

OFFICE OF AUDIT ANNUAL WORK PLAN



FISCAL YEAR 2005

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Acronyms

Act	Social Security Act
CDI	Cooperative Disability Investigation
CDR	Continuing Disability Review
DDS	Disability Determination Services
DHS	Department of Homeland Security
DI	Disability Insurance
DoD	Department of Defense
ESF	Earnings Suspense File
FY	Fiscal Year
GAO	Government Accountability Office
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OHA	Office of Hearings and Appeals
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQA	Office of Quality Assurance and Performance Assessment
Plan	Annual Work Plan
PMA	President's Management Agenda
PwC	PricewaterhouseCoopers
SEI	Self-employment Income
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
WC	Workers' Compensation

Executive Overview

Annual Work Plan

Our Annual Work Plan (Plan) outlines our perspective of the top management challenges facing the Social Security Administration (SSA) and serves as a tool for communicating our priorities to SSA, the Congress, the Office of Management and Budget (OMB), and other interested parties. The activities described address the fundamental goals related to SSA's mission to administer 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 we provide a coordinated effort, we work closely with the Offices of Investigations, Chief Counsel to the Inspector General, and Executive Operations.

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

The PMA was designed to coordinate agency efforts to "address the most apparent deficiencies and focus resources where the opportunity to improve performance is the greatest." The PMA's goal is to establish a more responsible and responsive Government that is citizen-centered, results-oriented, and market-based. OMB provides each Federal agency a scorecard rating their performance. The scorecard is designed around a simple grading system: green for success, yellow for mixed results, and red for unsatisfactory. Below is the status of SSA's efforts, as reported by OMB's June 2004 Scorecard.

The **Office of the Inspector General** (OIG) improves SSA programs and operations and protects them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

The **Office of Audit** conducts and/or supervises financial and performance audits of SSA programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits determine whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. The Office of Audit also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public. In Fiscal Year (FY) 2004, we issued 105 reports containing recommendations with about \$1.9 billion in cost savings to SSA.

The President's Management Agenda
SSA's Management Scorecard

	Status 3/31/04	Status 6/30/04
Human Capital	●	●
Competitive Sourcing	●	●
E-Government	●	●
Budget/Performance Integration	●	●
Improve Financial Management	●	●

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

This Plan describes 106 reviews we intend to complete, 45 reviews we intend to begin, and 16 performance indicator reviews we will oversee in FY 2005 in the following issue areas.

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

To assist us in this analysis, we crosswalked the PMA, Commissioner Priorities, Social Security Advisory Board, and Government Accountability Office¹ (GAO) high-risk areas to those identified by our prior and ongoing work. The following table demonstrates that our perspective is congruent with other key decisionmakers.

¹ Effective July 7, 2004, GAO's name was changed to the Government Accountability Office.

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 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 Protection Internal Control Environment and Performance Measures	SSN Case Handling Quality SSN Misuse	Supplemental Security Income Information Security
Strategic Management of Human Capital	Staff	Service Delivery	Staffing Hiring Training Management Measurement	Human Capital

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

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

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

Social Security Number Protection

In FY 2003, SSA issued over 17.6 million original and replacement SSN cards, and SSA received approximately \$533 billion in employment taxes related to earnings under assigned SSNs. Protecting the Social Security number (SSN) and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits due them.

Efforts to Protect the SSN

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

To ensure SSN integrity, SSA must employ effective front-end controls in its enumeration process. 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,
- continue to address identified weaknesses in its information security environment to better safeguard SSNs, and
- consider revising its policies to require that field offices obtain independent verification of the birth records for U.S. citizens under age 1 before SSN assignment.

SSA has taken steps to improve controls within its enumeration process, including establishing the Enumeration Response Team. As a result of the Team's efforts, SSA now performs full collateral verification of all immigration documents before assigning SSNs to noncitizens. SSA requires mandatory interviews for all applicants for original SSNs who are over age 12 (lowered from age 18) and requires evidence of identity for all children, regardless of age. In addition, SSA has established an Enumeration Center in Brooklyn, New York, that focuses exclusively on assigning SSNs and issuing SSN cards. SSA has also created an Identity Theft Workgroup in which we participate.

The SSN and Reported Earnings

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

SSA spends scarce resources correcting earnings data when incorrect information is reported. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for which wage earners' names and SSNs fail to match SSA's records. As of October 2003, SSA had posted 9.6 million wage items to its

The SSN is the single most widely used identifier for Federal and State governments, as well as the private sector.

ESF for Tax Year 2001, representing about \$56 billion in wages. This was before some planned edits, which may have further reduced this number.

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

SSA has taken steps to reduce the size and growth of the ESF. For example, SSA has expanded its Employee Verification Service by piloting an on-line service called the Social Security Number Verification Service, which allows employers to verify the names and SSNs of employees before reporting their wages to SSA. The Agency has also modified its automated processes to better identify the numberholder related to suspended items. Whereas previous internal edits used only the name and SSN related to the suspended wage, SSA stated the new processes would use information stored on the earnings and benefits records.

The SSN and Unauthorized Work

SSA also assigns nonwork SSNs to noncitizens who are (1) in the United States but are not authorized to work and (2) are not present in the United States, but are entitled to a federally-financed benefit that requires an SSN. In recent years, SSA has strictly limited the assignment of such numbers.

Furthermore, SSA monitors noncitizens who show earnings under a nonwork SSN and reports this information to the Department of Homeland Security (DHS). Nonetheless, our audits have noted a number of issues related to nonwork SSNs, including (1) the type of evidence provided to obtain a nonwork SSN, (2) the reliability of nonwork SSN information in SSA's records, (3) the significant volume of wages reported under nonwork SSNs, and (4) the payment of benefits to noncitizens who qualified for their benefits while working in the country without proper authorization.

Recent legislation (Pub. L. 108-203, *Social Security Protection Act of 2004*) prohibits the payment of Title II benefits based on the earnings of any individual who is not a U.S. citizen or national and who has never been issued an SSN to work in the United States. SSA's implementation of this new law will require increased coordination with DHS to ensure SSA has the correct work status information in its systems.

In FY 2005, we plan to complete 26 reviews in this area and begin 6 reviews.

We Plan to Complete the Following Reviews in FY 2005

Analysis of Undeliverable Social Security Number Cards

Assessment of the Enumeration-at-Entry Process

Congressional Response Report: Educational Institutions' Issuance of Work Authorization Documents to Foreign Students

Incorrect Death Information for Auxiliary Beneficiaries Turning 18 Years of Age

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 Number Misuse in the Agriculture, Services (Temporary Labor and Cleaning), and Food Service (Bars and Restaurants) Industries (3 Reports)

Social Security Numbers Issued to Noncitizens Who Subsequently Leave the Country or Whose Immigration Status Expires

Suspended and Nonwork Wages Among the Social Security Administration's Payroll and Contractors (2 Reports)

The Impact of Unauthorized Employment on Social Security Benefits

The Self-Employment Income Earnings Suspense File

Universities' Use of Social Security Numbers as Student Identifiers (Regions I Through X)

Usefulness of Employee Correspondence in Reducing the Growth of the Earnings Suspense File

We Plan to Begin the Following Reviews in FY 2005

Disability Determination Services' Disclosure of Social Security Numbers to Third Parties

Effectiveness of the Young Children's Earnings Records Reinstatement Process

Issuance of Replacement Social Security Number Cards to Inmates

Prisoners' Access to Social Security Numbers

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

Top 100 Employers with Nonwork Wages

ANALYSIS OF UNDELIVERABLE SOCIAL SECURITY NUMBER CARDS

Objective

To determine why SSN cards are returned to the Agency as undeliverable and to evaluate the physical security over these cards.

