed how the Megasite conducts physical inventory counts prior to the implementation of the new computer tracking system. Folders delivered to the Megasite are filed randomly on available shelf space on 1 of the more than 18,000 shelves in the Megasite. The Megasite conducts two types of inventories: 1) the 100 percent inventory and 2) random inventories of what remains on shelves once folders with expired retention dates have been released from the Megasite. Both inventories are a labor intensive process.

100 PERCENT INVENTORY LACKS DOCUMENTATION

Physical Inventories Do Not Result in Reliable Folder Counts

The first type of inventory is referred to as a 100 percent inventory. Megasite managers prepare lists from MSCCS, which include the SSN and folder shelf location on each of the 2,605 shelving units. Megasite staff go to the shelf depicted by MSCCS and cross-check the MSCCS list against what is actually on the shelf to ensure that all records are properly shelved. Staffs on the three teams are assigned inventory tasks along with their regular work duties. The inventories occur twice a year and take approximately 6 months to complete.

Team leaders, from each of the three teams, direct staff to inventory certain shelves and write down any discrepancies found between the MSCCS printed list and what is on the shelf. A sticker showing the month and year the shelf is inventoried is placed on the outside of the shelf.

Once inventoried, team leaders or other staff re-enter reconciliations from the work sheets in MSCCS from the day the shelf was physically inventoried to a week later. After inventorying a shelf, Megasite employees take corrective actions on existing discrepancies by initiating a search for a missing folder and coding it as such in MSCCS; or they properly shelve a folder and update MSCCS, send the claim to a branch, or release a folder to an outside SSA storage facility if the retention period has expired.

To test the accuracy of the 100 percent physical inventory and the assignment of inventory locations, we asked Megasite management for the inventory plans and procedures and the results of recently completed reconciliations. We found there are no formal written inventory plans, schedules and/or written procedures about how the inventory is conducted, nor are there reports to show that the actual physical inventory

¹¹ 41 CFR § 102-193.5 et seq., Creation, Maintenance and Use of Records.

changes were made. We could not ascertain which team inventoried the shelves, nor could we assess the results of the inventory or even if it was completed at all because staff shredded work sheets showing the inventoried shelves.

Management at the Megasite provided a memorandum dated April 2002, instructing staff about procedures to reconcile folders that were missing or misfiled. We found that the 100 percent inventory accuracy relies upon the initiative and integrity of individual Megasite staff. The memorandum gave instructions to the staff for the following actions when differences are found between the actual shelf location and MSCCS data:

- If MSCCS shows the file is reading on another Megasite shelf, move it to that shelf.
- If MSCCS shows the file is not on another Megasite shelf, query the Customer Information Control System (CICS) to determine if a RR or civil action (CA) is pending.
- If an RR or CA is pending, update MSCCS and route the case to the branch.
- If no RR or CA is pending and the Megasite holding period has expired, release the file for permanent storage and update CICS.
- If no RR or CA is pending and the Megasite holding period has not expired, place the file on the Megasite shelf and update MSCCS.

Further, if a Megasite staff member finds that several folders are misfiled or missing on a shelf they have just inventoried, they inform the Team Leader who will audit the shelf again and assist the staff with corrective actions. However, OHA has not prepared written documentation or implemented verification procedures over corrective actions taken by staff on folders reconciled during these inventories.

RANDOM INVENTORIES UNCOVER LOST CASE FOLDERS

No Records Are Kept Showing Discrepancies Between Shelf and Computer

The second type of physical inventory involves random audits of the folders on the shelves. Folders are stored at the Megasite for varying lengths of time. When the folder storage period expires, staff pull folders from shelves and release as many as 5,000 from the Megasite in a week. An indicator in MSCCS marks all folders that should be released to outside storage

facilities. Team leaders print a list from MSCCS with files for release. Staff use these lists to pull folders designated for release from the shelves. They pull folders from the shelves and make a check on the list if the claims folder is found on the shelf. If it is not on the shelf, they mark the missing folder on the list as Unable to Locate (UTL).

Management decides when to release files based on retention dates, amount of staff available to release folders, and the need for shelf space. Once the shelf is purged of all the folders that are marked for release, Megasite staff use the MSCCS shelf list to cross check all remaining folders on the shelf. Only folders without a release indicator should remain on the shelf and should be listed correctly in the MSCCS list.

