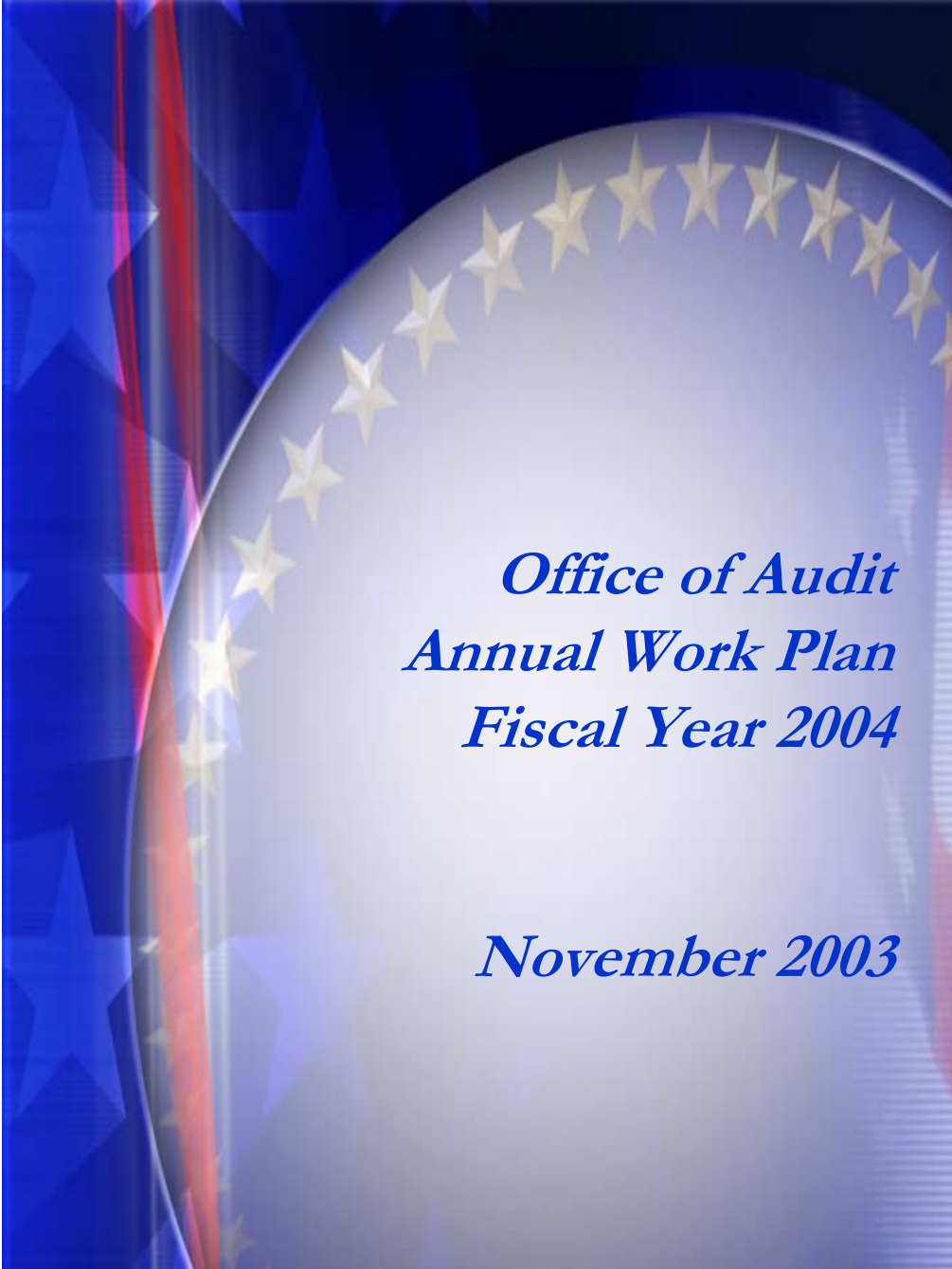
The background of the page features a stylized American flag. On the left side, there are vertical stripes of red and white. The rest of the background is a deep blue field filled with a pattern of white stars of varying sizes. A large, semi-circular arc of white stars is positioned in the upper right quadrant, partially overlapping the text.

*Office of Audit
Annual Work Plan
Fiscal Year 2004*

November 2003



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Annual Work Plan
Fiscal Year 2004*

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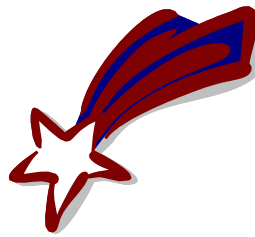
Budget and Performance Integration

Critical Infrastructure Protection and Systems Security

Service Delivery

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Acronyms

The following acronyms will be used throughout our Annual Work Plan.

FY Fiscal Year

OIG Office of the Inspector General

SSA Social Security Administration

SSN Social Security Number

Executive Overview

OFFICE OF THE INSPECTOR GENERAL MISSION

We improve SSA's 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.

THE OFFICE OF AUDIT

We conduct comprehensive audits and evaluations of SSA's programs and operations. Our audits determine whether the objectives of SSA's programs are being achieved and identify which programs or activities need to be performed more efficiently. In FY 2003, we issued 97 reports containing recommendations with about \$417 million in Federal funds to be put to better use and about \$57 million in questioned costs.

ANNUAL WORK PLAN

Our Annual Work Plan (Plan) outlines our perspective of the top management challenges facing 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 the 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 the OIG provides a coordinated effort, we work closely with the Offices of Investigations, 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. In addition to the PMA, OMB provides each Federal agency with 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. Below is the status of SSA's efforts, as reported by OMB's June 2003 Scorecard.

The President's Management Agenda
SSA's Management Scorecard

	Status 7/30/02	Status 6/30/03
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

Although the challenges facing SSA management in FY 2004 have not changed substantially from last year, we have recategorized or renamed some issue areas.

- The areas formerly titled **Homeland Security, Social Security Number Integrity and Misuse** and **Integrity of the Earnings Reporting Process** have been combined under one area titled **Social Security Number Integrity and Protection**.
- The **Human Capital, E-Government, and Representative Payee** issue areas previously included as separate challenges are now combined under the **Service Delivery** issue area.
- The **Fraud Risk** issue area has been removed, and we have noted in each write-up that there are certain elements of fraud risk in each management challenge.

This Plan describes 101 reviews we intend to complete and 71 reviews we intend to begin in FY 2004 in the following issue areas.

- Social Security Number Integrity and Protection
- Management of the Disability Process
- Improper Payments
- Budget and Performance Integration
- Critical Infrastructure Protection and Systems Security
- Service Delivery

The following table demonstrates that our perspective is congruent with other key decisionmakers.

To assist us in this analysis, we crosswalked the PMA, Commissioner Priorities, Social Security Advisory Board, and General Accounting Office (GAO) high-risk areas to those identified by our prior and ongoing work.

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 <ul style="list-style-type: none"> – E-Government – Representative Payee – Human Capital 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 Critical Infrastructure Protection and Systems Security SSN Integrity and Protection Budget and Performance Integration	SSN Case Handling Quality SSN Misuse	Supplemental Security Income Information Security
Strategic Management of Human Capital	Staff	Service Delivery <ul style="list-style-type: none"> – Human Capital 	Staffing <ul style="list-style-type: none"> – 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 Integrity and Protection

In FY 2003, SSA issued about 17 million original and replacement SSN cards, and SSA received approximately \$541 billion in employment taxes related to earnings under issued SSNs.

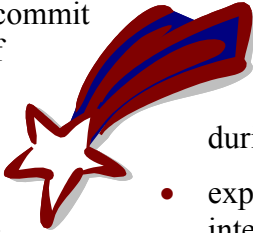
In FY 2003, SSA issued about 17 million original and replacement SSN cards, and SSA received approximately \$541 billion in employment taxes related to earnings under issued SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full retirement, survivor and/or disability benefits due them.

The SSN is the single most widely used identifier for Federal and State governments and the private sector. It has become the de facto national identifier. Given its importance, the possession of an SSN may allow criminals to steal identities and commit other criminal acts. In fact, the lack of protection of the SSN has often led to identity theft and SSN misuse. Being the immediate victim of SSN misuse and/or identity theft may cause individuals years of difficulty and cost financial and commercial institutions a great deal of money. SSN misuse may disguise a dangerous felon or a terrorist as a law-abiding citizen. The possession of an SSN provides a criminal the identification and seeming legitimacy he or she needs to go about nefarious business, perhaps putting dozens, hundreds, or even thousands of lives in jeopardy.

Protecting the Social Security Number

To ensure the integrity of the SSN, SSA must focus on three stages of protection: (1) when the SSN card is issued, (2) during the life of the SSN cardholder, and (3) upon the SSN cardholder's death. Furthermore, SSA must employ effective front-end controls in its enumeration process. Likewise, additional techniques, such as data mining, biometrics, and enhanced systems controls, are critical in the fight against SSN misuse.

To effectively combat SSN misuse, we believe SSA should

- 
- establish a reasonable threshold for the number of replacement SSN cards an individual may obtain during a year and over a lifetime,
 - expedite systems controls that would interrupt SSN assignment when SSA mails multiple cards to common addresses or when parents claim an improbably large number of children,
 - continue to address identified weaknesses within its information security environment to better safeguard SSNs, and
 - continue to educate SSA staff about counterfeit documents.

Integrity of the Earnings Process

The integrity of the SSN is also related to SSA's process for posting workers' earnings. If earnings information is reported incorrectly or not reported at all, SSA cannot ensure all eligible individuals are receiving the correct payment amounts. In addition, SSA's disability programs under the Disability Insurance (DI) and Supplemental Security Income (SSI) provisions depend on this earnings information to determine (1) whether an individual is eligible for benefits and (2) the amount of the disability payment. SSA spends scarce resources trying to correct the 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. Between 1937 and 2000, the ESF grew to represent about \$374 billion in wages, which included approximately 236 million wage items with an invalid name and SSN combination. As of July 2002, SSA had posted 9.6 million wage items to the ESF for Tax Year 2000, representing about \$49 billion in wages.

While SSA has limited control over factors causing the volume of erroneous wage reports submitted each year, there are still areas where SSA can improve its processes. Prior accomplishments may be enhanced by continuing to educate employers on reporting criteria, identify and correct employer reporting problems, and encourage greater use of the Agency's SSN verification programs. SSA also needs to improve coordination with other Federal agencies with separate, yet related, mandates. For example, SSA's ability to improve wage reporting is related to the Internal Revenue Service's sanctioning of employers for submitting invalid wage data and the Bureau of Citizenship and Immigration Services' procedures used by employers to verify eligible employees.

Social Security Number Integrity Protection Team

Finally, pending funding, we will be establishing an SSN Integrity Protection Team (Team) to address the escalating issue of SSN misuse. The Team is an integrated approach that combines the talents of our auditors, investigators, computer specialists, analysts, and attorneys. In addition to supporting homeland security initiatives, the Team will focus its efforts on

- identifying patterns and trends of SSN misuse;
- locating systemic weaknesses that contribute to SSN misuse, such as in the enumeration and earnings-related processes;
- recommending legislative or other corrective actions to ensure the SSN's integrity; and
- pursuing criminal and civil enforcement provisions for individuals misusing SSNs.

This Team will also partner with external private and public sector organizations not only to educate, but to pursue mutually beneficial activities to prevent and detect fraudulent use of SSNs.

In FY 2004, we plan to complete 16 reviews and begin 13 reviews in this area.

We Plan to Complete the Following Reviews in FY 2004

Enumeration of Children Under Age 1
Florida Universities' Issuance of "Temporary" Social Security Numbers to Foreign Students
Follow up of the Employers with the Most Suspended Wage Items
Impact of Unauthorized Employment on Social Security Benefits
Internal Control Review of the Processing of Social Security Number Cards
Military Wage Items in the Earnings Suspense File
Reported Earnings Before the Issuance of a Social Security Number
Social Security Number Cards Issued After Death
Social Security Numbers with More than One Owner
The Social Security Administration's Brooklyn Social Security Card Center
The Social Security Administration's Compliance with Policies and Procedures for Enumerating Noncitizens
The Social Security Administration's Compliance with Policies and Procedures for Enumerating Noncitizens at Overseas Posts
The Social Security Administration's Internal Use of Employee Social Security Numbers
The Social Security Administration's Procedures for Enumerating Foreign Students
Title II Beneficiaries with Military Earnings
Utility of Earnings Wage Records in the Earnings Suspense File

We Plan to Begin the Following Reviews in FY 2004

Analysis of Returned Social Security Number Cards
Assessment of the Enumeration at Entry Process
Best Practices in Biometrics
Effectiveness of the SWEEP Program in Reinstating Wages
Employers with the Most Suspended Wage Items During 1997 Through 2001
Follow up of the Enumeration at Birth Program
Impact of Individual Taxpayer Identification Numbers on the Earnings Suspense File
Improper Handling of Sensitive Documents
Individuals with more than one Social Security Number—Where one Social Security Number was Issued Based on Fraudulent Documents
Integrity of Social Security Numbers on the Master Beneficiary Record
Social Security Administration/Bureau of Citizenship and Immigration Services Verification Pilot
Social Security Statements' Effect on the Earnings Suspense File and Individual Earning Records
Use of Multiple Earnings Identification Numbers by Employers When Reporting Earnings

ENUMERATION OF CHILDREN UNDER AGE 1

Planned Start

Carry Over

Objective

To determine the extent to which SSA has assigned SSNs to children under age 1 based on fraudulent birth certificates.

Background

Based on prior audit work, we identified the assignment of SSNs to children as an area prone to fraud. Despite training and guidance provided to SSA field office (FO) personnel, the quality of many counterfeit documents is often too professional to detect by visual inspection. Last year, SSA revised its policies and procedures to require that FO personnel obtain independent verification of the birth records for U.S.-born individuals age 1 and older from State or local Bureaus of Vital Statistics before issuing an SSN card. However, SSA does not require verification of birth certificates for children under age 1 before SSN assignment and continues to only require a visual inspection.

Recent investigations have shown that SSA is vulnerable to individuals who present fraudulent birth certificates when attempting to obtain an SSN card for children under age 1. By posing as parents of newborns, individuals used counterfeit birth certificates and baptismal certificates to obtain SSN cards at FOs and through the mail. Applicants often presented birth certificates from States other than the State in which they were applying for the SSNs. We believe a contributing factor in these individuals' success in obtaining SSNs is that FO personnel are less familiar with the appearance of birth certificates from States other than their own.

As part of our review, we will analyze a nation-wide statistical sample of original SSNs assigned at FOs to children under age 1. We will verify the authenticity of the birth certificates presented by the parents with the appropriate State Bureau of Vital Statistics.

FLORIDA UNIVERSITIES' ISSUANCE OF "TEMPORARY" SOCIAL SECURITY NUMBERS TO FOREIGN STUDENTS

Planned Start

Carry Over

Objective

To evaluate Florida universities' policies and practices for issuing "temporary" SSNs to foreign students.

Background

Thousands of foreign students enroll in educational institutions in Florida each year. Some educational institutions enroll large numbers of foreign students and endeavor to assimilate these students into American society as soon as possible. To assist in this process, some universities issue "temporary" SSNs to foreign students until they receive a permanent SSN. Students are responsible for applying for an SSN and replacing the temporary number. University employees stated they issue temporary SSNs for short periods so students can begin working, open bank accounts, and obtain drivers licenses.