Background

SSA estimates between 250,000 and 500,000 SSN cards are returned each year. Undeliverable cards are kept in a secure container in the mailroom and periodically destroyed by contractors. SSA does not have a system in place to track the number of cards that are returned to the Agency as undeliverable. Because returned cards are not counted or logged, there is no way of determining whether there is a pattern that would indicate potential fraudulent activity.

ASSESSMENT OF THE ENUMERATION-AT-ENTRY PROCESS

Objective

To assess the effectiveness of SSA's Enumeration-at-Entry process.

Background

SSA entered into agreements with the Department of State (State) and DHS, formerly the Immigration and Naturalization Service, in 1996 and 2000, respectively, to assist SSA in enumerating certain classes of immigrants. State and DHS collect and transmit to SSA enumeration data collected as part of the immigration process. SSA calls this process Enumeration-at-Entry.

SSA allows immigrants who are lawfully admitted as permanent residents and age 18 or older to apply for an SSN card through Enumeration-at-Entry. By electing to participate in this program, the immigrant does not complete a Form SS-5, *Application for a Social Security Card*. Instead, the immigrant applies for an original SSN card on the State DS-230 Form, *Application for Immigrant Visa and Alien Registration*, and DHS electronically transmits to SSA the data elements collected for enumeration purposes. Using these data, SSA assigns an SSN to the immigrant and mails the SSN card to the address the immigrant provided State or DHS.

Enumeration-at-Entry is designed to improve the integrity of the enumeration process because actions are based on certification by State and DHS regarding identity and work authorization. Phase 1, which began in October 2002 consists of State collecting enumeration information from noncitizens over age 18 who are issued visas to become permanent resident aliens in the United States. After Phase 1 is fully implemented, SSA, DHS and State will discuss expanding this process to other groups of immigrants.

CONGRESSIONAL RESPONSE REPORT: EDUCATIONAL INSTITUTIONS' ISSUANCE OF WORK AUTHORIZATION DOCUMENTS TO FOREIGN STUDENTS

Objective

To determine whether foreign students receiving work authorization letters from schools and assigned SSNs actually enroll, attend classes, and are employed on campus.

Background

Over 500,000 foreign students were enrolled at educational institutions in the United States during the 2002-2003 academic year. Students coming to the United States to pursue full-time academic or vocational studies are admitted under three nonimmigrant classifications: (1) the F-1, which includes academic students in colleges, universities, seminaries, conservatories, academic high schools, other academic institutions and language training; (2) the M-1, which relates only to vocational students; and (3) the J-1, which covers exchange visitors. These 3 categories accounted for approximately 1 million of the 32.8 million nonimmigrants admitted to the United States in 2001.

A recent regulation, *Evidence Requirements for Assignment of SSNs; Assignment of SSNs to Foreign Academic Students in F-1 Status*, requires that F-1 students without a DHS employment authorization document provide evidence of both work authorization and employment before the Agency will assign them an SSN. Specifically, the F-1 student will need to provide documentation from the school that he/she will be engaging in authorized employment (in the form of written confirmation from a designated school official) and written documentation that he/she is engaged in or has secured employment (in the form of a written statement from the student's employer).

Despite these controls, the Senate Committee on Governmental Affairs is concerned that some educational institutions are providing students with work authorization letters even though these institutions have no intent to hire the students for on-campus employment. Rather, the schools may be providing these letters solely to assist the students in obtaining SSNs. Additionally, the Committee has asked that we examine certain schools deemed to be "diploma mills," which are perceived to be in business mainly to assist noncitizens in gaining entrance to the United States via student visas.

INCORRECT DEATH INFORMATION FOR AUXILIARY BENEFICIARIES TURNING 18 YEARS OF AGE

Objective

To identify individuals who turned 18 years of age and were incorrectly identified by SSA as deceased because they were auxiliary beneficiaries.

Background

Our January 2002 review, *Disclosure of Personal Beneficiary Information to the Public* (A-01-01-01018), and our August 2002 review, *Effectiveness of the Social Security Administration's Earnings After Death Process* (A-03-01-11035), identified beneficiaries who were improperly listed as deceased on SSA's Death Master File. At some point these individuals had been Old-Age, Survivors and Disability Insurance (OASDI) auxiliary beneficiaries and, upon turning age 18, were no longer eligible for benefits. In such cases, SSA places a payment status code of "T4" (a child terminated because of attainment of age 18) on their Master Beneficiary Records (MBR). However, those "T4" codes were mistakenly associated with dates of death on the MBR for the same month the "T4" code was entered on the MBR. This information was later propagated to the Death Master File, resulting in these beneficiaries being erroneously listed as deceased. Because SSA releases the Death Master File to the public, the personal information for these individuals is being made available over the Internet. Further, SSA is posting the wages for these individuals to the ESF instead of the MEF, so they are not earning credit towards later benefits. Finally, if they are receiving benefits, SSA will periodically alert the cases, suspend their benefits, and request that they prove they are alive.

MILITARY WAGE ITEMS IN THE EARNINGS SUSPENSE FILE

Objective

To determine whether individuals who have public responsibilities and positions of trust, primarily active duty military employees, have wages posted to SSA's ESF and what actions have been taken to resolve these wage problems.

Background

Our September 2003 *Profile of the Social Security Administration's Non-Work Alien File (A-14-03-23071)* found that individuals who had public responsibilities and positions of trust, including active duty military employees, had wages recorded in SSA's non-work alien file. Our review will determine whether an additional condition exists among military 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.

We will review suspended wages in the ESF for Tax Years 1997 to 2002 to (1) determine the number of items submitted to the ESF by military branches and (2) identify potential patterns of errors and irregularities in wage reporting, or other reasons for the suspension of these wage items.

REPORTED EARNINGS BEFORE THE ISSUANCE OF A SOCIAL SECURITY NUMBER

Objective

To determine whether SSA's Master Earnings File is recording earnings for individuals before they are issued an SSN.

Background

SSA provides OASDI 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 do not always differentiate between citizens and noncitizens for determining quarters of coverage. As a result, SSA often 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 a valid SSN.

Earnings posted before enumeration could represent a situation where individuals were working in the economy illegally before enumeration or it could represent other problems, such as improper postings by SSA's edit programs or errors in the Numident fields.² Our review of a sample of such cases should help to determine the frequency of such occurrences, their causes, and their potential impact on the integrity of SSA's programs.

² The Numident contains identifying information on everyone who has ever been issued an SSN. This information consists of the individual's full name, SSN, and date of birth. Generally, the individual's place of birth and parents' full names are also included.

SOCIAL SECURITY NUMBER CARDS ISSUED AFTER DEATH

Objective

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

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 the applicant's physical appearance.

Field office personnel review the SS-5 and determine the validity of supporting evidentiary documents. They then certify and enter 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 third-party verification, an SSN verification printout, or instructions on how to obtain a Numident. The requestor must provide proper identification and a 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. This review will determine whether the appropriate policy is being followed and identify instances of potential SSN misuse.

SOCIAL SECURITY NUMBER MISUSE IN THE AGRICULTURE, SERVICES (TEMPORARY LABOR AND CLEANING), AND FOOD SERVICE (BARS AND RESTAURANTS) INDUSTRIES (3 REPORTS)

Objective

To assess the potential for SSN misuse in the agriculture, services, and food service industries. In addition, we will determine actions SSA has taken on the recommendations contained in our January 2001 reports regarding the agriculture and services (temporary labor and cleaning) industries.