These inventories are viewed by Megasite management as an effective way to audit shelves and find missing and misfiled folders on shelves that are half emptied. Staff told us that very often as many as 150 folders that were missing are found during these audits for a single branch and sent to them. All differences found between the folders on the shelf and on the computer inventories are re-entered in MSCCS. There are no records of how many folders are found during inventories.

During both inventories, the cleansed and reconciled data from work sheets are entered in MSCCS by Megasite staff. Yet MSCCS cannot retain all data entered, and any reconciled new data could potentially be lost due to the former computer system's inadequacies. As of March 2003, MSCCS data showed 2,148 folders with a UTL code--the last location of the folder is in the Megasite, but the folder cannot be located there. We have no reliable account of the entire universe of folders stored at the Megasite. The computer inventory is the perpetual "control" and according to OHA staff, could not track data consistently. The staff are not required to retain physical inventory work sheets showing discrepancies between shelf and computer.

We could not audit the physical inventory accuracy without written records, nor rely on the computer inventory as a perpetual control because of the technological inadequacies. Without a technologically advanced computer system and adequate physical inventory standards, Megasite staff could not account for its folders. We tested the security at the Megasite and found the building is physically secure. However, folders that are not adequately tracked from receipt through disposal are subject to loss, theft, or misuse.

DISABILITY PROGRAM BRANCHES MISSING FOLDERS

To evaluate the OAO's overall satisfaction with the Megasite's performance, we interviewed 10 of the 24 OAO Branch Chiefs to obtain information and identify specific problems related to requesting and receiving folders from the Megasite. Branch Chiefs supervise each of the branches that process disability cases according to circuit court geographic areas and SSN numeric breakdown.

The work performed in the branches is based exclusively on the documents in the folder. Batches of folders are delivered from the Megasite to the branches every week. Team leaders print out "pull lists" from MSCCS listing folders by SSN, RR date and shelf location. Once the list is generated from MSCCS, the folders are removed from the shelves at the Megasite and put in separate tubs and delivered to each branch.

Based on the dates of the request for review, 100-200 folders are delivered once a week to each of the branches. In addition, branches also request individual folders from the Megasite via fax, e-mail or telephone.

Our interview results showed that there are recurring problems with untimely receipt of folders and missing folders. Half of the Branch Chiefs stated that they experienced

delays receiving folders they requested from the Megasite. The following causes were cited:

- Persistent computer problems with MSCCS resulting in lost records about folder location.
- Folders incorrectly entered into other SSA mainframe systems which cannot easily be located or tracked down by the Megasite or branch staff.
- Folders not sent timely to the Megasite from the Hearing Offices and OAO Branches.
- Not all folders listed on the weekly “packing list” are delivered by the Megasite to the Branches.
- Folders prematurely released from the Megasite to outside SSA storage facilities.
- Folders filed improperly at the Megasite.

All of the branch managers stated that when they request folders from the Megasite or when batches of folders are delivered from the Megasite, some folders cannot be located. Six said that this happened frequently, and four said it did not happen often.

In March 2003, there were 665 folders that 9 of the branches had requested but Megasite staff could not locate. We also interviewed a Branch Chief from one of the two Court Case Preparation and Review Branches (CCPRB). The CCPRB could provide only an aggregate number of folders they were unable to locate for both branches. From October 2000 to May 2003, both branches were unable to locate 2,092 folders. Not all folders that are missing are located or found in the Megasite.

Staff in the branches actively track folders that are missing in SSA systems. Many missing folders are coded in MSCCS as having been received in the Megasite, but cannot be located there. To illustrate this problem, one of the branch chiefs showed us three “packing lists” which had been removed from the tubs of recently delivered incoming folders. The packing lists showed that 227 folders had been delivered to the branch from the Megasite. However, when the folders were taken out of the tubs and cross-checked with the packing lists, 92 folders were not in the tub, but were on the packing list. Once a packing list is generated in MSCCS, it codes folders as being in a specific branch. Folders are erroneously updated and coded as having been sent to the branch from the Megasite, when in fact they have not.