We do not know how widespread this practice is or how long it has been in place. Universities may have implemented this practice in part to circumvent SSA's nonwork restrictions or to assist foreign students who were experiencing delays in obtaining an SSN from SSA. Whatever the reason for this practice, universities could potentially be violating section 205 (c)(2) of the Social Security Act, which clearly specifies that only SSA may issue SSNs.

We will determine the extent to which Florida universities have issued temporary SSNs, whether the universities provided guidance to foreign students regarding the potential use of these numbers, and how foreign students are actually using these numbers (for example, to open bank accounts, obtain drivers licenses, or gain employment). In addition, we will determine whether the universities can cite any source granting them the authority to issue temporary SSNs.

FOLLOW UP OF THE EMPLOYERS WITH THE MOST SUSPENDED WAGE ITEMS

Planned Start

Carry Over

Objective

To (1) assess actions SSA has taken in response to our September 1999 report, *Patterns of Reporting Errors and Irregularities by 100 Employers with the Most Suspended Wage Items* (A-03-98-31009), and (2) determine whether the wage reporting accuracy of these earlier top 100 employers has improved.

Background

Our September 1999 report, *Patterns of Reporting Errors and Irregularities by 100 Employers with the Most Suspended Wage Items* (A-03-98-31009), identified the 100 employers with the most suspended wage items in Tax Years 1993 to 1996. The 100 employers with the most suspended Forms W-2, *Wage and Tax Statement*, from 1993 through 1996 accounted for about 1.2 million suspended wage items, 5.4 percent of the 22 million suspense items during the period. Further, they accounted for about \$1.8 billion in suspended wages in 1995 and 1996, about 4 percent of the \$42.9 billion in suspended wages for the period. Many of these employers' suspended wage items exhibited patterns of reporting errors and irregularities that we believe warrant follow up by SSA.

Specifically, we recommended that SSA:

- Develop and implement a corrective action plan for the 100 employers and continue efforts to contact those employers responsible for large numbers of suspended wage items.
- Establish preventive controls to detect wage reporting errors and irregularities.
- Identify those employers who continually submit annual wage reports with large numbers and/or percentages of unassigned, identical, and/or consecutively numbered SSNs.
- Run address standardization software as soon as practical after employers submit their annual wage reports to identify employers who report the same address for many employees.

Our review will assess SSA's implementation of the recommendations made in the 1999 report as well as other actions related to employers with suspended earnings. In addition, we will review the wage reporting accuracy of these earlier top 100 employers for wages submitted during Tax Years 1997 through 2000.

IMPACT OF UNAUTHORIZED EMPLOYMENT ON SOCIAL SECURITY BENEFITS

Planned Start

Carry Over

Objective

To assess the accuracy of SSA's Non-Work Alien (NWALIEN) file and estimate benefit amounts resulting from unauthorized employment.

Background

Each year, SSA notifies the Department of Homeland Security's Bureau of Citizenship and Immigration Services (BCIS) of noncitizens who have earnings recorded under an SSN assigned for non-work purposes. This notification is sent to BCIS in the form of an electronic data file called the NWALIEN file.

While SSA notifies BCIS of unauthorized employment, BCIS does not notify SSA when it changes a person's employment status from unauthorized to authorized. Unless the person personally informs SSA of such a change, SSA enumeration records continue to show the individual as unauthorized for employment, and SSA will include his or her earnings on the NWALIEN file.

To provide SSA with a more accurate estimate of legitimate non-work records on the NWALIEN file and the amount of benefits potentially payable for unauthorized employment, we plan to sample the NWALIEN file and verify current non-work status with BCIS. Once employment status is known, we will use the non-work sample cases to estimate future benefits.

INTERNAL CONTROL REVIEW OF THE PROCESSING OF SOCIAL SECURITY NUMBER CARDS

Planned Start

Carry Over

Objective

To assess the adequacy of internal controls over the processing of SSN cards at the National Computer Center.

Background

SSN cards are issued daily. Approximately 18 million cards are issued to recipients each year. Because SSNs are necessary to obtain employment and Social Security benefits, the SSN card is printed with a number of security features to prevent the card from being fraudulently duplicated.

To minimize the risk of theft or misuse of the SSN cards, strong internal controls are needed to monitor the processing of the cards during the normal day-to-day operations. We will review the receipt of card stock, printing of SSN cards, and the distribution of the cards. Our review will determine whether the internal controls in place provide reasonable assurance that SSN cards are adequately safeguarded.

MILITARY WAGE ITEMS IN THE EARNINGS SUSPENSE FILE

Planned Start

1st Quarter FY 2004

Objective

To determine whether individuals having public responsibilities and positions of trust, primarily active duty military employees, have wages posted to SSA's Earnings Suspense File (ESF).

Background

Title II of the Social Security Act requires that SSA maintain records of wage amounts employers pay individuals. Employers report their employees' wages to SSA at the conclusion of each tax year. Wages on those employer reports containing invalid names and/or SSNs cannot be posted to an individual's earnings record in SSA's Master Earnings File. Instead, these wages are placed in the ESF—a repository for unmatched wages. Suspended wages can affect a worker's eligibility for and/or the amount of retirement, disability, or survivor benefits.

In a recent audit of nonwork SSNs, we found that individuals having public responsibilities and positions of trust, primarily Federal and active duty military employees, had wages in SSA's unauthorized employment file. Our proposed review would determine whether a similar condition exists for such employees where SSA could not match the name and/or SSN on the wage report to Agency records and had to place the wages in the ESF.

A preliminary review of the ESF indicates that military branches are still submitting items to the ESF. Just as we are concerned about individuals not authorized to work, we are concerned about unknown individuals working for the military. These may be simple reporting errors, and not all contain wages, but they do represent a known problem reported to SSA.

REPORTED EARNINGS BEFORE THE ISSUANCE OF A SOCIAL SECURITY NUMBER

Planned Start

Carry Over

Objective

To determine why numberholders are showing earnings on their earnings records before they are enumerated by SSA.

Background

SSA provides Old-Age, Survivors and Disability Insurance benefits to individuals based on their lifetime earnings reported under a valid SSN. These earnings determine whether an individual has enough quarters of coverage, or work credits, for insured status. Social Security work credits are based on an individual's total annual wages or self-employment income. An individual can earn up to four credits each year. The amount needed for a credit changes from year to year. In 2002, for example, an individual earned one credit for each \$870 of wages or self-employment income. When an individual earns \$3,480, he or she has earned four credits for the year.

Our March 2003 Congressional Response Report, *Social Security Administration Benefits Related to Unauthorized Work* (A-03-03-23053), noted that Social Security laws and regulations only sometimes differentiate between citizens and noncitizens for the purpose of determining quarters of coverage. As a result, in many cases, SSA creates a work history for individuals with valid SSNs, even when some of the earnings belonged to noncitizens who were in the United States illegally or were otherwise unauthorized to work at the time of their earnings but who later obtained valid SSNs.

In cases where earnings before enumeration have occurred in SSA's systems, the individuals in question could have been working in the economy in violation of immigration laws. It is also possible these cases represent other problems, such as improper postings by SSA or errors in SSA's Numident.

As part of our review, we will extract earnings records from SSA's systems showing earnings before enumeration and review a sample of these records to determine the frequency of such occurrences, their causes, and their potential impact on the integrity of SSA's programs. Our assessment will also note any situations that may relate to SSN misuse and/or a violation of immigration laws.

SOCIAL SECURITY NUMBER CARDS ISSUED AFTER DEATH

Planned Start

1st Quarter FY 2004

Objective

To assess SSA's controls over the issuance of replacement SSN cards where the Numident contains a date of death.

Background

Individuals applying for a replacement SSN card must complete, sign, and submit an *Application for a Social Security Card* (Form SS-5) at an SSA field office or through the mail. Because SSA must be certain the individual is who he or she claims to be, SSA requires that each applicant present documentary evidence of his or her identity. An identity document submitted as evidence must be recently issued and provide information so field office personnel can compare its contents with SS-5 data and/or with the applicant's physical appearance.

Field office personnel review the SS-5 and determine the validity of supporting evidentiary documents. Staff then certifies and enters applicant information into SSA's Modernized Enumeration System. Once certified, the SSN application undergoes numerous automated edits to further validate applicant information. If the application passes all of these edits, the Modernized Enumeration System issues a replacement SSN card.

SSA will not issue a replacement card when the numberholder is deceased. Rather, the Agency can provide verification, such as third-party verification, an SSN verification printout, or instructions on how to obtain a Numident. The requestor must provide proper identification and the death certificate, if the death is not posted on the Numident.

Recent audit work has found numerous instances where it appears multiple SSN replacement cards were issued to individuals after a date of death had been posted to the Numident. The review will determine whether the appropriate policy is being followed and identify instances of potential SSN misuse.

SOCIAL SECURITY NUMBERS WITH MORE THAN ONE OWNER

Planned Start

Carry Over

Objective

To determine how often SSA's records show that more than one individual has been provided the same SSN.

Background

One of the key elements SSA employs in administering the Nation's Social Security system is the SSN. SSA uses a unique SSN to distinguish each individual's record of earnings from all others and stores these SSNs, as well as the associated numberholder's information, on a master file called the Numident. Protecting the SSN's integrity is essential to the proper posting of earnings, the payment of benefits, and the prevention of SSN misuse.

In our August 2002 report, *Effectiveness of the Social Security Administration's Earnings After Death Process* (A-03-01-11035), we reported on two Numident records where more than one person appeared to share the same SSN. At the time, we referred these cases to SSA for resolution and were told that such errors can occur when identifying information for one person is erroneously posted to the Numident record of another. For example, a replacement card could be issued to an individual in error from someone else's Numident record.

Our review will determine whether SSA's Numident contains additional records where more than one person was given the same SSN. Specifically, we will review a sample of Numident records where key elements related to the SSN owner appear to be in dispute and may represent more than one person on the record. We will also assess the resolution of the earlier Numident errors noted in our August 2002 report. Furthermore, if we do identify instances where individuals are sharing the same SSN, we will determine (1) whether wages reported by these individuals were properly posted and (2) the impact any posting errors might have on the receipt and amount of Social Security benefits.

THE SOCIAL SECURITY ADMINISTRATION'S BROOKLYN SOCIAL SECURITY CARD CENTER

Planned Start

1st Quarter FY 2004

Objective

To (1) evaluate the Brooklyn SSN Card Center's compliance with policies and procedures for enumerating noncitizens and (2) assess the Center's effectiveness in meeting its mission.

Background

Since September 11, 2001, SSA has made several changes in the verification of documents needed to obtain an SSN. Concerns about national security, along with the growing problem of identity theft, have caused SSA to take steps to protect the integrity of the SSN. Specifically, effective July 15, 2002 and phased in through September 2002, SSA began requiring that all field offices obtain confirmation of all Immigration and Naturalization Service (now the Department of Homeland Security) documents that did not verify through the Systematic Alien Verification for Entitlement (SAVE) program. Among other requirements, SSA also instructed field offices to list the I-94 admission number and status code or the alien registration number ("A" number) on the SSN application along with the 15-digit SAVE number.

As part of its efforts to enhance public service and strengthen the SSN's integrity, SSA opened the Brooklyn SSN Card Center in November 2002. The Center's purpose is to improve the document authentication process, deter and detect SSN fraud, and assist in identifying trends and suspicious activities.

THE SOCIAL SECURITY ADMINISTRATION'S COMPLIANCE WITH POLICIES AND PROCEDURES FOR ENUMERATING NONCITIZENS

Planned Start

Carry Over

Objective

To evaluate SSA field offices' compliance with policies and procedures for enumerating noncitizens.

Background

Since September 11, 2001, SSA has made several changes in the verification of documents needed to obtain an SSN. Concerns about national security, along with the growing problem of identity theft, have caused SSA to take steps to protect the SSN's integrity. Specifically, effective July 15, 2002 and phased in through September 2002, SSA began requiring that all field offices obtain confirmation of all Immigration and Naturalization Service (now the Department of Homeland Security) documents that did not verify through the Systematic Alien Verification for Entitlement (SAVE) program. Among other requirements, SSA instructed field offices to list the I-94 admission number and status code or the alien registration number ("A" number) on the SSN application along with the 15-digit SAVE number.

Recent SSA pilot studies have shown that field office personnel are not always following these new procedures. We will analyze a statistical sample of original SSNs issued to noncitizens to determine, on a nation-wide level, the extent of field office compliance with SSA's enumeration policies and procedures.

THE SOCIAL SECURITY ADMINISTRATION'S COMPLIANCE WITH POLICIES AND PROCEDURES FOR ENUMERATING NONCITIZENS AT OVERSEAS POSTS

Planned Start

1st Quarter FY 2004

Objective

To evaluate SSA's compliance with policies and procedures for enumerating noncitizens through Foreign Service Posts and the Office of International Operations.

Background

Since September 11, 2001, SSA has made several changes in the verification of documents needed to obtain an SSN. Concerns about national security, along with the growing problem of identity theft, have caused SSA to take steps to protect the integrity of the SSN. Specifically, effective July 15, 2002 and phased in through September 2002, SSA began requiring that all field offices (FO) obtain confirmation of all Immigration and Naturalization Service (now the Department of Homeland Security) documents that did not verify through the Systematic Alien Verification for Entitlement (SAVE) program. Among other requirements, SSA also instructed FOs to list the I-94 admission number and status code or the alien registration number ("A" number) on the SSN application along with the 15-digit SAVE number.

Furthermore, since individuals residing overseas can obtain SSNs with the assistance of SSA's Office of International Operations and its representatives at Foreign Service Posts, these locations are also required to take additional verification steps when reviewing Department of Homeland Security documents.

Given the tragic events of September 11, SSA must ensure the integrity of its enumeration process in all locations, including overseas. OIG has never reviewed SSA's procedures for enumerating noncitizens through Foreign Service Posts or the Office of International Operations.

THE SOCIAL SECURITY ADMINISTRATION'S INTERNAL USE OF EMPLOYEE SOCIAL SECURITY NUMBERS

Planned Start

1st Quarter FY 2004

Objective

To determine the extent of SSA's internal use of employees' SSNs and evaluate the safeguards used within the Agency to protect the confidentiality of these SSNs.

Background

The SSN was created in 1936 as a means of tracking workers' earnings and eligibility for Social Security benefits. Nevertheless, over the years, the SSN has become a de facto national identifier used by Federal agencies, State and local governments, and private organizations. The expanded use of the SSN as a national identifier provides a tempting motive for many unscrupulous individuals to acquire an SSN and use it for illegal purposes.

Federal agencies frequently ask individuals for their SSNs because, in certain instances, the law requires that they do so, or SSNs provide a convenient means of tracking and exchanging information. While a number of laws and regulations require the use of SSNs for various Federal programs, they generally also impose limitations on how those SSNs may be used. Although no single Federal law regulates overall use and disclosure of SSNs by Federal agencies, the Freedom of Information Act of 1966, the Privacy Act of 1974, and the Social Security Act Amendments of 1990 generally govern the disclosure and use of SSNs.

Federal agencies have a responsibility to limit the risk of unauthorized disclosure of SSNs. SSA is responsible for issuing SSNs and maintaining earnings records for millions of SSN holders. Therefore, we believe SSA should take a leadership role to help prevent the use and disclosure of SSNs, including those of its employees.