Background

One of SSA's most important responsibilities is to maintain records of wage amounts employers pay individuals. To facilitate this responsibility, SSA created SSNs to maintain individual earnings records and issued workers cards as a record of their SSN. Because SSA calculates future benefit payments based on the earnings an individual has accumulated over his or her lifetime, accuracy in recording those earnings is critical. SSA's ability to do so, however, greatly depends on employers and employees correctly reporting names and SSNs on Forms W-2 (*Wage and Tax Statement*).

SSA uses over 20 automated edits to match employees' names and SSNs and properly credit their earnings to the Master Earnings File. SSA places wage items that fail to match name and SSN records into its ESF. As of October 2003, SSA had posted 9.6 million wage items to the ESF for TY 2001, representing about \$56 billion in wages.

SSN misuse often occurs when an individual provides an employer with an SSN that either has (1) never been assigned or (2) already been assigned to another person. Individuals use SSNs illegally for a variety of reasons, one of which is to obtain employment.

SOCIAL SECURITY NUMBERS ISSUED TO NONCITIZENS WHO SUBSEQUENTLY LEAVE THE COUNTRY OR WHOSE IMMIGRATION STATUS EXPIRES

Objective

To determine whether noncitizens legally assigned SSNs, but who leave the country or overstay their visas, are misusing the SSNs. Additionally, we will determine what remedies the Agency could implement to prevent such misuse.

Background

Based on work performed by our Office of Investigations, we are aware of situations in which noncitizens legally come to the United States and obtain an SSN based on a temporary work-authorized visa. However, once their visa expires or they leave the country, they or someone else continue to use the SSN to work illegally in the United States, obtain benefits, or defraud financial institutions.

SSA does not have a policy to deactivate or void SSNs. Accordingly, SSNs are assigned to the numberholders for life—regardless of their immigration status.

SUSPENDED AND NONWORK WAGES AMONG THE SOCIAL SECURITY ADMINISTRATION'S PAYROLL AND CONTRACTORS (2 REPORTS)

Objective

To determine whether SSA employees, or contractor employees working at SSA, are using nonwork SSNs and/or SSNs that do not match the name/SSN combination in SSA's records.

Background

Title II of the 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 MEF. 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 addition, when wage reports cannot be matched to the correct individual, both SSA and the employer incur additional administrative costs in correcting unmatched wage reports.

Our September 2003 *Profile of the Social Security Administration's Non-Work Alien File (A-14-03-23071)* found that individuals having public responsibilities and positions of trust, including SSA employees, had wages recorded in SSA's unauthorized employment file. Our review will determine whether SSA also employs individuals and/or contractor employees using nonwork SSNs or names/SSNs that do not match SSA's records.

THE IMPACT OF UNAUTHORIZED EMPLOYMENT ON SOCIAL SECURITY BENEFITS

Objective

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

Background

Each year, SSA informs DHS of noncitizens who are working illegally. SSA sends DHS an electronic data file of information on individuals who have earnings recorded under SSNs assigned for nonwork purposes. Resource priorities and data compatibility problems have prevented the Bureau from making effective use of the unauthorized earnings information it receives.

While SSA notifies DHS of unauthorized employment, the Agency does not routinely tell SSA when it changes a person's employment status from unauthorized to authorized. Unless the person informs SSA directly of such a change, SSA enumeration records will continue to show the person as not authorized for employment and record his or her earnings on the Non-Work Alien file. Consequently, SSA does not know the number of workers shown on the Non-Work Alien file who are authorized for employment and should not be reported to DHS or the amount of SSA benefits resulting from unauthorized employment.

THE SELF-EMPLOYMENT INCOME EARNINGS SUSPENSE FILE

Objective

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

Background

Title II of the Act requires that SSA maintain accurate records of wages reported by employers. The 1950 Social Security Amendments extended Social Security coverage to most self-employed individuals beginning with Tax Year 1951. Reported earnings and self-employment income (SEI) containing invalid names and/or SSNs cannot be posted to individual earnings records and are instead placed in the ESF and the SEI ESF. Earnings placed in these two suspense files can affect a worker's eligibility for and the amount of retirement, disability, and survivor benefits.

Taxpayers report SEI to the Internal Revenue Service on Schedule SE, which is part of the individual's income tax return. The Internal Revenue Service reports this SEI information to SSA, which maintains microfilm records of the data in a SEI file. The SEI ESF is maintained in the Earnings Reports Branch and the Claims Development branch for investigative purposes.

Preliminary analysis of the SEI ESF indicates that a high volume of earnings are being reported under "900" series numbers, which appear to be very similar to IRS Individual Taxpayer Identification Numbers.³

³ Individual Taxpayer Identification Numbers are nine-digit numbers that are used by the Internal Revenue Service for individuals who have income that they must report, but who do not have an SSN. For example, a noncitizen must report interest income but is not eligible for an SSN.

UNIVERSITIES' USE OF SOCIAL SECURITY NUMBERS AS STUDENT IDENTIFIERS (REGIONS I THROUGH X)

Objective

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

Background

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

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

USEFULNESS OF EMPLOYEE CORRESPONDENCE IN REDUCING THE GROWTH OF THE EARNINGS SUSPENSE FILE

Objective

To determine whether trends in employer and employee addresses can assist SSA in highlighting problem areas and focusing on employer-assistance activities.

Background

The purpose of the decentralized correspondence process is to contact individuals to resolve SSN and/or name discrepancies on reported earnings. The correspondence provides the wage earner with information about the reported name/SSN and wage amount and requests that the reported information be reviewed, verified or corrected where possible, and returned. While SSA sends most of the decentralized correspondence notices to employees, it sends a notice to the employer when an employee's address is unavailable. In Tax Year 2002, SSA mailed the public over 9 million decentralized correspondence notices.

Returned notices are matched against SSA's internal records and the ESF. If the resubmitted name/SSN information matches SSA's records, the wage item is reinstated from the ESF to the earner's record. If the provided information is still invalid, no further correspondence is sent, and items remain in the ESF awaiting additional edit processes.

A review of the addresses found on these decentralized correspondence notices could better identify those areas of the country where name/SSA mismatches are most prevalent. These data could then be used to assist Employer Services Liaison Officers in targeting their efforts to educate the employer community.

Management of the Disability Process

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

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

If an individual disagrees with the Agency's decision on his/her claim or CDR, the claimant can appeal to SSA's Office of Hearings and Appeals (OHA). OHA's field structure consists of 10 regional offices and 140 hearing offices. OHA's administrative law judges hold hearings and issue decisions. In FY 2003, hearing offices processed 571,928 cases. OHA's average processing time has increased significantly from 274 days in FY 2000 to 344 days in FY 2003.

Further, the pending workload was 591,562 cases on September 30, 2003, whereas it was 346,756 cases on September 30, 2000. We have focused our attention on weaknesses within OHA—such as the backlog of cases, safeguards for sensitive information in case files, and shredding documents.

GAO added modernizing Federal disability programs—including SSA's—to its 2003 high-risk list due, in part, to outmoded concepts of disability, lengthy processing times, and decisional inconsistencies. In September 2003, the Commissioner of Social Security proposed a new approach to improving the disability determination process, which includes several initiatives that emphasize timely and accurate disability decisions. For example, a quick-decision step would initially sort claims based on information provided by claimants to identify people who are obviously disabled.