The Branch Chief does not contact the Megasite when folders on the pull list are not delivered, but presumes that they will be found during an inventory and sent to them, or when one of the branch staff can track the folder in other SSA tracking systems. We were told that once a folder was listed as being sent to the branch, but was not, it may take up to 6 months to locate the folder, if it is found during an inventory.¹²

¹² The staff person assigned in this branch to locate lost folders has researched and reconciled the whereabouts of over 460 folders since August 2002. Two hundred twenty folders have been recovered and 22 were remanded because the original folder could not be located. As of May 2003, the branch was missing 147 folders dating from 1998 through 2002.

To overcome some of the problems with folders that cannot be located in the Megasite, three of the Branch Chiefs have standing orders to send all folders for their branches to them to ensure better control over the folders, and because of reduced backlogs, they now have the room to store them in the branch. As of March 2003, two branches have staff working exclusively on finding missing folders.

Claimants waiting for a decision about their claim are generally unaware if the folder is lost or misplaced unless they or their representative ask about the status of the claim. Folders filed and assigned a physical location by SSN sequence could be retrieved and accounted for in the event that the computer technology failed or the folder was erroneously coded. Lost folders, or those folders that are misplaced for a certain amount of time as a result of problems with tracking them, undermines the overall effectiveness of the claims process and delays benefits to eligible claimants. It is imperative that OHA's newly installed computer inventory systems accurately account for all folders stored and that physical inventory controls are in compliance with inventory standards to prevent loss of folders.

Conclusions and Recommendations

The Megasite's physical and computerized inventories we tested were not accurate. OHA's efforts to improve the records management accuracy at the Megasite are timely because folders are susceptible to loss or misplacement. The loss of folders jeopardizes the safekeeping of sensitive, personal information and bears directly on the timeliness of appeals reviews and subsequent award of benefits. The accuracy and completeness of the physical inventories conducted needs improvement and a physical records management program needs to be developed to provide timely and accurate data on the number of folders and their physical location.

RECOMMENDATIONS

We recommend SSA:

1. Store folders systematically by SSN, name, or other sequence rather than the current random method. (Based on further discussion with SSA, we are rescinding this recommendation.)
2. Ensure that all folders on the packing lists are sent to the branches.
3. Ensure that the new information technology provides timely and accurate tracking of folders in the Megasite.
4. Enhance accountability for records management by collecting information on the number of lost folders, remands due to lost folders, and cost to replicate missing documents.
5. Prepare written procedures for conducting physical inventory counts and for resolving inventory discrepancies.
6. Develop formal reports detailing the results of the 100 percent inventories and the random inventories showing: a) how and when physical inventories are conducted; b) who conducted them; c) the start and completion dates; d) the count of folders inventoried; and e) any discrepancies noted. Assign responsibility to review the reports and verify their accuracy.
7. Retain inventory work sheets for follow-up and quality control purposes.

AGENCY COMMENTS

SSA agreed with six of our seven recommendations, but did not agree with our first recommendation. SSA stated that changing the Megasite's storage method from first available shelf to numeric sequencing would be time-consuming and costly. SSA is taking action on the other six recommendations. The text of SSA's comments is included in Appendix C.

OIG RESPONSE

While we continue to believe that organizing the folders in a systematic order would assist in finding folders, we accept the Agency's observation that the new system has improved accuracy and that further improvement may occur. Therefore, we have rescinded Recommendation 1. After the new process has been in operations for a sufficient period of time, we will conduct a follow-up review of the Megasite. As part of that review, we will ascertain the accuracy rate of the bar coding system and whether it has significantly reduced the number of missing claims folders.

Appendices

Scope and Methodology

To accomplish our objectives, we reviewed operations at the Office of Appellate Operations (OAO), the Disability Program Review Branches and the Megasite storage facility to gain an understanding of how folders are requested, stored and tracked between the Megasite and OAO Branches. In performing our audit, we:

- Analyzed policies and procedures for the Megasite and OAO.
- Reviewed a prior Office of the Inspector General audit report¹ related to problems associated with requesting and obtaining Title II and Title XVI folders.
- Reviewed internal Office of Hearings and Appeals (OHA) documentation² related to problems with folder storage at the Megasite.
- Reviewed folder storage and retrieval operations to determine how OAO and the Megasite process folders.
- Interviewed Office of Systems personnel to obtain an understanding of what computer systems are used to inventory and track folders in the Megasite, in OAO, and SSA wide.
- Tested the security operations of the Megasite.
- Determined if there are any technical problems with Megasite Case Control System (MSCCS).
- Interviewed Disability Program Branch Chiefs regarding folder retrieval and delivery between the Megasite and the Appeals Council.
- Interviewed Megasite personnel regarding Megasite operations.
- Tested the computerized inventory and the physical inventory.
- Analyzed 2 samples of 300 folders regarding folder completeness.
- Estimated the results of our computerized and physical inventory tests to the population of folders. See Appendix B for a detailed description of our sample methodology.