THE SOCIAL SECURITY ADMINISTRATION'S PROCEDURES FOR ENUMERATING FOREIGN STUDENTS

Planned Start

Carry Over

Objective

To (1) evaluate SSA's policies and procedures for enumerating foreign students and (2) review the policies and practices of educational institutions, the Bureau of Citizenship and Immigration Services (BCIS), and the Department of State as they impact the integrity of SSA's process for enumerating foreign students.

Background

Given today's heightened threat of terrorism, failure to protect the SSN's integrity can have enormous consequences for our Nation and its citizens. Now more than ever, SSA must be particularly cautious in striking a balance between serving the public and maintaining SSN integrity. We recognize that increased measures will impact the time necessary to process SSN applications. However, given the large number of foreign students who enroll in U.S. universities each year, we believe SSA must employ effective front-end controls in its enumeration process.

Over 500,000 foreign students enrolled at educational institutions in the United States during the 2001-2002 academic year. Students coming to the United States to pursue full-time academic or vocational studies are admitted under three nonimmigrant visa categories: (1) the F-1 visa, which includes academic students in colleges, universities, seminaries, conservatories, academic high schools, other academic institutions and language training; (2) the M-1 visa, which relates only to vocational students; and (3) the J-1 visa, which covers exchange visitors. These three categories account for approximately 1 million of the 32.8 million nonimmigrant visas issued in FY 2001, or about 3 percent of the nonimmigrant visas issued. Foreign students attending a U.S. university would normally enter the country with F-1 or J-1 visas.

Students with F-1 visas have the authority to work on-campus when they meet certain criteria. BCIS requires that the school ensure the F-1 student is attending school full-time and is in good academic standing. In terms of work requirements, F-1 students may be employed on-campus at the institution where they are enrolled. In determining whether to issue an SSN, SSA field office personnel determine the eligibility for enumeration of the F-1 foreign students by third-party documentation from the school or the on-campus employer. For example, a foreign student may present a letter from his/her advisor stating the student is authorized to work on-campus. Students with J-1 visas are required to provide SSA with a Form DS-2019, *Certificate of Eligibility for Exchange Visitor (J-1) Status*, indicating their authorization to work in the United States and an employment letter from their sponsor.

TITLE II BENEFICIARIES WITH MILITARY EARNINGS

Planned Start

Carry Over

Objective

To provide updated information concerning the status of SSA's efforts to determine whether military wage credits are properly included when calculating benefits for veterans.

Background

Before 1957, when military wages became subject to Social Security taxes and were credited toward Social Security benefits, members of the military faced reduced Social Security benefits as a result of their service. Even after military service became covered under Social Security, their historically low wages still resulted in relatively small Social Security benefits. To improve retirement security for members of the armed forces, Congress granted wage credits for certain service from 1940 to 2001 to boost Social Security benefits.

A letter from the Chairman of the Subcommittee on Social Security, House Committee on Ways and Means, asked that we investigate and determine the

1. status of ongoing efforts in SSA to ensure members of the military and their families receive proper accounting of their military wage credits toward benefits;
2. estimated number of members of the military and their eligible family members who may be affected by failure to properly use military wage credits as well as the potential impact on their benefits; and
3. potential amount of under- and overpaid benefits related to inappropriate application of military wage credits.

We will determine (1) the number of military veterans receiving SSA benefits, (2) the complexities of the legal and regulatory environment, (3) potential SSA systems limitations that need to be considered in correcting under- overpayments, (4) the status of any open OIG recommendations from previous audits in this area, and (5) SSA's planned approach to resolve any under- overpayments.

UTILITY OF EARNINGS WAGE RECORDS IN THE EARNINGS SUSPENSE FILE

Planned Start

Carry Over

Objective

To determine how older reinstated wages impact individuals' earnings records and the amount of benefits paid to them.

Background

Title II of the Social Security Act requires that SSA maintain records of wage amounts employers pay to individuals. Employers report their employees' wages to SSA at the conclusion of each tax year. Wages on those employer reports containing invalid names and/or SSNs cannot be posted to an individual's earnings record in SSA's Master Earnings File. Instead, these wages are placed in the Earnings Suspense File (ESF)—a repository for unmatched wages. Suspended wages can affect a worker's eligibility for and/or the amount of retirement, disability, or survivor benefits. Suspended wages can be reinstated from the ESF when they are matched to the correct individual. SSA reinstates these wages through both automated and manual processes.

In a prior report, we commented on a study conducted by an SSA contractor to reduce the size and growth of the ESF. The contractor considered various criteria and alternatives for reducing the size of the ESF, including removing wage items several years old to keeping all suspense file records. Our report noted that the earnings data used in the contractor study could have been expanded to provide SSA a better understanding of the risks related to record removal. We recommended that SSA conduct further analysis to ensure any data maintained in the ESF will make a difference in earnings accuracy in terms of eligibility and/or benefit amount for the wage earner. We also noted that SSA could safely implement a number of the removal options offered by the contractor, including removing items in the ESF that were 43-years-old or older. This report is intended to assist SSA with this analysis.

Management of the Disability Process

SSA has tested several improvements to the disability claims process. To date, these initiatives have shown some progress in making improvement. In January 2003, GAO added the modernizing of Federal disability programs, including SSA's, to its high-risk list.

SSA administers the Disability Insurance (DI) and Supplemental Security Income (SSI) programs that provide benefits based on disability. Most disability claims are initially processed through a network of Social Security field offices and State Disability Determination Services (DDS). SSA representatives in the field offices are responsible for obtaining applications for disability benefits and verifying non-medical eligibility requirements, which may include age, employment, marital status, or Social Security coverage information. After initial processing, the field office sends the case to a DDS for evaluation of disability.

The DDSs, which SSA fully funds, are State agencies responsible for developing medical evidence and rendering the determination of whether the claimant is disabled or blind. After the DDS makes the disability determination, it returns the case to the field office for appropriate action depending on whether the claim is allowed or denied. In FY 2003, over 2.5 million initial disability claims were processed, and the average processing time was 97.1 days.

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. Disability benefits will not continue if any of the following occur:

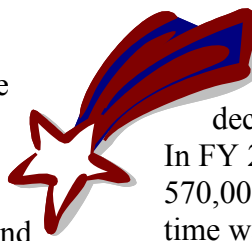
- a continuing disability review shows the individual is no longer disabled.

- an individual returns to work and has income over SSA's allowable amount,
- a child turns age 18 and is not considered disabled under adult criteria, or
- legislation or Federal regulations rescind a prior disabling condition from qualifying for benefits.

SSA's Office of Hearings and Appeals (OHA) is responsible for holding hearings and issuing decisions in SSA's appeals process. OHA's field structure consists of 10 regional offices and 140 hearing offices. Administrative law judges (ALJ) hold hearings and issue decisions in hearing offices nationwide. In FY 2003, hearing offices processed over 570,000 cases, and the average processing time was 344 days.

The Appeals Council is the final level of administrative review for claims filed under SSA's disability programs. The Appeals Council reviews ALJ decisions and dismissals upon the claimant's timely request for review. In FY 2003, the Appeals Council processed 100,750 cases, and the average processing time was 294 days.

Over the last several years, SSA has tested improvements to the disability claims process as a result of concerns about the timeliness and quality of customer service. The disability improvements combine initiatives that have been tested and piloted and include all levels of eligibility determination—beginning with State DDSs and going through the hearings and appeals processes.



To date, these initiatives have shown some progress in making improvements in the disability claims process. Still, in January 2003, GAO added the modernizing of Federal disability programs, including SSA's, to its 2003 high-risk list. The Commissioner recently announced several decisions on the future of SSA's disability process. This included the Commissioner's decisions to

- pursue the expansion of the Single-Decision Maker authority nationwide,
- end the requirements for the claimant conference in sites testing the prototype disability process,
- evaluate the elimination of the reconsideration level of the claims process nationwide,
- make additional improvements to the hearings process, and
- implement an Electronic Disability System by 2004.

SSA reports that its short-term initiatives have improved the hearings process. The short-term initiatives include expedited techniques for the review of cases and technology enhancements designed to improve the timeliness of decisions. Furthermore, SSA expects the electronic disability system to provide OHA a more efficient and effective case processing system when implemented. In September 2003, the Commissioner announced long-term initiatives to address the Agency's disability-related challenges, which she stated are predicated on the successful implementation of the Electronic Disability System.

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.

SSA, in conjunction with our office, has taken an active role in addressing the integrity of the disability programs through the Cooperative Disability Investigations (CDI) program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability programs. SSA's Offices of Operations, Disability Programs, and Disability Determinations along with the OIG manage the CDI program. There are 18 CDI units operating in 17 States. In FY 2003, the CDI units saved SSA approximately \$100 million by identifying fraud and or similar fault in initial and continuing claims in SSA's disability programs.

In FY 2004, we plan to complete nine reviews and begin five reviews in this area.

We Plan to Complete the Following Reviews in FY 2004

Appeals Council Process Improvement Action Plan

Comparison of Suspension and Termination Codes Among Social Security Administration Databases

Disability Determination Services' Claims Processing Performance

Office of Hearings and Appeals Performance to Identify Best Practices

Office of Hearings and Appeals Pre-effectuation Review Process

Summary Report of Single Audit Oversight Activities for Fiscal Year 2003

The Social Security Administration's Ability to Offset Special Disability Workload Underpayments

The Social Security Administration's Oversight of Indirect Costs Claimed by State Disability Determination Services

The Social Security Administration's Ticket to Work Program

We Plan to Begin the Following Reviews in FY 2004

Summary Report of Single Audit Oversight Activities for Fiscal Year 2004

The Social Security Administration's Processes for Discontinuing Benefit Payments and Waiving Overpayments Following Disability Cessation

The Social Security Administration's System for Processing Title II Workers' Compensation Claims with a Workers' Compensation/Public Disability Benefit Offset

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

Workers' Compensation System Improvements

APPEALS COUNCIL PROCESS IMPROVEMENT ACTION PLAN

Planned Start

Carry Over

Objective

To assess the effectiveness of the short-term initiatives of the Appeals Council Process Improvement (ACPI) Action Plan.

Background

The Office of Hearings and Appeals Appeals Council provides the final level of administrative review for claims. The Council reviews hearing decisions and dismissals at a claimant's request. The Council receives approximately 85,000 requests for review each year. The processing times for cases has increased from 141 days in 1995 to 505 days in 2000. The pending requests increased from 47,000 in 1995 to 128,000 in 2000. In March 2000, SSA established the ACPI Action Plan to improve the quality of service to claimants seeking requests for review by the Appeals Council. The goal was to reduce the processing time for requests for review cases to 90 days by the end of 2003. In addition, ACPI would reduce the pending request workload to 16,224 by the end of 2003.

The Plan contains both short-term process innovations and long-term structural improvements. The short-term initiatives include increasing productivity of existing staff, adding resources to increase capacity, and adjusting incoming workloads. These initiatives began at various times in 2000 and were scheduled to end in 2001. Specific short term actions include hiring 30 staff, the Office of General Counsel providing 25 workyears of staff time, emphasis on aged requests, managers processing appeals, and using retired administrative law judges to review cases.

COMPARISON OF SUSPENSION AND TERMINATION CODES AMONG SOCIAL SECURITY ADMINISTRATION DATABASES

Planned Start

1st Quarter FY 2004

Objective

To determine whether disabled individuals receiving concurrent benefits have been suspended or terminated in one SSA program while continuing to receive benefits under another SSA program.

Background

Disabled individuals can qualify for disability benefits under both the Disability Insurance and Supplemental Security Income programs. Such individuals, known as concurrent beneficiaries, can continue to receive benefits for as long as they meet the eligibility requirements under both programs.

However, certain events, such as the cessation of disability, will have the effect of suspending and/or terminating payments under both programs. By reviewing suspension and termination codes in both the Master Beneficiary Record and Supplemental Security Record databases and investigating whether these codes are consistently used for the concurrent beneficiaries, we plan to isolate any individuals suspended or terminated in only one of SSA's disability programs.

DISABILITY DETERMINATION SERVICES' CLAIMS PROCESSING PERFORMANCE

Planned Start

Carry Over

Objective

To identify potential factors and practices at State Disability Determination Services (DDS) that result in differing levels of performance in the disability claims processing areas of production, timeliness, accuracy and cost.

Background

In accordance with Federal regulations, each State's DDS makes medical determinations of disability for SSA's Disability Insurance and Supplemental Security Income programs. SSA pays 100 percent of the allowable costs incurred by DDSs in making disability determinations. Each State is responsible for establishing the DDS organizational structure; providing qualified management, personnel, medical consultant services, adequate facilities, and a quality assurance function; and maintaining regulatory performance levels and a performance monitoring system.

Performance statistics for FY 2002 initial claims vary widely among the 54 DDSs. Performance statistics show DDS

1. processing times ranging from a low of 64 days to a high of 129 days for Title II claims and from a low of 69 to a high of 134 days for Title XVI claims,
2. allowance rates ranging from a low of 26 percent to a high of 59 percent, and
3. consultative examination purchase rates ranging from a low of 24 percent to a high of 77 percent.

OFFICE OF HEARINGS AND APPEALS PERFORMANCE TO IDENTIFY BEST PRACTICES

Planned Start

1st Quarter FY 2004

Objective

To identify potential factors and practices at hearing offices that result in differing levels of performance in the areas of productivity and timeliness.

Background

The Office of Hearings and Appeals administers the hearings and appeals program for SSA. The hearing process begins after an applicant for benefits has been denied at the initial and reconsideration levels. The next step in the appeals process is a hearing before an administrative law judge (ALJ). The request for hearing is most likely to involve the issue of disability—Disability Insurance or Supplemental Security Income or both. Medicare and retirement or survivor issues comprise less than 10 percent of the cases ALJs decide.

The Chief ALJ is the principal consultant and advisor to the Associate Commissioner on all matters concerning the ALJ hearing process and all field operations. The Chief ALJ manages and administers the hearing organization consisting of 10 regional offices and 140 hearing offices. Approximately 1,000 ALJs enter over 500,000 decisions at the hearing level annually.

OFFICE OF HEARINGS AND APPEALS PRE-EFFECTUATION REVIEW PROCESS

Planned Start

Carry Over

Objective

To (1) review decisions made by the Office of Quality Assurance and Performance Assessment (OQA), the Appeals Council, and administrative law judges (ALJ) as part of the pre-effectuation review (PER) process and (2) determine the reasons for, and effects of, divergent decisions made by these parties.

Background

As part of its continuing efforts to improve the quality of its disability determinations, SSA has modified the review process involving disability allowance decisions made by ALJs. In August 1998, the Agency began the PER process of ALJ decisions. This process allows OQA to review allowance decisions made by ALJs and refer them to the Appeals Council for review. PERs focus on cases that involve problematic issues or have a higher likelihood of error. Once referred, the Appeals Council considers the case and OQA's reasons for believing the decision should be reviewed. The Appeals Council has 60 days to look at those cases it decides to review. After its review, it can issue its own decision on the case or remand the case back to the ALJ who initially decided to allow the case for further review and a final disability determination.

SSA initiated the PER process to identify policy issues that should be clarified through publication of regulations or rulings. Initial discussions with SSA staff indicate the PER process has identified differences in disability determinations between OQA policy and the ALJ's decisions. Through the PER process, OQA has identified cases that were initially allowed by the ALJ, but that OQA feels should be disallowed. Further, after referral from OQA, the Appeals Council often agrees with OQA's position and remands such cases back to the ALJs for further review.