Additionally, the Commissioner proposed an in-line quality review process and a centralized quality control unit. The Commissioner views her September 2003 proposal as the first step in a collaborative process eventually leading to a final plan for disability improvements.

In addition to her long-term proposal, the Commissioner has accelerated the Agency's transition to the electronic disability folder. The electronic disability folder will allow for disability claims information to be stored electronically and transmitted electronically between field offices, DDSs, and OHA.

**In FY 2003,
DDSs processed
over 2.5 million
initial disability
claims, and the
average
processing time
was 97 days.**

Disability Fraud

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

We are working with SSA to address the integrity of the disability programs through the Cooperative Disability Investigation (CDI) program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability programs. The CDI program is managed in a cooperative effort between SSA's Office of Operations, the OIG, and the Office of Disability Programs. There are 18 CDI units operating in 17 States. In the first half of FY 2004, the CDI units saved SSA almost \$64 million by identifying fraud and abuse related to initial and continuing claims within the disability program.

In FY 2005, we plan to complete 10 reviews and begin 2 reviews in this area.

We Plan to Complete the Following Reviews in FY 2005

Evaluation of the Social Security Administration's Electronic Disability Initiative

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

Office of Hearings and Appeals Megasite Bar-coding System

Office of Hearings and Appeals Pre-effectuation Review Process

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

Supplemental Security Income Recipient Wages Reported on the Earnings Suspense File

The Social Security Administration's Identification of Special Disability Workload Cases

The Social Security Administration's Ticket to Work Program

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

We Plan to Begin the Following Reviews in FY 2005

Consistency of Initial Disability Determination Services Award Rates

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

EVALUATION OF THE SOCIAL SECURITY ADMINISTRATION'S ELECTRONIC DISABILITY INITIATIVE

Objective

To determine whether SSA's project management of its Electronic Disability Initiative 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 Electronic Disability Initiative is the Agency's technological approach to automating the disability claims process. The Electronic Disability Initiative is expected to assist the Agency in finding innovative ways to meet the challenge of increasing workloads in the future. The Electronic Disability initiative will replace the current paper claims folder with an electronic record that can be accessed by all case processing components. Electronic Disability is expected to

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

IMPACT OF DUE PROCESS ON SUPPLEMENTAL SECURITY INCOME AND DISABILITY INSURANCE BENEFIT PAYMENTS MADE DURING THE APPEALS PROCESS (2 REPORTS)

Objective

To determine the financial impact of SSA's appeals process on the SSI and DI benefit payments made under Public Law 97-455.

Background

A determination of benefit cessation is made when a CDR reveals the beneficiary no longer meets the requirements for disability benefits. Benefit cessation decisions are made by disability examiners in the Office of Central Operations and the DDS as well as disability specialists in the program service centers. Public Law 97-455 gives the disabled beneficiary the option for benefit continuation through the reconsideration and/or administrative law judge hearing process in medical cessation determinations.

It takes approximately 322 days for initial claims and CDRs to go through the OHA level of appeal. Benefit payments made during the OHA appeal process are considered overpayments if the cessation decision is upheld. SSA waives the overpayment when the claimant is found to be without fault in causing the overpayment, and recovery or adjustment would defeat the purpose of the disability program.

OFFICE OF HEARINGS AND APPEALS MEGASITE BAR-CODING SYSTEM

Objective

To determine whether the technological and management improvements implemented at the Megasite effectively track case folders and safeguard folders from loss.

Background

Appeals for disability claims are handled within the Office of Appellate Operations. Folders for denied claims are sent to the Megasite in Springfield, Virginia. The Megasite is the central repository for all claims pending the possibility that the claimant will request a review of the file by an Administrative Appeals Judge. In FY 2003, we reviewed the operations of the OHA Megasite. We conducted the review because the computer inventory system was losing data and SSA staff could not find requested folders.

We tested the Megasite's physical and computerized inventories. The Megasite had approximately 200,000 folders at the time of our audit. We selected a random sample of 300 folders from the inventory system. We projected OHA could not locate as many as 10,100 folders. OHA subsequently installed new computer and bar coding equipment.

We made a number of recommendations regarding Megasite operations including improving the technology in the Megasite; enhancing accountability for records management by collecting information on the number of lost folders and costs to replicate missing documents; and developing formal reports detailing the results of the inventories to include the count of folders inventoried and any discrepancies noted.

SSA claims the new bar-coding system has reduced the time to code and file cases by 83 percent and has reduced the number of aged cases and Appeals Council decisions that are remanded to hearing offices as a result of lost files.

OFFICE OF HEARINGS AND APPEALS PRE-EFFECTUATION REVIEW PROCESS

Objective

To determine the effectiveness of the pre-effectuation review process.

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 administrative law judges. In August 1998, the Agency began the pre-effectuation review process of administrative law judge decisions. This process allows the Office of Quality Assurance and Performance Assessment (OQA) to review allowance decisions made by administrative law judges and refer them to the Appeals Council for review. Pre-effectuation reviews 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, the Council can issue its own decision on the case or remand the case to the administrative law judge who initially decided to allow the case.

SSA initiated the pre-effectuation review process to identify policy issues that should be clarified through publication of regulations or rulings. Discussions with SSA staff indicate the pre-effectuation review process has identified differences in disability determinations between OQA policy and the administrative law judges' decisions. Through the pre-effectuation review process, OQA has identified cases that were initially allowed by the administrative law judges 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 to the administrative law judges for further review.

OFFICE OF HEARINGS AND APPEALS REVERSAL OF DISABILITY DENIAL DECISIONS INVOLVING INVESTIGATIVE INFORMATION FROM COOPERATIVE DISABILITY INVESTIGATION UNITS

Objective

To determine the extent of and the reasons for OHA reversal of DDS denial decisions when the denial was based on evidence obtained from a CDI Unit.

Background

The CDI program is managed in a cooperative effort between SSA's Office of Operations, the OIG, and the Office of Disability Programs. SSA provides virtually all of the funding for the CDI program while OIG maintains the daily operations. Since FY 1998, 18 units have been opened in 17 States. CDI Units support SSA's strategic goal of establishing zero tolerance for fraud, thus ensuring public confidence in the integrity of SSA's programs and operations. The CDI Units report facts uncovered during an investigation to resolve questions of fraud in SSA's disability programs. The CDI Unit does not make disability determinations but provides information to the State DDSs to make timely and accurate disability determinations.

In FY 2003, CDI Units confirmed 1,640 fraud cases. As a result, SSA avoided improper payments of approximately \$102 million.

SUPPLEMENTAL SECURITY INCOME RECIPIENT WAGES REPORTED TO THE EARNINGS SUSPENSE FILE

Objective

To determine whether existing information in SSA's systems, including correspondence with employees, can assist the Agency in detecting suspended wages related to SSI recipients.

Background

Title II of the 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. Suspended wages can affect a worker's eligibility for and/or the amount of retirement, disability, or survivor benefits. In addition, when wage reports cannot be matched to the correct individual, both SSA and the employer incur additional administrative costs correcting unmatched wage reports.

As of July 2002, the ESF contained approximately 244 million wage items totaling about \$421 billion related to Tax Years 1937 through 2001. In Tax Year 2001 alone, 9.6 million items and \$56 billion in wages were posted to the ESF. Removal of wage items and their associated dollar value from the ESF only occurs when the wages can be matched and posted to an individual's Master Earnings File.