¹ *Case Folder Storage and Retrieval at the Social Security Administration's Megasite Records Center* (A-04-99-62006) August 2002.

² *Proposed Changes to OHA Folder Storage and Cost Benefit Analysis-Preliminary Report*, Memorandum dated December 3, 2002.

Also, we assessed the reliability of the computer-generated data produced by MSCCS. We determined that the data was not sufficiently reliable given the audit objective and intended use of the data. We based this determination on tests we performed which resulted in significant problems that are described in the “Automated Inventory Records Incomplete” section of this report. Because the use of this data could lead to an incorrect or unintentional message, we completed additional tests to provide support for our findings and recommendations.

We performed our field work from November 2002 until May 2003. Our audit included an evaluation of existing controls, policies and procedures specifically related to operations of the Megasite and folder retrieval from this facility. The entity audited was the Megasite within OHA. We performed our audit in Falls Church and Springfield, Virginia. We conducted our audit in accordance with generally accepted government auditing standards.

Sampling Methodology and Results

Methodology

Test of Physical Inventory

To test the physical inventory, we traced a randomly selected statistical sample of 300 case folders physically located at the facility on January 23, 2003, to the Megasite Case Control System (MSCCS). Folders are filed on shelves that are empty or partially empty. To select the folders, we randomly selected 300 shelving units from 2,605 shelving units in the Office of Hearings and Appeals (OHA) Megasite. For each randomly selected shelving unit, we chose the first folder stored on the left side of the top shelf.

Universe	Universe Size	Sample Size	Selection Date	Selection Criteria
All folders in the Megasite	200,000	300	01/23/03	Shelving Unit Identification Numbers

Since we did not manually count the inventory of folders on January 23, 2003, we relied on OHA's estimate of folders in the Megasite as our universe.

Test of Computerized Inventory

To test the computerized inventory, we traced a randomly selected statistical sample of 300 folders recorded in MSCCS as located in the Megasite on January 28, 2003, to their physical location within the facility.

Universe	Universe Size	Sample Size	Selection Date	Selection Criteria
All folders in MSCCS coded as in the Megasite	189,672	300	01/28/03	Social Security number (SSN)

Results

Results from Test of the Physical Inventory	Sample Error	Projected Error	Projection Lower Limit	Projection Upper Limit
Not recorded in MSCCS	13	8,667	5,165	13,600
Recorded in MSCCS on a shelf other than the one it was stored on	11	7,333	4,141	11,990

In addition,

- two folders had a SSN on the front cover that did not match documents inside,
- one folder had a claimant name on the front cover that did not match documents inside, and
- all the folders sampled belonged in the Megasite.

Results from Test of the Computerized Inventory	Sample Error	Projected Error	Projection Lower Limit	Projection Upper Limit
Not found at the Megasite	16	10,116	6,401	15,147

In addition,

- three folders had a SSN on the front cover that did not match documents inside,
- two folders had a claimant name on the front cover that did not match documents inside,
- one folder had an unanticipated error in which Megasite staff entered the claimant's name incorrectly into MSCCS, and
- all folders found belonged in the Megasite.

All projections were made at the 90-percent confidence level.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

32316-24-991

Date: January 16, 2004 **Refer To:** S1J-3

To: James G. Huse, Jr.
Inspector General

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Evaluation Report: "Operations of the Office of Hearings and Appeals Megasite" (A-12-03-13039)—INFORMATION

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

Please let me know if we can be of further assistance. Staff inquiries may be directed to Candace Skurnik, Director, Audit Management and Liaison Staff on extension 54636.

Attachment:
SSA Response

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "OPERATIONS OF THE OFFICE OF HEARINGS AND APPEALS MEGASITE" (A-12-03-13039)

We appreciate the opportunity to comment on the subject draft report. The report's findings confirm our previous review of the now obsolete system; that the old system was not accurate. By contrast, informal reviews since November 2003 show that the new tracking system and procedures have a current accuracy rate of 96.7 percent. Further, we expect that the first formal inventory (currently underway and expected to be completed in March 2004) will show a higher accuracy rate. We look forward to OIG's follow-up audit to confirm our own findings.