SUMMARY REPORT OF SINGLE AUDIT OVERSIGHT ACTIVITIES FOR FISCAL YEAR 2003

Planned Start

2nd Quarter FY 2004

Objective

To summarize internal control weaknesses at State Disability Determination Services (DDS) reported in State single audits and identified during the OIG single audit oversight activities.

Background

On July 5, 1996, the President signed the Single Audit Act Amendments of 1996, which extended the statutory audit requirement to nonprofit organizations and revised various provisions of the 1984 Act including raising the Federal financial assistance dollar threshold from \$100,000 to \$300,000. On June 30, 1997, the Office of Management and Budget issued revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, to implement the 1996 amendments and rescinded Circular A-128.

There are 54 DDSs located in the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. All DDSs are subject to the Single Audit Act except for the federally administered Virgin Islands DDS.

THE SOCIAL SECURITY ADMINISTRATION'S ABILITY TO OFFSET SPECIAL DISABILITY WORKLOAD UNDERPAYMENTS

Planned Start

1st Quarter FY 2004

Objective

To quantify the amount of *Special Disability Workload* (SDW) related underpayments that can be offset against overpayments for the same beneficiaries.

Background

SSA has identified a group of individuals who are receiving Supplemental Security Income (SSI) disability benefits and who appear to be insured for, but are not currently receiving, disability benefits under the Disability Insurance (DI) program. These cases are referred to as the SDW workload. Some of these individuals may have a retroactive period for benefit payments dating back as far as 1973. However, the average retroactive period is 8 years.

SSA provides notice of potential eligibility and the statutory requirement to file for disability benefits under the DI program. However, SSI recipients must apply for DI benefits for which they may be eligible. The recipients do not have an option. In addition, other individuals may apply (auxiliary applications) for benefits under the DI program.

SDW cases may involve lengthy retroactive periods and could result in substantial retroactive DI program benefit payments. These benefit payments may be considered “underpayments” to beneficiaries.

THE SOCIAL SECURITY ADMINISTRATION'S OVERSIGHT OF INDIRECT COSTS CLAIMED BY STATE DISABILITY DETERMINATION SERVICES

Planned Start

Carry Over

Objective

To assess SSA's oversight of indirect costs claimed by State Disability Determination Services (DDS).

Background

SSA reimburses State DDSs for 100 percent of allowable expenditures incurred in making disability determinations under SSA's Disability Insurance and Supplemental Security Income programs. The expenditures include both direct and indirect costs. Indirect costs arise from activities that benefit multiple State and Federal agencies but are not readily assignable to any one agency. Examples of indirect costs include services, such as accounting, auditing, budgeting, and payroll.

In accordance with Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, indirect costs can be allocated to SSA based on the terms of either a negotiated indirect cost rate or through a cost allocation plan. In FY 2002, SSA reimbursed DDSs about \$109 million for indirect costs.

THE SOCIAL SECURITY ADMINISTRATION'S TICKET TO WORK PROGRAM

Planned Start

Carry Over

Objective

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

Background

The Ticket to Work (TTW) program was established by the 1999 *Ticket to Work and Work Incentives Improvement Act*. The program provides eligible Disability Insurance and disabled Supplemental Security Income beneficiaries with tickets that can be used to obtain vocational rehabilitation or employment services through Employment Networks. The program is intended to increase access to, and the quality of, rehabilitation and employment services available to disabled beneficiaries. TTW is designed to provide beneficiaries with greater freedom and choice of service providers, create competition among providers to provide high quality services that are responsive to beneficiary needs, and give providers incentives to deliver services in the most efficient and appropriate manner to achieve desired outcomes.

Daily administration of the TTW program is the responsibility of a Program Manager. SSA hired a contractor to perform this role. The contract includes 23 tasks representing the specific contract services for which the contractor's Program Manager is responsible.

We have selected for review the following 10 tasks identified in the contract. The remaining tasks will be reviewed separately.

Task 1 - Contractor Orientation

Task 2 - Start-Up Plan

Task 3 - Toll-Free Number

Task 8 - Ticket Program Training

Task 9 - Management of Ticket Process

Task 16 - Monthly Progress Reports

Task 17 - Annual Report

Task 20 - Periodic Meetings with SSA Project Officer

Task 21 - Periodic Special Studies

Task 22 - Conference Planning

Improper Payments

Determining and paying accurate and timely program benefits are primary commitments of SSA, along with good stewardship of the trust fund and the General Revenue fund.

SSA is responsible for issuing benefit payments under the Old-Age, Survivors, and Disability Insurance (OASDI) and SSI programs. In FY 2003, SSA issued \$483 billion in benefit payments to 53.1 million beneficiaries. Considering the volume and amount of payments SSA makes each month, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

Improper payments are defined as payments that should not have been made or were made for incorrect amounts. Examples of improper payments include inadvertent errors, payments for unsupported or inadequately supported claims, payments for services not rendered, or payments to ineligible beneficiaries. The risk of improper payments increases in programs with (1) a significant volume of transactions, (2) complex criteria for computing payments, and/or (3) an overemphasis on expediting payments. Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to over 50 million individuals, SSA is at-risk of making significant improper payments.

The President and Congress have expressed interest in measuring the universe of improper payments within the Government. Specifically, in August 2001, OMB published the FY 2002 President's Management Agenda, which included a Government-wide initiative for improving financial performance. In November 2002, the *Improper Payments Information Act of 2002* was enacted, and OMB issued guidance in May 2003 on implementing this new law.

Under this law, agencies that administer programs where the risk of erroneous payments is significant¹ must estimate their annual amount of improper payments and report this information in their Performance and Accountability Report for FYs ending on or after September 30, 2004. OMB will use this information while working with the agencies to establish goals for reducing erroneous payments for each program.

SSA and the OIG have had on-going discussions on improper payments—on such issues as detected vs. undetected improper payments and avoidable overpayments vs. unavoidable overpayments which are outside the Agency's control and a "cost of doing business." In August 2003, OMB issued specific guidance to SSA to only include avoidable overpayments in the Agency's improper payment estimate because these payments could 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.

In September 2003, the OIG issued an Issue Paper on improper payments—where we analyzed overpayments from SSA, other Federal agencies, and private sector disability insurers. Based on this work, we plan to initiate a comprehensive and statistically valid review in FY 2004 to quantify the amount of undetected overpayments in SSA's disability programs. Additionally, preliminary results

¹ OMB defines significant overpayments as annual overpayments that exceed both 2.5 percent of program payments and \$10 million.



from one of our audits at the end of FY 2003 show significant overpayments related to earnings by disabled beneficiaries went undetected by SSA. This work and other studies—such as one to assess whether overpayment waivers were appropriate—will be completed and/or initiated in FY 2004 and beyond to address the issue of improper payments.

SSA has undertaken many projects to identify and improve areas where it could do more to reduce improper payments and/or recover amounts overpaid. Specifically, SSA has been working to improve its ability to prevent over- and underpayments by obtaining beneficiary information from independent sources sooner and/or using technology more effectively. In this regard, SSA has initiated new computer matching agreements, obtained on-line access to wage and income data, and implemented improvements in its debt recovery program.

Working with SSA, we have made great strides in reducing benefit payments to prisoners and SSI payments to fugitive felons, and these efforts continue. However, improper payments, including those to deceased beneficiaries, students, and individuals receiving State workers' compensation benefits, continue to drain the Social Security trust fund.

In FY 2004, we plan to complete 16 reviews and begin 12 reviews in this area.

We Plan to Complete the Following Reviews in FY 2004

Death Underpayments Without an Associated Social Security Number

Disability Insurance Beneficiaries with Earnings Reported on the Master Earnings File

Follow up of School Attendance by Child Beneficiaries over Age 18

Impact on the Social Security Administration's Programs When Auxiliary Beneficiaries Have Incorrect Social Security Numbers

Interim Assistance Reimbursement to Los Angeles County, California, Under the Supplemental Security Income Program

Old-Age, Survivors and Disability Insurance Overpayments

Payments to Student Beneficiaries Beyond the Maximum Age of Entitlement

Representative Payee Reports Indicating Excess Conserved Funds for Supplemental Security Income Recipients

Social Security Funds Held in Dormant Bank Accounts

Supplemental Security Income Overpayments

The Social Security Administration's Administrative Finality Rules

The Social Security Administration's Clean up of Title II Disability Insurance Benefit Cases with Workers' Compensation Offset

The Social Security Administration's Controls over the Title XVI Waiver Process

The Social Security Administration's Controls over Withholding Taxes and Suspending Benefits to Certain Foreign Beneficiaries

The Social Security Administration's Determination of a High Average Current Earnings for Disability Insurance Benefits Involving Workers' Compensation

Title XVI Overpayment Write-offs when Beneficiaries are Unwilling or Unable to Pay, Cannot be Located or are Out of the Country

We Plan to Begin the Following Reviews in FY 2004

Controls over Accounts Payable

Controls over Attorney Fee Payments

Existence of State Worker's Compensation Payments Not Considered by the Social Security Administration When Disability Insurance Benefits are Calculated

Follow Up on the Social Security Administration's Controls over Withholding Taxes and Suspending Benefits to Foreign Beneficiaries where Country of Citizenship is Known

Incentive Payments to Prisons

Management of the Treasury Reclamation Process

Overpayment Rates for the Social Security Administration's Disability Programs

Special Disability Workload Processing

The Death Alert Control and Update System Exception File

Uncollectible Title XVI Overpayments that Exceed \$200

Undetected Overpayments in the Social Security Administration's Disability Programs

Wage Alerts for Supplemental Security Income Recipients

DEATH UNDERPAYMENTS WITHOUT AN ASSOCIATED SOCIAL SECURITY NUMBER

Planned Start

Carry Over

Objective

To determine whether SSA is capturing the SSNs of individuals claiming Title II underpayments after a beneficiary has died to ensure (1) the payment is made to an appropriate party and (2) required information is shared with the Internal Revenue Service (IRS).

Background

When a beneficiary dies and an underpayment occurs, a third party can claim the final payment using an SSA-1724, *Claim for Amounts Due in the Case of a Deceased Beneficiary*. This final SSA payment is generally made to a parent or surviving spouse. However, SSA does not always record on the SSA-1724 the SSN of the third party receiving the payment. The lack of this information increases the risk of inappropriate payments to third parties. In addition, when the SSN is missing, SSA cannot report the payment to the IRS for tax collection purposes.

In May 2002, SSA implemented the Single Payment System (SPS), a national system used to automate attorney fee payments and other Title II payments that cannot be made through the current Title II system. SPS was created to (1) ensure the timeliness of attorney fee payments; (2) stop duplicate and erroneous payments; and (3) document management information.

Our review will determine whether SSA is capturing the SSNs of individuals claiming Title II underpayments on an SSA-1724. Specifically, we will review a sample of Calendar Year 2001 and 2002 death underpayments to determine the potential risk of fraud and the possible under-reporting of taxable income to the IRS. Our review will also determine whether the implementation of SPS has increased the likelihood the SSN is captured during the payment process.

DISABILITY INSURANCE BENEFICIARIES WITH EARNINGS REPORTED ON THE MASTER EARNINGS FILE

Planned Start

Carry Over

Objective

To determine whether SSA investigated earnings posted to SSA's Master Earnings File for Tax Years 1996 through 2000 for individuals who were receiving Disability Insurance benefits.

Background

An individual is disabled under §223 (d)(1) of the Social Security Act if he or she cannot engage in any substantial gainful activity (SGA) by reason of any medically determinable physical or mental impairment that (1) can be expected to result in death or (2) has lasted (or can be expected to last) for a continuous period of not less than 12 months.

SGA is defined as work activity that involves significant physical or mental activities performed for pay or profit. SSA has established earnings guidelines as a basis for determining whether an individual is engaged in SGA. Average monthly earnings of more than \$300 may indicate the ability to engage in SGA. Because an individual's entitlement to Disability Insurance benefits is based on the determination that he or she cannot engage in SGA, SSA must perform a continuing disability review when earnings reported to the Agency indicate the beneficiary has returned to work.

Through computer analysis, we identified 29,871 individuals (in 1 of the 20 segments of SSA's data files) who were receiving Disability Insurance benefits as of March 2002 and whose earnings exceeded \$3,600 in any year between 1996 and 2000.

FOLLOW UP OF SCHOOL ATTENDANCE BY CHILD BENEFICIARIES OVER AGE 18

Planned Start

Carry Over

Objective

To determine the adequacy of SSA's procedures to ensure that child beneficiaries over age 18 were entitled to receive student benefits in accordance with the Social Security Act (Act).

Background

Title II of the Act provides benefits to children of insured workers upon the retirement, death, or disability of the worker. Generally, child beneficiaries may continue to receive benefits until they marry or reach age 18. Amendments to the Act provide for extended benefits beyond age 18 to enable child beneficiaries who are full-time students at an elementary or secondary school to complete their education.

SSA relies on student beneficiaries to voluntarily report events that may affect their continuing entitlement to benefits. For example, students who attend school part-time or have graduated or dropped out are no longer eligible for benefits. In addition, students who are married, convicted of a crime, or paid by their employer to attend school are no longer eligible for benefits.

Our prior audit work has disclosed that student beneficiaries received incorrect and unsupported payments of \$73.9 and \$140.4 million, respectively. In response to our audit, SSA redesigned its student monitoring system in June 2001. Specifically, SSA revised its forms and reporting requirements, obtained school certification before awarding student benefits, shifted the workload from processing centers to field offices, and provided its employees additional training and guidance.

IMPACT ON THE SOCIAL SECURITY ADMINISTRATION'S PROGRAMS WHEN AUXILIARY BENEFICIARIES HAVE INCORRECT SOCIAL SECURITY NUMBERS

Planned Start

Carry Over

Objective

Determine the impact on SSA's programs when auxiliary beneficiaries have incorrect SSNs on their Master Beneficiary Records.

Background

Auxiliary beneficiaries are children, widows, spouses, and parents who receive Old-Age, Survivors and Disability Insurance benefits based on another wage earner's Social Security record. As such, the primary wage earner's SSN—not the auxiliary beneficiary's SSN—is used to track the auxiliary beneficiary's benefit payments on the Master Beneficiary Record.

Many of SSA's systems use SSNs to control information about individuals. For example, death reports, Supplemental Security Income records, earnings records, and prisoner information are associated with the SSNs of the individuals to whom the information pertains. Because this information can affect an individual's entitlement to benefits, SSA routinely matches this information and its payment files to ensure payment accuracy. When SSNs are incorrect, payment accuracy may be impacted since SSA's computer matches based on SSNs would be ineffective.

INTERIM ASSISTANCE REIMBURSEMENT TO LOS ANGELES COUNTY, CALIFORNIA, UNDER THE SUPPLEMENTAL SECURITY INCOME PROGRAM

Planned Start

Carry Over

Objective

To determine whether the Los Angeles County, California, Department of Public Social Services (1) calculated and deducted the correct amount of interim assistance from the retroactive Supplemental Security Income payments received from SSA and provided the balance to the recipient timely and (2) returned to the Agency any excess amounts that could not be remitted to the recipient.

Background

In 1974, the Congress established the Supplemental Security Income (SSI) program under Title XVI of the Social Security Act. The SSI program provides a minimum income level to financially needy individuals who are aged, blind, or disabled. Aged, blind, or disabled individuals with income and resources below established limits may qualify for payments under the SSI program upon filing an application with SSA.