SSA sends decentralized correspondence to employees to resolve SSN and/or name discrepancies on reported earnings. The correspondence provides the wage earner with information about the reported name/SSN and wage amount and requests that the reported information be reviewed, verified or corrected where possible, and returned. While SSA sends most of the decentralized correspondence notices to employees, it sends a notice to the employer when an employee's address is unavailable.

Wages posted to the Master Earnings File are used to identify SSI recipients who are working. If an SSI recipient's wages are in the ESF, his or her SSI payments could be too high. Our review will determine whether wages in the ESF could be used to update earnings records and locate potential overpayments to SSI recipients.

THE SOCIAL SECURITY ADMINISTRATION'S IDENTIFICATION OF SPECIAL DISABILITY WORKLOAD CASES

Objective

To determine whether SSA has identified and taken actions to implement system enhancements to prevent future Special Disability Workload cases and identified the universe of Special Disability Workload cases.

Background

SSA identified individuals who were receiving SSI payments and who appear to be insured for, but were not receiving, disability benefits under the DI program. SSA refers to these cases as the Special Disability Workload.

Each year, SSA identifies individuals who meet insured status for DI benefits. SSA uses a "KZ diary" to alert field office staff to those cases where an individual receiving SSI payments is likely to be insured for disability benefits under the OASDI program. However, SSA's systems did not always identify all SSI applicants who were insured for disability benefits under the DI program or gained insured status through subsequent earnings.

In 1999, SSA identified approximately 130,000 Special Disability Workload cases. In FY 2002, this workload increased to 300,000 cases. In its FY 2003 *Performance and Accountability Report*, SSA stated the Agency is reviewing approximately 476,000 Special Disability Workload cases for potential DI entitlement.

THE SOCIAL SECURITY ADMINISTRATION'S TICKET TO WORK PROGRAM

Objective

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

Background

The Ticket to Work program was established by the *Ticket to Work and Work Incentives Improvement Act of 1999*. The program provides eligible DI and SSI beneficiaries with tickets that can be used to obtain vocational rehabilitation or employment services through an Employment Network or State vocational rehabilitation agency. The program is intended to increase access to, and the quality of, rehabilitation and employment services. The Ticket to Work program was designed to provide beneficiaries greater freedom and choice of service providers, create competition 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. Daily administration of the Ticket to Work program is the responsibility of a program manager. SSA has contracted Maximus, Inc., to perform this role. The contract with Maximus includes 23 tasks representing the specific services it is required to provide.

We will review the following 10 tasks identified in the contract. The remaining tasks will be assessed in separate reviews.

Task 1 - Contractor Orientation

Task 16 - Monthly Progress Reports

Task 2 - Start-up Plan

Task 17 - Annual Report

Task 3 - Toll-free Number

Task 20 - Periodic Meetings with SSA Project Officer

Task 8 - Ticket Program Training

Task 21 - Periodic Special Studies

Task 9 - Management of Ticket Process

Task 22 - Conference Planning

THE SOCIAL SECURITY ADMINISTRATION'S WORKERS' COMPENSATION DATA MATCH WITH THE STATE OF TEXAS

Objective

To report on the status of SSA's pilot project matching DI records with Texas workers' compensation (WC) payment data. As part of this audit, we plan to

- evaluate the procedures used to complete the matching process,
- summarize the impact of unreported and incorrectly reported WC payments on DI benefits, and
- determine the status of collection and payment of over/underpayments identified during the matching process.

Background

SSA administers the OASDI program under Title II of the Act to provide benefits to retired and disabled workers, including their dependents and survivors. Benefits are reduced or totally offset if a disabled worker is also entitled to State WC payments.

On August 15, 2000, SSA and the Texas Workers' Compensation Commission signed an agreement for the Commission to provide SSA WC records for a matching operation. SSA identified 3,463 cases for which it had no prior WC information (Type A alerts) and 1,773 cases for which it did have WC information but for which the amounts in SSA's records differed from the amounts in the Texas WC file (Type B alerts).

Our April 2003 *Management Advisory Report: The Social Security Administration's Workers' Compensation Data Match with the State of Texas* reported that we could not evaluate the results of SSA's WC data match with the State of Texas because SSA had not (1) completed its analysis of the DI cases with WC data identified from the match, (2) conducted a match against SSI records, (3) assigned overall accountability of the Texas match project to any particular component, (4) defined when it will derive the results necessary to determine whether the project will be worth expanding to other States, or (5) conducted or started the process of conducting a cost-benefit analysis as of the time of our review.

Based on our recommendation, SSA designated the Office of Disability and Income Security Programs to oversee, consolidate, and report the work being done by the various SSA components involved in the project and establish time frames for the completion of work by each component and the lead office. SSA also stated that OQA would perform the cost-benefit analysis for the Title II portion of the Texas data match. As of May 2004, SSA had completed its review of cases identified from matching records from the Texas database to SSA beneficiary records.

Improper Payments

SSA issues benefit payments under the OASDI and SSI programs. Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to about 50 million individuals, 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, or payments to ineligible beneficiaries. Furthermore, the risk of improper payments increases in programs with

- a significant volume of transactions,
- complex criteria for computing payments, and
- an overemphasis on expediting payments.

The President and Congress have expressed interest in measuring the universe of improper payments within the Government. In August 2001, OMB published the FY 2002 PMA, 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 law.

Under the Act, agencies that administer programs where the risk of improper payments is significant must estimate their annual amount of improper payments and report this information in their Annual Performance and Accountability Reports. OMB works with each agency to establish goals for reducing improper payments for each program.

SSA and the OIG have had discussions on such issues as detected versus undetected improper payments and avoidable versus unavoidable overpayments that are outside the Agency's control and a cost of doing business. In August 2003, OMB issued specific guidance to SSA to only include avoidable overpayments in its 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 included in SSA's improper payment estimate.

**In FY 2003,
SSA issued
over
\$500 billion in
benefit
payments to
about
50 million
beneficiaries.**

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. For example, the Agency is continuing its efforts to prevent improper payments after a beneficiary dies through the use of *Electronic Death Registration* information. Also, the Agency's CDR process identifies and prevents payments to beneficiaries who are no longer disabled.

In FY 2004, we focused on improper payments that go undetected by SSA's normal processes. For instance, in one review of disabled beneficiaries who work, we found that SSA had assessed about \$1.78 billion in overpayments for about 117,320 individuals. However, we estimated the Agency did not detect about \$1.37 billion in overpayments to about 63,000 beneficiaries. SSA is implementing eWork, a new initiative to strengthen controls in this area.

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, our work has shown that improper payments—such as those related to WC—continue to diminish the Social Security trust funds. Additionally, with the passage of the *Social Security Protection Act of 2004*, SSA faces new challenges in preventing and recovering improper payments—such as OASDI benefits to fugitives.

In FY 2005, we plan to complete 19 reviews and begin 12 reviews in this area.