It is also important to note that the methods being used to track folders during the period of the OIG review had been in place for approximately four months. These interim procedures were designed to transition the Megasite operations to the new tracking procedures now in place.

While it is true that during the audit, problems with Megasite Case Control System (MSCCS) resulted in significant downtime at the Megasite (page 5), those problems have been corrected. As a result, except for scheduled upgrades, there have been no periods since July 2003 when the Megasite staff was not able to use MSCCS.

Page 6 states that the Office of Hearings and Appeals (OHA) remanded 1,500 claims in fiscal year (FY) 2002 because the folders or portions of the folders could not be located. It is important to note that not all of the missing folders should have been in the Megasite. OHA's Office of Appellate Operations (OAO) receives appeals on claims where files may be in effectuating components or other storage facilities. However, we do not have information identifying whether the Megasite or another component should have had the folders.

Our response to the specific recommendations is provided below:

Recommendation 1

SSA should store folders systematically by SSN, name, or other systematic sequence rather than the current random method.

Comment:

We disagree. As evidenced by the current accuracy rate for the new system of 96.7 percent, the barcode tracking system has significantly reduced the number of missing files. That accuracy rate is expected to increase after the first formal inventory has been completed in March 2004. Changing the Megasite's storage method from first

available shelf to numeric sequencing would be time-consuming and costly. While we have not conducted a study to determine the start-up cost for rearranging the almost 300,000 claim files currently stored in the Mega-Site, we believe that establishing a numerical system would require significant additional employee time, for example, to sort and place the folders on shelves according to numerical allocation. There is no reason to assume that the result would be a more accurate system. Although such a system could provide a manual backup in the event of MSCCS/Radio Beacon downtime, the infrequency of such events would not justify the cost of establishing and maintaining a numerical system.

Recommendation 2

SSA should ensure that all folders on the pull lists are sent to the branches.

Comment:

We agree. The Megasite has already implemented a procedure where a lead employee conducts another search for folders that should be on a shelf but were not. All Megasite employees are reminded, on a regular basis at regular staff meetings, to adhere to this procedure.

Recommendation 3

SSA should ensure that the new information technology provides timely and accurate tracking of folders in the Megasite.

Comment:

We agree. We continue to review the effectiveness and accuracy of the control systems through periodic inventories.

Recommendation 4

SSA should enhance accountability for records management by collecting information on the number of lost folders, remands due to lost folders, and cost to replicate missing documents.

Comment:

We agree. OAO is investigating methods to track data on lost folders.

Recommendation 5

SSA should prepare written procedures for conducting physical inventory counts and for resolving inventory discrepancies.

Comment:

We agree. The procedures for conducting a formal inventory have recently been finalized. OAO is in the process of preparing written procedures.

Recommendation 6

SSA should develop formal reports detailing the results of the 100 percent inventories and the random inventories showing: a) how and when physical inventories are conducted; b) who conducted them; c) the start and completion dates; d) the count of folders inventoried; and e) any discrepancies noted. Assign responsibility to review the reports and verify their accuracy.

Comment:

We agree. Procedures are already in place to track the results of the formal inventory. Employees complete worksheets showing the shelves inventoried and the number of folders with barcodes not recognized by the scanners. Data concerning the number of files that should be on a shelf but are not and the number of files that are on a shelf but should not be is obtained from the system. The results of the formal inventory are tracked in a spreadsheet that is updated on a daily basis.

Recommendation 7

Retain inventory work sheets for follow-up and quality control purposes.

Comment:

We agree. See response to recommendation #6, above.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Frederick Nordhoff, Director, Financial Audit Division, (410) 966-6676

Michael Maloney, Deputy Director, (703) 578-8844

Acknowledgments

In addition to the persons named above:

Mary Ann Braycich, Program Analyst

Ellen Silvela, Auditor

Brennan Kraje, Statistician

Annette DeRito, Writer-Editor

For additional copies of this report, please visit our web site at www.ssa.gov/oig or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-12-03-13039.

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Office of Executive Operations

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

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Counsel to the Inspector General

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