Many SSI applicants need financial assistance before SSA establishes SSI eligibility. Therefore, States may enter into an agreement with SSA whereby the States provide the individual interim assistance from State funds. Upon determining the applicant's eligibility for SSI, SSA reimburses the State or local government for payments made to the recipient from State funds. If the individual is found to be ineligible, SSA is not liable for the interim assistance provided by the State. This coordinated Federal/State program is called the Interim Assistance Reimbursement (IAR) program. During State FYs July 1, 1999 through June 30, 2001, SSA made about \$460 million in IAR-related payments to 38 States and the District of Columbia.

OLD-AGE, SURVIVORS AND DISABILITY INSURANCE OVERPAYMENTS

Planned Start

1st Quarter FY 2004

Objective

To assess SSA's efforts to identify, prevent, and resolve Old-Age, Survivors and Disability Insurance (OASDI) overpayments.

Background

SSA administers the OASDI program under Title II of the Social Security Act. The OASDI program provides retirement benefits to insured individuals who have reached the minimum retirement age, survivors' benefits to dependents of insured wage earners in the event the family wage earner dies, and disability benefits to disabled wage earners and their families.

Beneficiaries sometimes receive Social Security benefits to which they are not entitled, thus creating an overpayment. For example, beneficiaries may not promptly report events—such as changes in earnings or marital status—that affect their entitlement to benefits. When an overpayment is detected, SSA generally attempts to recover the overpayment by adjusting current benefits being paid to the individual. If current benefits are not being paid, SSA may pursue collection through other means, including adjusting an individual's tax refund.

In this review, we plan to provide an overall picture of OASDI overpayments over the last 7 years by obtaining OASDI overpayment information for FYs 1996 through 2002 and reviewing the following:

- overpayment amounts written off, waived, collected, etc.;
- issues that arose between 1996 and 2002 that may have caused increases or decreases in overpayments;
- types of overpayments that are inherent to the design of the OASDI program and cannot be changed without legislation; and
- tools and techniques available to SSA to collect OASDI overpayments.

PAYMENTS TO STUDENT BENEFICIARIES BEYOND THE MAXIMUM AGE OF ENTITLEMENT

Planned Start

Carry Over

Objective

To determine the effectiveness of SSA's controls to detect and prevent payments to student beneficiaries beyond the maximum age of entitlement.

Background

SSA's Terminations, Attainments, and Student Enforcement program processes all phases of student entitlement, including termination of benefits. For schools that do not require enrollment each quarter or semester, student benefits are payable through the earlier of (1) the second month after the month in which the child reaches age 19 or (2) the month when the student completes the course in which he or she is enrolled. For schools that require enrollment each quarter or semester, student benefits are payable through the last month of the quarter or semester in which the child reaches age 19.

In December 1998, SSA implemented systems modifications to preclude overpayments to student beneficiaries resulting from clerical errors in determining the maximum age of entitlement. Generally, the maximum age for student benefits is 19 years and 2 months. SSA established automated controls to prevent an end-of-school-year date beyond the date in which a student reached 19 years and 2 months. However, in May 2003, SSA issued Policy Instruction EM-03047, *Age 19 Student Benefit Reminders*, which identified continuing problems and potential overpayments involving student entitlement past age 19.

REPRESENTATIVE PAYEE REPORTS INDICATING EXCESS CONSERVED FUNDS FOR SUPPLEMENTAL SECURITY INCOME RECIPIENTS

Planned Start

Carry Over

Objective

To evaluate SSA's policies and procedures for processing Representative Payee Reports indicating excess conserved funds for Supplemental Security Income (SSI) recipients. Specifically, we will evaluate SSA's

- controls to ensure all reports of excess conserved funds are forwarded to SSA field offices for review and
- compliance with policies for resolving reported excess conserved funds.

Background

Under the SSI program, resources must not be more than \$2,000 for an individual or \$3,000 for a couple. If an individual exceeds these resource limits, benefit payments to the recipient are usually suspended. Benefits are resumed if the recipient's resources subsequently fall below the limit.

Representative payees are required to provide SSA an annual Representative Payee Report accounting for how benefits were spent and how much in benefits was conserved. When a representative payee reports conserved funds over \$2,000, SSI eligibility is questionable. Therefore, SSA must contact the representative payee to determine continued eligibility. In addition, a large amount of conserved SSI payments may also indicate the representative payee is not spending enough to meet the recipient's needs.

SOCIAL SECURITY FUNDS HELD IN DORMANT BANK ACCOUNTS

Planned Start

Carry Over

Objective

To determine the extent SSA can recover Social Security funds in bank accounts held by presumed dead beneficiaries.

Background

To uncover fraud, SSA and the Office of the Inspector General's Office of Investigations (OI) began an initiative to review cases of older beneficiaries who have not used Medicare services for 18 months or longer. The investigation criteria were set based on the belief that older beneficiaries will generally seek medical services at least once in an 18-month period and generate a Medicare claim. If a claim is not generated, it is possible the beneficiary has passed away without SSA knowing and someone else is receiving the beneficiary's funds fraudulently.

There have been two phases of this project. The first phase examined beneficiaries who were 98 years of age or older and had not used Medicare for at least 18 months. The second phase is investigating beneficiaries 90 years old and older who have not used Medicare for at least 18 months. In each phase, SSA staff complete an initial review of the identified case and determine the beneficiary's status. If SSA cannot determine a beneficiary's status of, the case is referred to OI for further investigation.

Through its investigations, OI has determined that some of the beneficiaries are presumed to be dead and have bank accounts holding SSA funds. In these cases, the beneficiaries established direct deposit for their benefits, and SSA continued to deposit the beneficiaries' checks into those accounts until SSA's project identified the cases as probably deceased and suspended payments. During the project, OI's New York office identified 15 cases where the beneficiaries were presumed dead, but SSA continued to deposit funds into their accounts. SSA estimates that \$1 million in Social Security funds have been deposited after death for these beneficiaries.

At the conclusion of OI's investigation of these cases, SSA suspended payments. However, SSA has been unable to recover the funds in the bank accounts. SSA and OI have been unable to find a death certificate for the beneficiaries in question. To date, SSA policy requires an official proof of death before initiating a reclamation request for erroneously paid funds. Absent the death certificates, the funds remain in the bank accounts. In New York, the State recovers funds in bank accounts when they are inactive for 5 years and the bank has been unsuccessful in contacting the account holder.

SUPPLEMENTAL SECURITY INCOME OVERPAYMENTS

Planned Start

Carry Over

Objective

To assess SSA's efforts to identify, prevent, and resolve Supplemental Security Income (SSI) overpayments.

Background

Title XVI of the Social Security Act established the SSI program in 1972, effective January 1, 1974, to provide income to financially needy individuals who are aged, blind or disabled. SSA relies heavily upon beneficiary self-disclosure of all financial resources as well as computer matching from other Federal and State agencies to ensure payment accuracy. Since financial resources may vary from month to month, SSI payments are error prone and may result in overpayments.

In this review, we plan to provide an overall picture of SSI overpayments over the last 7 years by obtaining SSI overpayment information for FYs 1996 through 2002 and reviewing the following:

- overpayment amounts written off, waived, collected, etc.;
- issues that arose between 1996 and 2002 that may have caused increases or decreases in overpayments; and
- types of overpayments that are inherent to the design of the SSI program and cannot be changed without legislation.

THE SOCIAL SECURITY ADMINISTRATION'S ADMINISTRATIVE FINALITY RULES

Planned Start

Carry Over

Objective

To assess the impact of SSA's administrative finality rules on Supplemental Security Income (SSI) and Old-Age, Survivors and Disability Insurance (OASDI) overpayments.

Background

Once SSA makes determinations regarding SSI or OASDI eligibility or payment amounts, those determinations may be reopened and revised under certain conditions. SSA regulations allow a determination to be reopened and revised under the rules of administrative finality

- within 1 year of the date of notice of an initial determination for any reason;
- after 1 year, but within 2 years for SSI or 4 years for OASDI determinations, upon a finding of "good cause"; or
- at any time, if the determination or decision was procured by fraud or "similar fault."

SSA does not consider SSI or OASDI payments issued for any months before the administrative finality time limits to be overpayments, and it does not pursue recovery.

THE SOCIAL SECURITY ADMINISTRATION'S CLEAN UP OF TITLE II DISABILITY INSURANCE BENEFIT CASES WITH WORKERS' COMPENSATION OFFSET

Planned Start

Carry Over

Objective

To report the dollar effect of errors that continue to exist in the first clean up of the Title II disability workload involving a workers' compensation offset.

Background

SSA conducted its first clean up between July 1999 and September 2001. SSA's review consisted of 61,581 Title II Disability Insurance cases where offset began during the period 1966 to 1993 and were in current pay status as of November 1998. However, SSA did not track the dollar errors found during the clean up.

SSA's Office of Quality Assurance evaluated the accuracy of the first clean up process and estimated the amount of payments corrected during the clean up. To determine the appropriateness of SSA's clean-up decisions, the Office of Quality Assurance tested a sample of 239 cases that were determined during the clean up to have no payment error or contain either an under- or overpayment.

THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS OVER THE TITLE XVI WAIVER PROCESS

Planned Start

Carry Over

Objective

To (1) evaluate SSA's controls over the Title XVI waiver process to assess the appropriateness of overpayment waiver decisions of \$500 or less and (2) determine whether overpayment waivers exceeding \$500 were developed in accordance with the provisions defined in Title XVI of the Social Security Act.

Background

Title XVI of the Social Security Act established the Supplemental Security Income (SSI) program in 1972, effective January 1, 1974, to provide income to financially needy individuals who are aged, blind or disabled. SSA relies heavily on beneficiary self-disclosure of all financial resources as well as computer matching from other Federal and State agencies. Since financial resources may vary from month to month, SSI payments are error prone and may result in overpayments.

SSA grants SSI overpayment waivers under certain situations when the recipient is not at fault for the overpayment. Recovery of an overpayment may be waived if such recovery would be against equity and good conscience, impedes effective and efficient administration because of the small amount involved, or defeats the purpose of the SSI program. In December 1993, SSA changed the administrative waiver tolerance from \$100 to \$500.

Starting September 2001, SSA implemented the Modernized Supplemental Security Income Claims System for complete processing and determination of all SSI overpayments using direct Supplemental Security Record (SSR) update. Implementation of the new computer system provided a significant change designed to simplify and improve processing of SSI overpayments.

Waived SSI overpayments decreased or maintained a consistent level from FY 1975 through FY 1993. Since FY 1993, waived SSI overpayments have increased dramatically. In FY 1993, waivers of SSI overpayments totaled \$2 million for one segment of the SSR. By FY 2002, this amount had steadily increased to \$14.3 million, and FY 2003 totals are expected to exceed FY 2002 based on 10 months of available FY 2003 data.

THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS OVER WITHHOLDING TAXES AND SUSPENDING BENEFITS TO CERTAIN FOREIGN BENEFICIARIES

Planned Start

Carry Over

Objective

To determine how effectively SSA deducts taxes and suspends payment to certain foreign beneficiaries living outside the United States.

Background

SSA pays nearly \$2 billion a year to approximately 500,000 beneficiaries living outside the United States. Under 1983 amendments to the Social Security Act, SSA must, with certain exceptions, withhold taxes from up to 85 percent of the monthly Social Security benefit of noncitizens living outside the country. Since December 1983, SSA has mainly deducted this tax from the benefits of noncitizens who are not legal U.S. residents or not living in 1 of the 11 countries that have tax treaties with the United States.

Furthermore, alien nonpayment provisions of the Social Security Act require that SSA stop the payment of benefits to noncitizens when they leave the United States for 6 consecutive months or longer. Benefits stop in the 7th month following their departure. In addition, payments cannot be paid to beneficiaries residing in certain countries considered hostile to the United States.

THE SOCIAL SECURITY ADMINISTRATION'S DETERMINATION OF A HIGH AVERAGE CURRENT EARNINGS FOR DISABILITY INSURANCE BENEFITS INVOLVING WORKERS' COMPENSATION

Planned Start

Carry Over

Objective

To determine whether workers' compensation (WC) payments deemed not offsetable because of a high Average Current Earnings (ACE) are accurately calculated and the impact on the trust fund if Title II Disability Insurance (DI) benefits are incorrectly paid.

Background

The Social Security Act requires that the combined benefits from DI and WC be reduced (offset) so the combined benefits do not exceed the larger of (1) 80 percent of the worker's pre-disability earnings or (2) the total family benefits allowable under Social Security before an offset.

Therefore, if the worker receives both DI and WC but the total benefits do not exceed one of the two limits, no offset will occur in DI benefits. This is referred to as a high ACE.

SSA will determine whether no offset is applicable based on WC either alleged or verified. If beneficiaries allege an amount that will not result in an offset, they are held responsible if such benefits change or are inaccurate and subsequently result in an overpayment.

In December 1997, the Office of the Actuary reported over 168,000 DI cases with a high ACE. By December 2000, the total number had grown to over 197,000 DI cases with a high ACE.

TITLE XVI OVERPAYMENT WRITE-OFFS WHEN BENEFICIARIES ARE UNWILLING OR UNABLE TO PAY, CANNOT BE LOCATED OR ARE OUT OF THE COUNTRY

Planned Start

Carry Over

Objective

To (1) evaluate SSA's controls over suspending collection efforts on Title XVI overpayments because recipients are unable or unwilling to pay, cannot be located, or are out of the country and (2) determine whether the decisions to suspend collection efforts on these overpayments were in accordance with SSA's policies and procedures.

Background

Title XVI of the Social Security Act established the Supplemental Security Income (SSI) program in 1972, effective January 1, 1974, to provide income to financially needy individuals who are aged, blind or disabled. SSA relies heavily on beneficiary self-disclosure of all financial resources as well as computer matching from other Federal and State agencies to determine benefits. Since financial resources may vary from month to month, SSI payments are error prone and may result in overpayments.

SSA can terminate collection efforts on SSI overpayments in certain situations. Specifically, collection efforts can be terminated when a recipient is not in current payment status and previous collection efforts have determined the individual is unable or unwilling to pay, cannot be located, or is out the country.

Budget and Performance Integration

Our work has demonstrated that SSA is generally committed to the production and use of reliable performance and financial management data, but some improvements would further enhance SSA's ability to produce accurate and actionable management information.

This area encompasses SSA's efforts to provide timely, useful and reliable data to assist internal and external decisionmakers in effectively managing Agency programs, as well as both evaluating performance and ensuring the validity and reliability of performance, budgeting, and financial data.

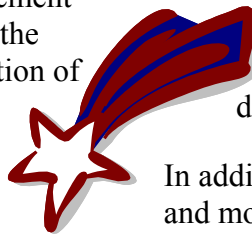
To effectively meet its mission, manage its programs, and report on its performance, SSA needs sound performance and financial data. Congress, the general public, and other interested parties also need sound and credible data to monitor and evaluate SSA's performance. The President's Management Agenda has placed great emphasis on the management and performance integration of Federal agencies. SSA has demonstrated a strong commitment to the Government Performance and Results Act of 1993 (Public Law No. 103-62) by developing strategic plans, annual performance plans and annual performance reports. However, we believe SSA can further strengthen its use of performance information by fully documenting the methods and data used to measure performance and by improving its data sources.

Our audits of 18 performance measures in FY 2003 found the data for 13 of the measures reviewed were reliable. We concluded that the data for five of the measures was found not reliable. Although the majority of performance measures were determined to be reliable, our audits found that SSA had inadequate documentation for 5 of its 18 performance measures regarding the methods used to measure its performance. Considering the critical role of the underlying data in all of

SSA's performance, financial, and data-sharing activities, it is crucial that the Agency have clear processes in place to ensure the reliability and integrity of its data.