We Plan to Complete the Following Reviews in FY 2005

Controls over Title II Replacement Checks

Controls over Unnegotiated Checks

Disabled Supplemental Security Income Recipients with Earnings on the Master Earnings File

Follow-up: The Social Security Administration's Controls to Prevent and Detect Direct Deposit Fraud

Implementation of the Executive Order Prohibiting Payments to Terrorists

Individuals Receiving Benefits Under Multiple Social Security Numbers at the Same Address

Individuals Receiving Multiple Auxiliary or Survivors Benefits

Information System Controls over Workers' Compensation Payments

Manual Changes to Title II Benefits Via the Manual Adjustment Credit and Award Data Entry System

Payroll Tax Reporting by the Social Security Administration's Contractors

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

School Attendance by Student Beneficiaries over Age 18

The Social Security Administration's Administrative Finality Rules

The Social Security Administration's Controls over Suspending Collection Efforts on Title XVI Overpayments

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

The Social Security Administration's Decisions to Terminate Collection Efforts for Old-Age, Survivors and Disability Insurance Overpayments Recorded on the Recovery of Overpayments, Accounting and Reporting System

The Social Security Administration's Use of Deportation Data

Uncollectible Title XVI Overpayments that Exceed \$200

Undetected Overpayments in the Social Security Administration's Disability Programs

We Plan to Begin the Following Reviews in FY 2005

Effectiveness of the Social Security Administration's Controls and Procedures over Supplemental Security Income Death Alerts

Follow-up: Supplemental Security Income Overpayment Audit

Follow-up: The Social Security Administration's Controls over Withholding Taxes and Suspending Benefits to Foreign Beneficiaries where Country of Citizenship is Known

Follow-up: The Social Security Administration's Efforts to Improve the Management of its Pending Workers' Compensation Workload

Follow-up: The Social Security Administration's Recovery of Medicare Premiums Related to Title II Payments Made After Death

Management of the Treasury Reclamation Process

Match of Veterans Affairs Historical Death File Against Supplemental Security Income and Old-Age, Survivors and Disability Insurance Beneficiaries

New Earnings Suspense File Edits and Changes in Disability Income Benefits

Office of Hearings and Appeals Attorney Fees

Payment Accuracy of the Cleaned Up Disability Insurance Cases with Workers' Compensation/Public Disability Offset

Payments to Surviving Spouses at Retirement Age

Savings Due to the Suspension of Benefits to Prisoners

CONTROLS OVER TITLE II REPLACEMENT CHECKS

Objective

To determine the adequacy of controls over the number of double-check negotiations issued to the same beneficiary or representative payee and the adequacy of actions to recover double-check negotiations.

Background

A recent audit of the controls over Title XVI replacement checks found that SSA has neither adequate controls to prevent individuals from negotiating multiple replacement checks nor procedures to promptly recover overpayments. The number of double-check negotiations has continued to increase in recent years, and SSA needs to take further actions to address this problem. Based on our audit results, we recommended additional training, automation enhancements, increased use of administrative sanctions and direct deposit, and assistance to field offices with high numbers of double-check negotiations.

Our review of the data of Title II double-check negotiations showed there were over 200 cases of beneficiaries with 5 or more double-check negotiations in a 2.5 year time frame.

CONTROLS OVER UNNEGOTIATED CHECKS

Objective

To assess the effectiveness of controls over unnegotiated checks.

Background

SSA initiated the Unnegotiated Check Project to identify Title II beneficiaries who have not cashed 10 or more checks within the last 5 years. SSA attempted to contact beneficiaries by mail and telephone. In some cases, field representatives also went to beneficiaries' addresses. In cases where SSA was ultimately unable to locate beneficiaries, it suspended benefits with the current operating month pending any further clarification of the claimant's status.

At the end of this process, SSA examined each case and concluded checks had not been cashed because the beneficiary had died, was incapacitated, or had moved. In a number of cases, claimants were aware they had not cashed the checks but were unaware the checks became void after a certain number of days. In other cases, SSA could not locate the claimant or fraud was involved in some way. For example, some individuals were deceased, but someone was cashing their checks. In New York, SSA found 368 claimants who had 10 or more unnegotiated checks in the 5-year period ended December 2002. SSA referred these cases to our Office of Investigations.

DISABLED SUPPLEMENTAL SECURITY INCOME RECIPIENTS WITH EARNINGS ON THE MASTER EARNINGS FILE

Objective

To determine whether SSA considered the earnings of disabled individuals when determining SSI eligibility and payment amounts.

Background

SSA considers individuals to be disabled if they cannot engage in any substantial gainful work activity because of a physical or mental impairment. This inability to work must have lasted (or be expected to last) for 12 continuous months or end in death.

SSI program rules require that SSA consider disabled recipients' earnings when determining eligibility and payment amounts. To identify unreported or underreported earnings, SSA conducts various computer data matches. For example, it compares earnings reported to the Master Earnings File with its SSI payment records.

FOLLOW-UP: THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS TO PREVENT AND DETECT DIRECT DEPOSIT FRAUD

Objective

To follow-up on prior recommendations and determine the effectiveness of SSA's controls over the prevention and detection of direct deposit fraud and irregularities.

Background

One of SSA's strategic goals is to deliver citizen-centered, high-quality service. One way SSA plans to achieve this goal is by expanding the use of Internet and toll-free telephone services. While expanding the use of electronic services will improve SSA's responsiveness, it will also increase the risk of unauthorized access to SSA records and beneficiary payments.

SSA offers many services to customers through its 1-800 number telephone service, including change of direct deposit information. SSA is also affiliated with the QuickStart direct deposit program. QuickStart allows beneficiaries to have their benefit payments deposited electronically in their checking or savings account without direct interaction or contact with SSA staff.

We issued an early alert memorandum in 1999 and a management advisory report in 2001. Our early alert stated SSA needed to

- train all service representative and teleservice representatives on the proper detection and reporting procedures for potential direct deposit fraud incidents and
- establish an automated trail to track electronic transactions originating outside the Agency.

Our management advisory report stated

- People can circumvent controls designed to prevent direct deposit fraud in situations where SSA has no face-to-face contact with the customer or beneficiary.
- SSA has insufficient controls in place to prevent or detect fraud, or the assignment of future benefits to third parties, when depository financial institutions initiate direct deposit transactions.
- Transactions initiated by depository financial institutions can be used to bypass SSA's representative payee process.

IMPLEMENTATION OF THE EXECUTIVE ORDER PROHIBITING PAYMENTS TO TERRORISTS

Objective

To assess SSA's internal controls over the implementation of Executive Order 13224 prohibiting payments to terrorists.

Background

On September 23, 2001, the President signed Executive Order 13224, *Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism*. On December 18, 2002, the Department of the Treasury (Treasury) issued Treasury Financial Manual, Bulletin No. 2003-04 notifying Federal agencies that they must not make payments to any individual or organization listed on Treasury's Office of Foreign Assets Control website, which contains a list of persons who commit, threaten to commit, or support terrorism. The Bulletin requires that agencies consult the website before making payments.

The 89-page list of organizations and individuals is posted on the Office of Foreign Assets Control website: <http://www.ustreas.gov/offices/enforcement/ofac/sanctions/terrorism.html>. The individuals and organizations are listed by name and alias, and the individual data vary as far as detail. In some cases, a date of birth or partial date of birth is provided, and, in rare cases, an SSN is listed.

To comply with the Executive Order, SSA needs to ensure that none of the individuals or organizations is receiving benefits or any type of payments from SSA.

INDIVIDUALS RECEIVING BENEFITS UNDER MULTIPLE SOCIAL SECURITY NUMBERS AT THE SAME ADDRESS

Objective

To identify individuals who are inappropriately receiving Social Security benefits and SSI payments under multiple SSNs at the same mailing address.

Background

When an individual applies for OASDI benefits or SSI payments, SSA staff asks the person about any prior applications for benefits. They do this to ensure individuals who may be entitled on more than one record receive the correct amount, as the total benefits payable should not exceed the largest benefit payable on any one record. In addition, SSA runs a Master File Duplicate Detection Operation semiannually to identify OASDI records that appear to be duplicates based on name, date of birth, and ZIP Code. SSA personnel review the records to determine whether they relate to the same beneficiary, correct the benefit amounts (if necessary), and assess any overpayments.