We have previously noted that SSA needs to better link costs with performance. In its FY 2003 Annual Performance Plan (APP), SSA acknowledged that costs are specifically aligned with outcome measures for only a few activities. SSA needs to further develop a cost accounting system to better link costs with performance. Since most goals are not aligned by budget account, the resource, human capital, and technology necessary to achieve many performance goals are not adequately described.

In addition to performance audits, we perform and monitor audits of SSA's financial statements and other financial-related audits of SSA's operations. Our work includes comprehensive technical and administrative oversight of the annual audit of SSA's financial statements, performed by an independent public accountant. We also perform reviews of the quality of single audits conducted by State auditors and public accounting firms. Additionally, we conduct administrative cost audits of State DDSs, which assist SSA with its disability workload. This body of work helps assess the validity and reliability of the financial data SSA relies on to manage its programs and meet its mission.



The integrity of SSA's programs and those that rely on information from SSA depend on the reliability and quality of the Agency's data. External data and data exchanges are critical to SSA's programs and are the focus of many of our audits. Therefore, it is imperative that SSA's data be reliable.

Considering the critical role of the underlying data in all of SSA's performance, financial, and data-sharing activities, it is crucial that the Agency have clear processes in place to ensure the reliability and integrity of its data.

In FY 2004, we plan to complete 24 reviews and begin 18 reviews in this area.

We Plan to Complete the Following Reviews in FY 2004

Administrative Cost Audits of State Disability Determinations Services: 14 reviews to be conducted in Colorado, the District of Columbia, Georgia, Massachusetts, Michigan, Minnesota, Montana, Nevada, New Mexico, Ohio, South Carolina, South Dakota, Texas, and Wyoming

Fiscal Year 2003 Financial Statement Audit Oversight

Fiscal Year 2003 Inspector General Statement on the Social Security Administration's Major Management Challenges

Follow up on Potential Indirect Cost Rate Increases at Connecticut Disability Determination Services

Indirect Costs Claimed by the Arizona Disability Determination Services

Indirect Costs Claimed by the New York Disability Determination Services

Indirect Costs Claimed by the West Virginia Disability Determination Services

Internal Control Review of the Award Process at the Office of Acquisition and Grants

Performance Audit of the Social Security Administration's Main Complex Guard Contract

Performance Measure Reviews: Audits of the Social Security Administration's Performance Data

Puerto Rico Disability Determination Program Indirect Costs

Summary of State Disability Determination Services Administrative Cost Audits Completed in Fiscal Years 2000 Through 2003

We Plan to Begin the Following Reviews in FY 2004

Administrative Cost Audits: 10 reviews to be conducted in Arkansas, California, Delaware, Iowa, Maine, Maryland, New Hampshire, North Carolina, Pennsylvania, and Virginia

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

Fiscal Year 2004 Financial Statement Audit Oversight

Fiscal Year 2004 Inspector General Statement

Indirect Costs Claimed by the Louisiana Disability Determination Services

Indirect Costs Claimed by the New Jersey Disability Determination Services

Indirect Costs Claimed by the Oregon Disability Determination Services

Review of the Social Security Administration's Ticket to Work Program—Systems Development

Social Security Administration's Fiscal Year 2005 Annual Performance Plan

ADMINISTRATIVE COSTS CLAIMED BY STATE DISABILITY DETERMINATION SERVICES

We will be conducting reviews in the following State Disability Determination Services (DDS)

Colorado	Nevada
District of Columbia	New Mexico
Georgia	Ohio
Massachusetts	South Carolina
Michigan	South Dakota
Minnesota	Texas
Montana	Wyoming

Objective

The objectives of the DDS administrative cost audits are 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 the general security controls environment.

Background

The Disability Insurance (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, the Congress enacted the Supplemental Security Income (SSI) program (Public Law 92-603). The SSI program provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled. Disability determinations under both DI and SSI are performed by a DDS in each State in accordance with Federal regulations. In carrying out its obligation, each DDS is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

FISCAL YEAR 2003 FINANCIAL STATEMENT AUDIT OVERSIGHT

Planned Start

Carry Over

Objective

To fulfill our responsibilities under the Chief Financial Officers (CFO) Act and related legislation for ensuring the quality of the audit work performed, we will monitor PricewaterhouseCoopers LLP's (PwC) audit of SSA's FY 2003 financial statements.

Background

The CFO 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. PwC will perform the audit work to support this opinion of SSA's financial statement. We will monitor the contract to ensure reliability of PwC's work to meet our statutory requirements for auditing the Agency's financial statements.

FISCAL YEAR 2003 INSPECTOR GENERAL STATEMENT ON THE SOCIAL SECURITY ADMINISTRATION'S MAJOR MANAGEMENT CHALLENGES

Planned Start

Carry Over

Objective

To summarize and assess SSA's progress in addressing the 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.

The OIG has identified the following management challenges.

- Social Security Number Integrity and Protection
- Management of the Disability Process
- Improper Payments
- Budget and Performance Integration
- Critical Infrastructure Protection and Systems Security
- Service Delivery

We will summarize the challenges and actions SSA has taken to address them.

FOLLOW UP ON POTENTIAL INDIRECT COST RATE INCREASES AT CONNECTICUT DISABILITY DETERMINATION SERVICES

Planned Start

Carry Over

Objective

To respond to the Regional Commissioner's request to review the Connecticut Disability Determination Services (DDS) Cost Allocation Plan.

Background

The Disability Insurance (DI) program provides benefits to disabled wage earners and their families in the event the family wage earner becomes disabled. The Supplemental Security Income (SSI) program provides a nationally uniform program of income and disability coverage to financially needy individuals who are aged, blind, or disabled.

SSA is primarily responsible for implementing the general policies for developing DI and SSI disability claims. Disability determinations under both DI and SSI are performed by an agency in each State according to SSA regulations. Each State agency determines claimants' disabilities and ensures adequate supporting evidence is available.

SSA reimburses the States for indirect costs associated with supporting the DDSs. State agencies determining disabilities for SSA are subject to Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*. OMB Circular A-87 establishes basic guidelines for direct and indirect costs, setting the criteria as to whether a cost is allowable, reasonable, and allocable. It further defines indirect costs and states that indirect cost pools should be distributed to the benefited cost objectives on bases that will produce an equitable result in consideration of the relative benefits derived.

The Boston Regional Office asked the OIG to conduct a follow-up audit of the Connecticut DDS' indirect costs.

INDIRECT COSTS CLAIMED BY THE ARIZONA DISABILITY DETERMINATION SERVICES

Planned Start

Carry Over

Objective

To review the State Disability Determination Services' indirect costs to determine whether the costs claimed on the *State Agency Report of Obligations for SSA Disability Programs*, Form SSA-4513, are allowable and properly allocated.

Background

The Disability Insurance program was established in 1956 under Title II of the Social Security Act. Title II is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under Title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

INDIRECT COSTS CLAIMED BY THE NEW YORK DISABILITY DETERMINATION SERVICES

Planned Start

Carry Over

Objective

To determine whether the indirect cost portion of the New York Disability Determination Services' administrative costs claimed for the period October 1, 1999 through September 30, 2002 were allowable.

Background

The Disability Insurance (DI) program provides benefits to disabled wage earners and their families in the event the family wage earner becomes disabled. The Supplemental Security Income (SSI) program provides a nationally uniform program of income and disability coverage to financially needy individuals who are aged, blind, or disabled.

SSA is primarily responsible for implementing the general policies for developing DI and SSI disability claims. Disability determinations under both DI and SSI are performed by an agency in each State according to SSA regulations. Each State Agency determines claimants' disabilities and ensures adequate supporting evidence is available.

SSA reimburses the States for indirect costs associated with supporting the DDSs. A cognizant Federal department or agency approves a Central Office Cost Allocation Plan used to accumulate indirect costs for reimbursement for Federal agencies using State services. State agencies determining disabilities for SSA are subject to Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*. OMB Circular A-87 establishes basic guidelines for direct and indirect costs, setting the criteria as to whether a cost is allowable, reasonable, and allocable. It further defines indirect costs and states that indirect cost pools should be distributed to the benefited cost objectives on bases that will produce an equitable result in consideration of the relative benefits derived.

INDIRECT COSTS CLAIMED BY THE WEST VIRGINIA DISABILITY DETERMINATION SERVICES

Planned Start

Carry Over

Objective

To determine whether indirect costs claimed by the West Virginia Disability Determination Services (DDS) on the *State Agency Report of Obligations for Social Security Administration Disability Programs* (Form SSA-4513) during Federal FYs 2000 through 2002, were allowable.

Background

State DDSs perform disability determinations under SSA's Disability Insurance and Supplemental Security Income programs. SSA pays 100 percent of the allowable expenditures incurred by DDSs in making disability determinations, including indirect costs. To be allowable, indirect costs must meet guidelines in Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

Because DDSs receive Federal funding, they are subject to periodic independent financial reviews under the Single Audit Act Amendments of 1996. Three single audits reported an inability to determine that indirect costs claimed by the West Virginia DDS in FYs 2000 through 2002 were allowable. The independent auditors reported that the wrong indirect cost rate was used, which the DDS subsequently corrected. The independent auditors also reported that the West Virginia DDS did not use an accounting code available within the State's accounting system to identify indirect cost items. As a result, the independent auditors could not determine whether indirect costs were also charged as direct costs.

INTERNAL CONTROL REVIEW OF THE AWARD PROCESS AT THE OFFICE OF ACQUISITION AND GRANTS

Planned Start

Carry Over

Objective

To assess the adequacy of the internal controls over the award process at the Office of Acquisition and Grants to provide reasonable assurance contracts are properly awarded.

Background

The Office of Acquisition and Grants' mission is to direct the business management aspects of SSA's acquisition and grants management program by awarding and administering contracts, preparing purchase orders or other contractual instruments, and awarding and administering grants. The Office of Acquisition and Grants also develops and implements policies, procedures and directives for all acquisition and grants activities SSA-wide.

For FY 2001, the Office of Acquisition and Grants awarded \$460 million in new contracts. SSA contract values are approximately \$2 billion.

PERFORMANCE AUDIT OF THE SOCIAL SECURITY ADMINISTRATION'S MAIN COMPLEX GUARD CONTRACT

Planned Start

Carry Over

Objective

To ensure SSA is properly monitoring this contract and the contractor is complying with the contract terms and applicable regulations.

Background

Recent media attention and world events have spurred public and congressional belief that protection of the Federal infrastructure is a high priority. Accordingly, the OIG has decided to prioritize this audit work regarding physical security of SSA's main complex. Our audit will focus on reviewing the contractor's ability to meet, and its compliance with, contract requirements, including preparedness, skill levels/qualifications, training, proper equipment, firearms controls, and other contract areas we deem necessary to ensure the Agency's facilities are adequately protected. We will determine whether the contractor is meeting its responsibilities to protect the people and property at SSA's main complex, as defined in the contract.

PERFORMANCE MEASURE REVIEWS: AUDITS OF THE SOCIAL SECURITY ADMINISTRATION'S PERFORMANCE DATA

Planned Start

1st Quarter FY 2004

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 (GPRA) of 1993 to bring greater accountability to Federal agencies. GPRA establishes a system for strategic and annual performance planning and reporting to set goals for program performance and measure results. GPRA 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, which covers FYs 2003-2008, in 2003. The Agency's latest annual performance plan was released in May 2003. It presents the annual performance indicators and goals for FY 2004. SSA established 4 strategic goals in its strategic plan and 46 GPRA performance measures, with an additional 8 Program Assessment Rating Tool performance measures in its latest annual performance plan.

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

As a result, the SSA/OIG will award a contract to test SSA's performance data and the systems from which it is generated to gain assurance that the data reported in the performance plan are reliable and meaningful. After award of the contract, the OIG will monitor the contractor to ensure the reliability of the contractor's work.

PUERTO RICO DISABILITY DETERMINATION PROGRAM INDIRECT COSTS

Planned Start

Carry Over

Objective

Our objectives are to

1. determine whether indirect costs charged to the Puerto Rico Disability Determination Program (DDP) for FY 2002 were allowable and allocable;
2. identify any non-recurring indirect costs from FY 2002 that should not be considered in the indirect cost rate negotiations for FYs 2003 and 2004; and
3. identify and review the lump-sum accumulated leave payments for DDP retirees in FY 2002.

Background

SSA reimburses the Puerto Rico Department of Family—DDP's parent agency—for indirect costs associated with providing support to the DDP. The Department of Health & Human Services, as the cognizant agency, has negotiated the indirect cost rate for all federally funded programs under the Puerto Rico Department of Family.

State agencies determining disabilities for SSA are subject to Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*. OMB Circular A-87 establishes basic guidelines for both direct and indirect costs, setting the criteria as to whether a cost is allowable, reasonable, and allocable. It further defines indirect costs and states that indirect cost pools should be distributed to the benefited cost objectives on bases that will produce an equitable result in consideration of the relative benefits derived.

SUMMARY OF STATE DISABILITY DETERMINATION SERVICES ADMINISTRATIVE COST AUDITS COMPLETED IN FISCAL YEARS 2000 THROUGH 2003

Planned Start

Carry Over

Objective

To summarize common findings and recommendations reported in nine Disability Determination Services' (DDS) administrative cost audits and identify significant issues related to oversight of the administrative costs in DDS offices.

Background

In FYs 2000 through 2003, we completed nine DDS audits. The objectives of these audits were to determine whether (1) expenditures and obligations were properly authorized and disbursed; (2) Federal funds drawn agreed with total expenditures; and (3) internal controls over the accounting and reporting of administrative costs were adequate.

Critical Infrastructure Protection and Systems Security

The information SSA needs to conduct its mission is one of its most valuable assets.

The information SSA needs to conduct its mission is one of its most valuable assets. The Agency is depending on technology to meet the challenges of increasing workloads with fewer resources. A physically and technologically secure Agency information infrastructure is a fundamental requirement. 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 and opportunities than ever.

SSA has been given responsibility to protect sensitive information for virtually every American. This information includes earnings data the Agency uses to post earnings for 266 million wage items and medical information for millions of claimants filing for disability benefits. Strong systems security and controls are essential to protecting SSA's critical information infrastructure. Although no significant event has occurred to date, the level of risk is so great that should something occur, it could have national security implications.

Since 1997, SSA has had an internal controls reportable condition concerning its protection of information. The reportable condition came about because of weaknesses in the following areas.

- Technical Security Configuration Standards
- Security Monitoring Enforcement
- Access Control
- Physical Security and Security Policy for Disability Determination Services Sites
- Suitability

- Continuity of Operations

The most important of the issues listed above is access control. As long as access control to SSA's systems is not fully resolved, the reportable condition will remain. The resolution of this reportable condition remains a priority for the Agency. To remedy this issue, SSA needs to perform periodic reviews of everyone who has access to production data and assign data ownership or responsibility.

SSA addresses critical information infrastructure and systems security in a variety of ways. The Critical Infrastructure Protection work group, created in FY 2000, continually works toward compliance with Presidential Decision Directive 63. Presidential Decision Directive 63 and other significant legislation, requires Federal agencies to identify and effectively protect their critical systems and the information they hold. SSA has several other components throughout the organization that handle systems security including the newly created Office of Information Technology Security Policy within the Office of the Chief Information Officer. SSA also routinely releases security advisories to its employees and has hired outside contractors to provide expertise in this area.

In FY 2004, we plan to complete six reviews and begin one review in this area.

We Plan to Complete the Following Reviews in FY 2004

Controls over Badge Entry to Social Security Administration Facilities

Employee Potential System Security Violations

Fiscal Year 2004 Federal Information Security Management Act Audit

Impact on Network Security of the Social Security Administration's Conversion to Windows 2000

President's Council on Integrity and Efficiency Phase IV

Project Matrix Step 2—Review of Physical Security for Critical Assets

We Plan to Begin the Following Review in FY 2004

Follow up of Disability Determination Services Data Security

CONTROLS OVER BADGE ENTRY TO SOCIAL SECURITY ADMINISTRATION FACILITIES

Planned Start

Carry Over

Objective

To determine whether SSA effectively prevents unauthorized physical access to its facilities. We intend to examine SSA's current and planned badge-based personnel access systems to determine whether they grant access to only properly authorized individuals and have the flexibility required to easily change or revoke access authorizations.

Background

SSA provides essential services to a large segment of the American public, many of whom depend on those services to fill basic needs. The public at large also depends on the Agency to protect the large volume of personal information it uses to provide these services. If it allows access to its facilities by unauthorized individuals, SSA risks either intentional or inadvertent disruption of its operations and compromise of the private information entrusted to it. These risks are compounded by the possible loss of public confidence that could accompany serious incidents.

SSA's central operations are conducted in its Headquarters complex in Baltimore, Maryland. Access to buildings at its complex is controlled by the use of identification badges for authorized employees, contractors, and visitors. We intend to review the effectiveness of the Agency's current and planned identification badge procedures to ensure that access is limited to only those individuals with valid, current authorization.

EMPLOYEE POTENTIAL SYSTEM SECURITY VIOLATIONS

Planned Start

Carry Over

Objective

To review SSA's policies and procedures for monitoring, resolving and tracking employee potential system security violations in a timely, comprehensive, and consistent manner.

Background

SSA has been entrusted with some of the Nation's most sensitive data, such as SSNs and earnings records. The public expects that SSA employees protect this information to the best of their ability in accordance with industry standards and Government regulations. To ensure this, SSA needs to monitor its employees and properly address instances where employees violate information security and privacy practices.

In a recent case involving two SSA employees charged with browsing tax records, a U.S. Circuit Court judge raised a concern that SSA policies for sanctionable violations may not be equitably applied. The judge's comments were based on his review of 160 other employee cases provided by the defense attorneys in support of their motion to dismiss the criminal charges based on selective prosecution. The judge expressed concern that some individuals in the 160 cases were not treated the same as the individuals in this case, who were being prosecuted. The judge advised the Assistant U.S. Attorney and the defense attorney to consider a pre-trial action request rather than going to trial.

FISCAL YEAR 2004 FEDERAL INFORMATION SECURITY MANAGEMENT ACT AUDIT

Planned Start

3rd Quarter FY 2004

Objective

To determine whether SSA is in compliance with the *Federal Information Security Management Act* for FY 2004.

Background

The *Federal Information Security Management Act* replaces the Government Information Security Reform Act. It has most of the same requirements including an Agency-wide information security program and annual reviews of the security program performed by the Agency and the Office of the Inspector General, separately. The Office of Management and Budget annually issues questions to be answered concerning agencies' compliance with the *Federal Information Security Management Act*.

IMPACT ON NETWORK SECURITY OF THE SOCIAL SECURITY ADMINISTRATION'S CONVERSION TO WINDOWS 2000

Planned Start

Carry Over

Objective

To determine the effect on network security of SSA's converting from a Windows NT operating system to Windows 2000.

Background

The computer operating systems in SSA's data processing environment have built-in security features that protect the sensitive information processed and transmitted by the systems. In converting from its current Windows NT network operating system to Windows 2000, SSA can maintain, diminish or enhance network security. The effect of the conversion on network security depends on which features are implemented and how they are used.

Both internal and external vulnerabilities may be introduced when some of the security features are weakened to allow current applications to run. As a result, the integrity, completeness, and accuracy of information SSA uses could be compromised.

In addition, SSA is rapidly expanding the number and type of services it offers the public through E-Government programs to comply with the President's Management Initiative of expanding E-Government. The integrity and confidentiality of sensitive data transmitted or stored to operate these programs depends on the network security configuration of the Windows 2000 operating system environment. This will impact virtually all of SSA's business functions including the management of benefits and access to SSNs.

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY PHASE IV

Planned Start

1st Quarter FY 2004

Objective

To review SSA's implementation of policies and procedures protecting its physical assets.

Background

This is part of a President's Council on Integrity and Efficiency Government-wide review of compliance with Presidential Decision Directive 63. Phase I reviewed development of policies and procedures to protect the agencies' cyber-based assets. Phase II reviewed the adequacy of the agencies' implementation activities for protecting its critical cyber-based infrastructures. Phase III reviewed development of policies and procedures to protect the agencies' physical assets. Phase IV will review implementation of policies and procedures protecting the agencies' physical assets.

PROJECT MATRIX STEP 2 – REVIEW OF PHYSICAL SECURITY FOR CRITICAL ASSETS

Planned Start

Carry Over

Objective

To oversee the Critical Infrastructure Assurance Office's (CIAO) identification of SSA's interdependencies with the public and the private sector for the last two critical assets to be reviewed, Headquarters and Office of Central Operations/Office of International Operations/Metro West.

Background

In response to Presidential Decision Directive 63, the National Critical Infrastructure Assurance Office established the Project Matrix to coordinate analyses of the Government's dependencies on critical infrastructure. Project Matrix is designed to assist select Federal agencies and Departments in prioritizing their physical and cyber-assets for security enhancements.

Step One of the matrix was to identify relevant Presidential Decision Directive 63 assets. Step Two of the matrix is to develop and analyze the business processes associated with the assets identified in Step One to highlight significant public and private sector interdependencies and points of failure.

Service Delivery

Given the complexity of the Agency's programs, the billions of dollars in payments at stake, and the millions of citizens who rely on SSA, we must ensure that quality, timely, and appropriate services are consistently provided to the public-at-large.

The Agency's goal of "service" encompasses traditional and electronic services provided to applicants for benefits, beneficiaries and the general public. It also includes services to and from States, other agencies, third parties, employers, and other organizations including financial institutions and medical providers. This goal supports the delivery of "citizen-centered" services and use of "E-Government," and therefore affords SSA opportunities to advance these levels of service. Given the complexity of the Agency's programs, the billions of dollars in payments at stake, and the millions of citizens who rely on SSA, the Agency is challenged to provide quality, timely, and appropriate services consistently to the public-at-large. E-Government, Human Capital, and the representative payee process pose significant challenges that impact service delivery.

E-Government Challenges

The PMA also calls for improved service delivery through the use of E-Government in creating more cost-effective and efficient ways to provide service to citizens. The increased use of E-Government will be essential to help address the Agency's expected future loss of institutional knowledge accompanied by the increased services expected with the aging of the baby-boom generation. Future service delivery challenges include providing electronic services over the Internet and telephone, 24 hours a day, 7 days a week. It will be the norm for business transactions to be processed electronically.

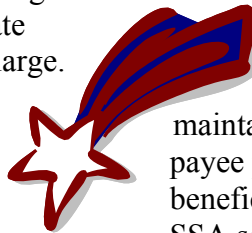
By 2005, SSA is expected to make 60 percent of its customer-initiated services available through automated telephone services or the Internet. The Agency recently began allowing the public to file DI claims through the Internet to help achieve its service delivery goals. SSA expects to begin a nation-wide roll-out of its Electronic Disability System in 2004. There are always risks involved in conducting electronic commerce, despite the Agency's efforts to identify and mitigate them. SSA will have to keep privacy and security concerns at the forefront of its planning efforts.

Representative Payee Challenges

A specific challenge in this area is maintaining the integrity of the representative payee process. When SSA determines a beneficiary cannot manage his/her benefits, SSA selects a representative payee, who must use the payments for the beneficiary's benefit. There are about 5.3 million representative payees who manage about \$44 billion in benefit payments for 6.7 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.

Since FY 2001, we have completed numerous audits of representative payees. Our audits identified

- deficiencies with the financial management of, and 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.

Human Capital Challenges

Many agencies, including SSA, share the challenge to address human capital shortfalls. 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 previously discussed.

In January 2001, GAO added strategic human capital management to its list of high-risk Federal programs and operations. By 2010, workloads are anticipated to increase to unprecedented volumes. 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.

At current staffing levels, SSA finds it difficult to maintain an acceptable level of service, especially in its most complicated workloads. After downsizing and curtailing investments in human capital (people), the Government is facing a major challenge to meet the current and emerging needs of the Nation's citizens.

In FY 2004, we plan to complete 30 reviews and begin 22 reviews in this area.

We Plan to Complete the Following Reviews in FY 2004

Assessing the Effectiveness of the Social Security Administration's New Software Testing

Audits of Representative Payees for the Social Security Administration—Seven Reviews to be Conducted

Best Practices for Electronic Records Authentication

Conserved Funds for Deceased Beneficiaries with Non-related Representative Payees

Controls for Concurrently Entitled Social Security Administration Beneficiaries with Representative Payees

Controls over the Social Security Administration's Processing Center Action Control System

Efficiency of the Social Security Administration's Accelerated Electronic Disability Scanning Process

Evaluation of the Social Security Administration's Accelerated Electronic Disability System—Fifth Assessment

Inventory Review at the National Records Center

Management Advisory Report—Fiscal Year 2003 Quick Response Activities Summary Report

Management of Allegations by the Social Security Administration's Office of Systems

Office of Investigations Assistance—Reviews of Representative Payee Operations

Operations of the Office of Hearings and Appeals Megasite

Suitability of Individuals Serving as Representative Payees

Summary of Fiscal Year 2002 Office of the Inspector General Audits of Representative Payees

Summary of Fiscal Year 2003 Office of the Inspector General Audits of Representative Payees

The Social Security Administration's Collection of Title II Overpayments Made to Representative Payees After the Beneficiary's Death

The Social Security Administration's Efforts to Address Future Workforce Needs

The Social Security Administration's Procedures for Addressing Employee-related Allegations: Five Reviews to be Conducted

The Social Security Administration's Procedures to Identify Incarcerated Representative Payees

The Social Security Administration's Representative Payee Selection Process

We Plan to Begin the Following Reviews in FY 2004

Audits of Representative Payees for the Social Security Administration—We plan to begin six reviews in this area

Convicted Felons Serving as Representative Payees

Effectiveness of the Social Security Administration's Supplemental Security Income Referral Process

Follow up on Waivers Granted for Title II Overpayments

Internal Controls over Software Developed by Components Other Than the Office of Systems

Parents Receiving Benefits for Children in Foster Care

Planning, Designing and Validating Web-based Applications

The Social Security Administration's Office of Systems' Efforts to Address Its Future Workforce Needs

The Social Security Administration's Procedures for Addressing Employee-Related Allegations—We plan to begin five reviews in this area

The Social Security Administration's Project to Improve its Work Measurement Systems

The Social Security Administration's Workers' Compensation Data Match with the State of Texas

Title II Beneficiaries with Overpayment Write-offs

Unofficial Representative Payees Receiving Benefit Payments Belonging to Beneficiaries

ASSESSING THE EFFECTIVENESS OF THE SOCIAL SECURITY ADMINISTRATION'S NEW SOFTWARE TESTING

Planned Start

1st Quarter FY 2004

Objective

To determine whether SSA is sufficiently validating and testing its software before placing these projects into production.

Background

In preliminary tests, we found several instances where SSA has released software to its end users without sufficient validation and testing, including the following.

- The Disability Control File was released without validation. End users found the software had about 50 errors and numerous inefficiencies. End users also found the software's functionality was not as expected.
- There were 5,000 duplicate Accelerated Electronic Disability cases.
- Claims taken for Title XVI disabled individuals in the Modernized Supplemental Security Income Claims System were recorded in the Electronic Disability Collect System as disabled children.

The premature release of software is time-consuming for individuals processing claims and is expensive for the Agency. For example, the cost of repairing software defects after the software is operational is about 500 to 900 times more costly than when the error is repaired in the requirements phase.

This review will determine whether SSA finds and repairs software errors at the earliest practical stage in its systems development life-cycle.

AUDITS OF REPRESENTATIVE PAYEES FOR THE SOCIAL SECURITY ADMINISTRATION

We will be conducting reviews in the following SSA Regions.

REGION III

REGION VIII

REGION IV (TWO AUDITS)

REGION IX

REGION V

REGION X

Objective

To determine whether the representative payee

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 the 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 risk a representative payee may misuse funds and the vulnerability of the beneficiaries, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities.

BEST PRACTICES FOR ELECTRONIC RECORDS AUTHENTICATION

Planned Start

Carry Over

Objective

To identify leading public and private entities that successfully employ electronic records management techniques for authenticating electronic records.

Background

This review will present information on the following methods for authenticating electronic records.

1. **Public Key Infrastructure**—A trusted third party provides identity assurance by issuing a public key certificate to the sender. This identity assurance facilitates electronic transactions between entities.
2. **Knowledge-based**—A user answers (via computer) a set of questions that, if answered correctly, authenticates their identity.
3. **Captured Electronic Signatures**—Users sign a signature key pad, and the signature is stored electronically. In some applications, the signature is authenticated.

CONSERVED FUNDS FOR DECEASED BENEFICIARIES WITH NON-RELATED REPRESENTATIVE PAYEES

Planned Start

Carry Over

Objective

To assess the effectiveness of SSA's oversight of non-related representative payees' disposition of conserved funds for deceased beneficiaries.

Background

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the 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. Specifically, representative payees use Old-Age, Survivors and Disability Insurance and Supplemental Security Income benefits for the beneficiary's immediate or reasonably foreseeable needs.

Additionally, the representative payee is responsible for conserving benefit payments not needed to meet the beneficiary's current needs. Upon the beneficiary's death, the Agency informs the representative payee that the conserved benefits belong to the deceased beneficiary's estate, and those conserved funds should be turned over to the legal representative of the beneficiary's estate for disposition under State law.

CONTROLS FOR CONCURRENTLY ENTITLED SOCIAL SECURITY ADMINISTRATION BENEFICIARIES WITH REPRESENTATIVE PAYEES

Planned Start

1st Quarter FY 2004

Objective

To determine and evaluate the effectiveness of SSA's controls to prevent different payees for concurrently entitled SSA beneficiaries.

Background

Each year, SSA pays benefits to beneficiaries under the Title II and Title XVI programs. Most beneficiaries receive benefits from only one program. Concurrently entitled beneficiaries, however, receive benefits from both programs.

SSA policy requires that personnel appoint one payee for all benefits to which the beneficiary is entitled unless there is some compelling reason to do otherwise. SSA policy also requires that each claims file be documented with the reason for naming different payees in those rare instances where different payees will be appointed for a beneficiary who is entitled to more than one benefit. Where different payees are appointed, field offices should prepare a diary for a manual accounting report to be obtained on the Title II claim, when appropriate, because the system only sends an accounting report to the Title XVI representative payee.

CONTROLS OVER THE SOCIAL SECURITY ADMINISTRATION'S PROCESSING CENTER ACTION CONTROL SYSTEM

Planned Start

Carry Over

Objective

To determine whether Processing Center Action Control System (PCACS) transactions are properly controlled and resolved in accordance with established SSA business priorities and standards and are accurately reported to SSA management.

Background

PCACS distributes workload items to appropriate program service center (PSC) personnel for control and resolution. PCACS receives workload items through mail, fax, and electronic data transmission. The bulk of each PSC's annual workload is formed by a multitude of electronically generated items from more than 40 different computer processing sources, such as Benefit Rate Increases, Returned Check Action Program, Critical Payment System, and Automated Earnings Reappraisal Operation. PCACS receives these items electronically via batch processing and then electronically distributes the items to the PSCs based on SSN jurisdiction.

Additionally, PCACS tracks the age and status of each item, and these data items are used to calculate workload and productivity reports for management reporting purposes.

During its FY 2002 and 2003 financial statement audits, PricewaterhouseCoopers LLP noted

- alert suppression was not consistent between PSCs and was not independently reviewed to determine the correctness of the suppression;
- complaints regarding the handling of transactions were not clearly tracked to provide information on their resolution or trends; and
- standard management reports did not always reflect the true aging of items and did not reflect the amount of time items spent in hold categories.

Additionally, previous OIG audits determined that not all alerts were sent to the PSCs for resolution, and PSCs did not resolve all alerts sent to them.

EFFICIENCY OF THE SOCIAL SECURITY ADMINISTRATION'S ACCELERATED ELECTRONIC DISABILITY SCANNING PROCESS

Planned Start

1st Quarter FY 2004

Objective

To identify improvements and cost savings in the planned scanning process of disability documents into the Accelerated Electronic Disability (AeDib) electronic folder.

Background

The AeDib system's electronic folder includes two types of data: structured and unstructured. Structured data include information keyed into the Electronic Disability Collect System or SSA's mainframe. Unstructured data include images of documents that have been scanned into the Document Management Architecture. This audit will focus on the unstructured data resulting from the document scanning process.

We believe there may be substantial cost savings in the planned scanning process of disability documents. A contractor estimated that SSA will spend \$375 million over a 10-year period to scan disability documents into the AeDib electronic folder. One element that resulted in this high estimate was the size of the disability case folders. The contractor determined that disability case folders average 250 pages per case file when hearings are needed for the final adjudication.

SSA is planning an in-line rather than an end-of-line scanning process. SSA's in-line scanning process will be achieved by having evidence from medical providers sent directly to a contractor for scanning into the Document Management Architecture. We expect to achieve cost savings in this process by identifying improvements in the process and reducing the number of documents scanned into the electronic disability folder.

EVALUATION OF THE SOCIAL SECURITY ADMINISTRATION'S ACCELERATED ELECTRONIC DISABILITY SYSTEM – FIFTH ASSESSMENT

Planned Start

1st Quarter FY 2004

Objective

To determine whether SSA's project management of its Accelerated Electronic Disability (AeDib) System will enable the Agency to meet the project's expected functionality, including systems security, while complying with laws and regulations pertaining to system development efforts.

Background

The AeDib project is the Agency's technological approach to automating the disability claims process. AeDib is expected to assist the Agency in finding innovative ways of meeting the challenge of increasing workloads in the future. The AeDib initiative will replace the paper claims folder with an electronic record that can be accessed by all case processing components. For example, AeDib is expected to

1. eliminate the need to print, mail, store and reconstruct the paper claims folder;
2. stop keying the same information at multiple case processing locations;
3. control and assign work from electronic queues rather than paper folders; and
4. ensure disability files are available when an appeal is filed or a continuing disability review is due.

We have completed four assessments in our ongoing evaluation of the AeDib project. As part of our fourth assessment, we had concerns involving (1) the AeDib sponsors' participation in the project; (2) the process used in validating the system; (3) data security at the State DDSs; (3) the cost of scanning paper disability documents into the AeDib system; and (4) the reduction in the functionality of AeDib.

INVENTORY REVIEW AT THE NATIONAL RECORDS CENTER

Planned Start

Carry Over

Objective

To determine the accuracy and condition of the physical and computerized inventories.

Background

SSA uses historical information from case folders for a variety of reasons, such as new claims, appeals, attorney reviews and litigation, and continuing disability reviews. SSA's ability to promptly react to the needs of its customers is often directly dependent on retrieving historical information from case folders. SSA stores case folders at three major folder storage locations: the Rolling Heights Megasite, Wilkes-Barre Folder Servicing Operation, and National Records Center.

SSA stores about 24 million Title II case folders at the National Records Center. An SSA contractor files, retrieves, and maintains case folders and updates the electronic inventory system.

MANAGEMENT ADVISORY REPORT – FISCAL YEAR 2003

QUICK RESPONSE ACTIVITIES SUMMARY REPORT

Planned Start

1st Quarter FY 2004

Objective

To summarize the results of our responses to special inquiries received in FY 2003.

Background

In addition to conducting audits and evaluations, we respond to special inquiries. These efforts are short-duration, time-sensitive projects that address requests from Congress, senior SSA officials, other Federal agencies, beneficiaries, union leaders, and others.

MANAGEMENT OF ALLEGATIONS BY THE SOCIAL SECURITY ADMINISTRATION'S OFFICE OF SYSTEMS

Planned Start

1st Quarter FY 2004

Objective

To evaluate SSA's Office of Systems' (OS) management of allegations and determine whether all allegations that should have been referred to the OIG were referred.

Background

SSA receives various types of allegations related to its programs, its employees, and the misuse of Social Security numbers. While SSA may receive allegations directly, the OIG also refers allegations it receives through its Hotline to SSA.

SSA has policies and procedures for handling allegations. For example, allegations concerning potential criminal violations by SSA employees and non-employees are generally referred to OIG. Allegations concerning other types of potential violations, such as potential violations, concerning ethics or equal employment opportunity issues are generally referred elsewhere.

OS manages the development, acquisition, and use of SSA's information technology resources that support the Agency's program and business functions. Allegations concerning OS employees or functions detected in or received by OS are significant because of the potential impact on SSA's information system infrastructure and programs. Our review will focus on how OS manages allegations and whether all allegations that should have been referred to OIG were referred.

OFFICE OF INVESTIGATIONS ASSISTANCE – REVIEWS OF REPRESENTATIVE PAYEES’ OPERATIONS

Planned Start

Carry Over

Objective

To provide assistance to the Office of Investigations and U.S. Attorney’s Office in determining whether representative payees properly accounted for the Social Security benefits received on behalf of the individuals in their care.

Background

The OIG’s Office of Investigations periodically opens investigations of representative payees and requests that we review bank records to determine whether the representative payees may have used Social Security benefits for purposes other than for the individuals in their care.

OPERATIONS OF THE OFFICE OF HEARINGS AND APPEALS MEGASITE

Planned Start

Carry Over

Objective

To review the operations of the Megasite, including its case folder inventory system.

Background

The Office of Hearings and Appeals' Appeals Council reviews administrative law judge decisions appealed by claimants and on its own motion. The Council decides approximately 100,000 cases per year. Hearing offices send case folders with unfavorable or partially favorable decisions to a Megasite in Springfield, Virginia, where they are stored from 6 months up to 2 years. Approximately 200,000 case folders are stored at this site. Folders are shipped between the Office of Hearings and Appeals in Falls Church and the Megasite. 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 find folders and ensure effective, equitable, and timely processing of appealed claims.

SUITABILITY OF INDIVIDUALS SERVING AS REPRESENTATIVE PAYEES

Planned Start

Carry Over

Objective

To determine whether SSA had adequate controls to identify and prevent individuals who had Representative Payees from serving as payees for other beneficiaries.

Background

Congress granted SSA the authority to appoint representative payees to receive and manage beneficiaries' payments if the beneficiary cannot manage or direct the management of their benefits because of their youth or mental and/or physical impairments. Payees can be appointed for Old-Age, Survivors and Disability Insurance (OASDI) or Supplemental Security Income (SSI) beneficiaries and may be an individual or an organization.

About 7.6 million individuals have payees—approximately 4.5 million are OASDI beneficiaries, 2.3 million are SSI recipients, and 800,000 are entitled to both OASDI benefits and SSI payments.

We have previously reported that beneficiaries who had payees themselves were serving as representative payees, despite SSA's policy prohibiting this practice. In response to a November 17, 2001 report, SSA implemented a control in the representative payee System to produce an alert when a representative payee application is completed if the payee applicant has an assigned payee. This alert was designed to prevent the completion of such a representative payee application. Additionally, SSA initiated a review of over 4,600 potential instances of beneficiaries with Payees who were also serving as representative payees. This work was performed in two phases. Phase I started September 24, 2001 and identified 3,809 cases. Phase II started June 24, 2002 and identified 835 cases.

SUMMARY OF FISCAL YEAR 2002 OFFICE OF THE INSPECTOR GENERAL AUDITS OF REPRESENTATIVE PAYEES

Planned Start

Carry Over

Objective

To identify and summarize common findings and recommendations from the OIG's audits of representative payees.

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' payments. A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance beneficiaries or Supplemental Security Income recipients when representative payments would serve the individual's interests. Representative payees are responsible for using benefits in the beneficiary's best interests.

In FY 2002, we conducted audits of seven representative payees. These audits found similar conditions at the representative payees, which we will summarize and report to SSA.

SUMMARY OF FISCAL YEAR 2003 OFFICE OF THE INSPECTOR GENERAL AUDITS OF REPRESENTATIVE PAYEES

Planned Start

1st Quarter FY 2004

Objective

To identify and summarize common findings and recommendations from the OIG's audits of representative payees.

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' payments. A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance beneficiaries or Supplemental Security Income recipients when representative payments would serve the individual's interests. Representative payees are responsible for using benefits in the beneficiary's best interests.

In FY 2003, we conducted audits of six representative payees. These audits found similar conditions at the representative payees, which we will summarize and report to SSA.

THE SOCIAL SECURITY ADMINISTRATION'S COLLECTION OF TITLE II OVERPAYMENTS MADE TO REPRESENTATIVE PAYEES AFTER THE BENEFICIARY'S DEATH

Planned Start

Carry Over

Objective

To assess the effectiveness of SSA's Old-Age, Survivors and Disability Insurance (OASDI) overpayment collection efforts for payments issued to representative payees for deceased beneficiaries.

Background

SSA administers the OASDI program under Title II of the Social Security Act. The OASDI program provides protection against the loss of earnings as a result of retirement, death or disability. According to SSA's 2001 Supplemental Statistical Analysis, in 2000, the Agency paid over \$400 billion to more than 45 million Title II beneficiaries, and more than 10 percent of the beneficiaries had representative payees.

SSA relies on the representative payees to report events to SSA that may affect the individual's entitlement or benefit payment amount. These events can include marriage, change in living arrangements, death or incarceration. If a representative payee fails to notify SSA of such an event, the beneficiary may be issued an overpayment. It is SSA's responsibility to identify and pursue recovery of the overpayment. This recovery process becomes more difficult when the beneficiary receives benefits through a representative payee.

THE SOCIAL SECURITY ADMINISTRATION'S EFFORTS TO ADDRESS FUTURE WORKFORCE NEEDS

Planned Start

Carry Over

Objective

To assess SSA's plans to address its future workforce needs to manage workloads and continue to provide quality customer service.

Background

Strategic Management of Human Capital is a Government-wide initiative and is included in the President's Management Agenda. Moreover, the General Accounting Office has designated strategic human capital management as a high-risk area. The Agency faces its own internal "retirement wave," with the projected loss of over 38,000 SSA employees to retirement and attrition over the next decade. At the same time, SSA expects to face explosive workload growth as the baby boom generation ages and becomes more prone to disabilities.

Based on the results of its analysis of its employee base and the individuals it serves, SSA has established a multi-faceted response to meet its human capital challenge. SSA has identified those staff positions that will incur the most serious losses due to retirement. To reduce the impact caused by these losses, SSA has implemented various career development programs and developed its succession plan. Additionally, the Agency has established a 5-year Future Workforce Transition Plan to help guide SSA from the workforce of today to the workforce needed for the future. To provide the kind of service that has been the Agency's hallmark, SSA recognizes it must maintain a highly skilled, high-performing, and highly motivated workforce. Although SSA has taken many steps to meet its human capital challenge, SSA needs to ensure it meets its service delivery goals.

THE SOCIAL SECURITY ADMINISTRATION'S PROCEDURES FOR ADDRESSING EMPLOYEE-RELATED ALLEGATIONS

We will be conducting reviews in the following Regions.

REGION II

REGION VI

REGION III

REGION IX

REGION IV

Objective

To evaluate the adequacy of SSA's policies and procedures for addressing employee-related allegations, determine how well SSA complied with those policies and procedures, and determine whether SSA actually referred all employee-related allegations that should have been referred to the OIG.

Background

Every year, SSA receives various types of allegations related to its programs and the misuse of SSNs. While SSA may receive allegations directly, the OIG also refers allegations to SSA that it receives through its Hotline. For FYs 2000 through 2002, the OIG referred 876 employee-related allegations to SSA. Of this number, 665 were sent to SSA's regional offices.

Allegations concerning employees are significant because of the potential losses to SSA's programs and the corresponding negative public impact such issues can have. Our review will focus on the development and resolution of OIG referrals of employee-related allegations received during FYs 2001 through 2002 and on allegations or instances of employee misconduct brought to the attention of the Regional Offices through other sources.

THE SOCIAL SECURITY ADMINISTRATION'S PROCEDURES TO IDENTIFY INCARCERATED REPRESENTATIVE PAYEES

Planned Start

1st Quarter FY 2004

Objective

To ensure SSA has adequate procedures to identify when representative payees are incarcerated so new representative payees can be selected.

Background

Congress granted SSA the authority to appoint representative payees to receive and manage beneficiaries' payments if the beneficiary cannot manage or direct the management of their benefits because of their youth or mental and/or physical impairments. Payees can be appointed for Old-Age, Survivors and Disability Insurance (OASDI) or Supplemental Security Income (SSI) beneficiaries and may be an individual or an organization.

About 7.6 million individuals have payees—approximately 4.5 million are OASDI beneficiaries, 2.3 million are SSI recipients, and 800,000 are entitled to both OASDI benefits and SSI payments.

We have previously identified representative payees who were allowed to continue to manage beneficiaries' funds despite being incarcerated. To address this issue, SSA implemented policies prohibiting prisoners from serving as representative payees. SSA also implemented procedures to identify representative payees when they become prisoners. If a prisoner is found to be a representative payee, a new payee should be selected.

THE SOCIAL SECURITY ADMINISTRATION'S REPRESENTATIVE PAYEE SELECTION PROCESS

Planned Start

Carry Over

Objective

To determine whether SSA field office (FO) personnel are adequately determining whether a representative payee is needed.

Background

Some individuals cannot manage or direct the management of their finances because of their youth or physical and/or mental impairments. For such people, Congress provides that payments be made through a representative payee, who receives and manages the beneficiary's payments.

SSA has a legal obligation to make proper determinations concerning beneficiaries' capability of managing their own funds. The decision to make payment through a representative payee is serious since it deprives the beneficiary of direct control over his or her finances and may affect his or her manner of living. SSA is to be alert to evidence indicating the need for representative payment because the beneficiary is incapable of managing his or her own funds.

Section GN 00501.015 of SSA's Program Operations Manual System (POMS) states that FO personnel are responsible for (1) deciding the capability of individuals to manage their benefits and (2) appointing representative payees (when incapability is found). When deciding the capability of a beneficiary, staff should weigh all the medical, legal and lay evidence obtained during the disability determination process. Further, POMS, section GN 00502.020, states that whenever "...a question of capability is raised, the capability decision must be documented."

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