Although SSA has controls in place to identify and prevent multiple benefit payments to the same person, we were alerted to three cases in January 2004 where the beneficiary inappropriately received benefits under multiple SSNs at the same address. To identify the extent of this situation, we analyzed a data extract of approximately 47 million OASDI beneficiaries and 7 million SSI recipients receiving payments in March 2004. Based on our analysis of these SSNs, address information and benefit records, we initially identified 381 beneficiaries who may have received benefits inappropriately under at least 2 different SSNs at the same address.

INDIVIDUALS RECEIVING MULTIPLE AUXILIARY OR SURVIVORS BENEFITS

Objective

To determine whether individuals who receive multiple auxiliary or survivors benefits are entitled to the benefit payments.

Background

In February 2004, during our audit of *Individuals Receiving Multiple Childhood Disability Benefits*, we identified a new population of 1,514 individuals who appeared to be receiving multiple auxiliary or survivor benefits inappropriately. The OASDI program provides auxiliary benefits to the eligible spouses and children of retired or disabled workers. In addition, benefits may be payable to the survivors of deceased workers. Individuals may be entitled to auxiliary or survivor benefits based on several workers' earnings (for example, based on the earnings of both parents) but generally may only be paid the higher of the two.

We referred the 1,514 cases to SSA, and we are working with the Agency to ensure corrective action is taken.

INFORMATION SYSTEM CONTROLS OVER WORKERS' COMPENSATION PAYMENTS

Objective

To assess the effectiveness of the application controls governing the correct calculation of WC offset amounts in the Title II Disability System. Also, we will determine whether the changes made for the Title II redesign have corrected the rejection of certain WC cases.

Background

Since 2002, disability claims involving WC offset can be processed in SSA field offices. However, the Title II Disability System is rejecting certain WC cases. A systems error or a claims representative improperly processing the case could be causing the rejection of certain cases. Furthermore, rejected cases tend to be more time-consuming and costly to process because both the field offices and the program service centers have to work them.

The Social Security Act requires that SSA offset disability benefits for individuals who receive Federal, State or locally administered WC benefits in most States. However, 14 States are required by State law to offset WC benefits with Title II disability benefits.

When an individual applies for Title II disability benefits, field office personnel determine whether WC may be involved. If SSA approves disability benefits and the applicant's WC claim is pending, SSA requires that beneficiaries report receipt of subsequent WC payments. SSA policies and procedures require that personnel follow up on WC issues until resolved. SSA's Modernized Claims System generates a one-time diary alert after benefit approval. This diary alert reminds personnel to follow up on pending WC issues. Program service center personnel must manually establish additional diaries to continue developing WC issues.

MANUAL CHANGES TO TITLE II BENEFITS VIA THE MANUAL ADJUSTMENT CREDIT AND AWARD DATA ENTRY SYSTEM

Objective

To determine whether SSA's procedure for manually changing Title II benefit payments via the Manual Adjustment Credit and Award Data Entry system results in payment errors.

Background

A Manual Adjustment Credit and Award Process action establishes a new record and/or changes any or all previously established MBR data.

When a beneficiary receives payment on more than one record, the underpayment or overpayment is usually manually calculated; therefore, there is the potential for human error using the Manual Adjustment Credit and Award Process/Manual Adjustment and Award Data Entry system.

We believe the potential for error, based on prior OIG work, warrants reviewing this area. In FY 2002, SSA assessed about \$1.6 billion in new Title II overpayments—a portion of which was manually calculated.

PAYROLL TAX REPORTING BY THE SOCIAL SECURITY ADMINISTRATION'S CONTRACTORS

Objective

To determine whether SSA's contractors are appropriately paying payroll taxes on their employees.

Background

In the February 2004 audit, *Some DoD Contractors Abuse the Federal Tax System with Little Consequence*, GAO reported that Department of Defense (DoD) and Internal Revenue Service records showed that over 27,000 DoD contractors owed about \$3 billion in unpaid Federal taxes as of September 30, 2002. Of these contractors, GAO found that over 25,600 contractors owed payroll taxes, with some dating back to the early 1990s. These payroll taxes included amounts withheld from employee wages for Social Security, Medicare, Federal individual income taxes and the employer's related matching contributions for Social Security and Medicare.

As of May 2004, SSA had about 2,600 active contracts totaling over \$1.3 billion. These contracts relate to a variety of SSA operations, including medical services, worker rehabilitation, consulting/auditing, and verification services. We will review the earnings records of SSA's contractors to verify that Social Security and Medicare payroll taxes are being collected and reported accurately.

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

Objective

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

- controls to ensure excess conserved funds information is forwarded to the appropriate SSA field office for review and
- compliance with policies for resolving reported excess conserved funds.

Background

Under the SSI program, to be eligible for benefits, a recipient is limited to \$2,000 in resources (or \$3,000 for recipients with a spouse who is also eligible for benefits). If the resource limits are exceeded, 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 were 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.

Recent audits found that SSA has not always taken appropriate actions when representative payees report excess conserved funds for SSI recipients. For example, in one case, a representative payee reported \$12,562 in conserved funds. However, SSA did not perform the required review, and, as a result, benefits continued uninterrupted.

SCHOOL ATTENDANCE BY STUDENT BENEFICIARIES OVER AGE 18

Objective

To determine the adequacy of SSA's procedures for ensuring student beneficiaries over age 18 are entitled to receive student benefits in accordance with the Social Security Act.

Background

Title II of the Act provides benefits to children of insured workers upon the worker's retirement, death, or disability. 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 disclosed that student beneficiaries received incorrect and unsupported payments of \$73.9 and \$140.4 million, respectively. In response to our audit, in March 2001, 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.

THE SOCIAL SECURITY ADMINISTRATION'S ADMINISTRATIVE FINALITY RULES

Objective

To assess the impact of SSA's administrative finality rules on the assessment of overpayments.

Background

Once SSA makes determinations regarding SSI or OASDI eligibility or payment amounts, those determinations may be reopened and revised under certain conditions. The rules SSA uses to reopen and revise determinations are known as the rules of administrative finality.

SSA regulations allow a determination to be reopened and revised under the rules of administrative finality under the following conditions:

- 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 benefit payments issued for any months before the administrative finality time limits to be overpayments, and recovery is not pursued.

THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS OVER SUSPENDING COLLECTION EFFORTS ON TITLE XVI OVERPAYMENTS

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 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 income sources, earned or unearned, as well as computer matching from other Federal and State agencies to verify that information, such as the beneficiary's marital status and/or living arrangements, is correct. The information is used to determine initial eligibility, benefit amounts and periodic benefit redeterminations. Because a beneficiary's SSI determination factors, such as financial status, marital status and living arrangements, may vary over time, SSI payments are error-prone and may result in overpayments.

Recovery of SSI debt is more likely to occur with debtors still eligible for an SSA monthly benefit and typically withheld from a portion of the monthly benefit until the overpayment is repaid. For debtors no longer receiving a monthly benefit, collection efforts are more difficult. The end result is often a decision to write off the debt. Debt write-offs include debts that are waived, which are not subject to future recovery, and debts where the Agency terminates debt collection efforts, which may be subject to future recovery. However, if the write off is deemed suspended from further collection, such as unable or unwilling to pay, unable to locate, or out of the country, the overpayment may be recovered. This suspension allows the Agency to stop unproductive collection efforts while continuing to keep collection options open to a change of events that may lead to collection of the overpayment. These overpayments are left indefinitely in suspended collection status so the Agency may use various collection tools at a future date.

THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS OVER THE OLD-AGE, SURVIVORS AND DISABILITY INSURANCE WAIVER APPROVAL PROCESS

Objective

To determine whether SSA's waiver approval process ensures administrative waivers of \$500 or less adequately protect the OASDI program's integrity and waiver decisions exceeding \$500 are in accordance with Title II of the Social Security Act.

Background

The OASDI program provides protection against the loss of earnings because of retirement, disability and death. For the fiscal year ended September 30, 2003, the OASDI program provided total benefit payments of \$467.5 billion to 46.9 million beneficiaries.

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

For Fiscal Year 2003, SSA reported in its *Report on Receivables Due from the Public* approximately \$276.8 million in overpayment waivers. Overpayment waivers totaled approximately \$67 million for the Old-Age and Survivors Insurance program and \$209.8 million for the Disability Insurance program.

THE SOCIAL SECURITY ADMINISTRATION'S DECISIONS TO TERMINATE COLLECTION EFFORTS FOR OLD-AGE, SURVIVORS AND DISABILITY INSURANCE OVERPAYMENTS RECORDED ON THE RECOVERY OF OVERPAYMENTS, ACCOUNTING AND REPORTING SYSTEM

Objective

To determine whether SSA's decisions to terminate collection efforts for OASDI overpayments recorded on the Recovery of Overpayments Accounting and Reporting System were in accordance with its policies and procedures.

Background

SSA administers the OASDI program under Title II of the Social Security Act. The OASDI program provides protection against the loss of earnings due to retirement, disability and death.

Overpayments consist of legally defined and non-legally defined overpayments. Legally defined overpayments are payments of more than the correct amount. For example, a payment is improperly certified to the address of an individual who has the same or similar name as the intended beneficiary. Non-legally defined overpayments are payments not due or received by the beneficiary or were not correctly used for the beneficiary. Non-legally defined overpayments are incorrect or erroneous payments. For example, beneficiary's funds misused by a representative payee.

Agency policies prescribe various actions to be taken to recover overpayments. It is SSA's responsibility to identify the overpayments and pursue recovery of the debt.

SSA may decide to terminate collection efforts after all appropriate collection tools have been used and the debt is considered uncollectible. Although active collection efforts cease, the overpayments are maintained on SSA's Recovery of Overpayments Accounting and Reporting System as inactive debts that may be recovered sometime in the future.

THE SOCIAL SECURITY ADMINISTRATION'S USE OF DEPORTATION DATA

Objective

To determine how effectively SSA identifies beneficiaries and other individuals who have been deported from the United States.

Background

Each month, the United States Citizenship and Immigration Services, a component of DHS, notifies SSA of individuals who have been deported from the United States. This notification is required by section 202(n)(2) of the Act and applies to individuals deported under section 241(a) of the 1990 Immigration and Nationality Act.

SSA's Division of Annual Withholding Report receives the United States Citizenship and Immigration Services deportation listing each month, verifies SSNs on the list, and records deportation information on SSA's Disability, Railroad, Alien and Military Service database. As of June 23, 2003, this database contained 207,391 deportation records.

Section 202(n) of the Act prohibits SSA from paying Social Security benefits to certain individuals deported from the United States. In addition, SSA cannot make SSI payments to deportees. The law requires that SSA stop both OASDI and SSI payments in the month that United States Citizenship and Immigration Services notifies SSA of the deportation.

UNCOLLECTIBLE TITLE XVI OVERPAYMENTS THAT EXCEED \$200

Objective

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

Background

Title XVI of the Act established the SSI program 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 an individual's financial resources can vary, SSI payments are error-prone and may result in overpayments.

Under limited circumstances, SSA may deem an overpayment uncollectible. For example, if the beneficiary has filed for bankruptcy or has been declared bankrupt, SSA will deem the overpayments uncollectible. If the beneficiary is deceased and has no surviving spouse or estate, SSA deems any overpayments on this beneficiary's record uncollectible. Also, when specific conditions are met, the Act requires that SSA deem overpayments relating to presumptive disability as uncollectible.

Title XVI program funds may be lost if overpayments are incorrectly classified as uncollectible. From FY 1998 through 2001, overpayments deemed uncollectible increased from \$99 to \$150 million, a 51-percent increase.

UNDETECTED OVERPAYMENTS IN THE SOCIAL SECURITY ADMINISTRATION'S DISABILITY PROGRAMS

Objective

To quantify the amount of undetected overpayments in SSA's disability programs.

Background

On September 4, 2003, we received a request from Senator Charles Grassley to further analyze the improper payment prevalence in SSA's disability programs.

SSA pays disability benefits under Titles II and XVI of the Social Security Act. In FY 2002, SSA paid approximately \$97.2 billion in benefits under the DI and SSI programs and assessed about \$2.9 billion in overpayments. However, based on our prior studies of SSA, other Federal agencies, and private disability insurers, we believe about 10 percent of SSA's disability benefit payments could be at-risk for undetected overpayments.

Internal Control Environment and Performance Measures

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

SSA is responsible for implementing policies for the development of disability claims under the DI and SSI programs. Disability determinations under both DI and SSI are performed by DDSs in each State in accordance with Federal regulations. In carrying out its obligation, each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. To assist in making proper disability determinations, each DDS is authorized to purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources. There are 52 DDSs located in each of the 50 States, the District of Columbia, and Puerto Rico. SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. In FY 2003, SSA allocated over \$1.6 billion to fund DDS operations.

During FYs 2000 through 2003, we conducted 15 DDS administrative cost audits. In 13 of the 15 audits, internal control weaknesses were identified. For example, we reported that improvements were needed to ensure Federal funds were properly drawn and payments to medical providers were in accordance with Federal regulations. The lack of effective internal controls can result in the mismanagement of Federal resources and increase the risk of fraud.

Assessing the control environment over DDSs and SSA's performance measures helps ensure the Agency is properly managing its resources to meet its mission.

In 6 of the 15 DDS administrative cost audits, we reported unallowable indirect costs totaling about \$12.3 million. As a result, we initiated a separate review of SSA's oversight of indirect costs. We reported that SSA needed to improve its oversight of indirect costs claimed by

DDSs to ensure SSA funds obligated by DDSs through the indirect cost process benefited SSA's disability programs and the costs were equitably distributed to its programs.

Congress, external interested parties, and the general public need sound data to monitor and evaluate SSA's performance. SSA relies primarily on internally generated data to manage the information it uses to administer its programs and report to Congress and the public. The necessity for good internal data Government wide has resulted in the passage of several laws, including the Government Performance and Results Act. In addition to the legislation calling for greater accountability within the Government, the

PMA has focused on the integration of the budget and performance measurement processes. The PMA calls for agencies to, over time, identify high quality outcome measures, accurately monitor the performance of programs, and begin integrating this presentation with associated cost.

SSA sets forth its mission and strategic goals in strategic plans, establishes yearly targets in its annual performance plan, and reports on its performance annually. Each year, we conduct audits to assess the internal control environment over SSA's performance measures. The objective of this work is to assess the reliability of SSA's performance data and evaluate the extent to which SSA's performance measures describe its planned and actual performance meaningfully.

Assessing the control environment over DDSs and SSA's performance measures helps to ensure that the Agency is properly managing its resources to meet its mission.

In FY 2005, we plan to complete 19 reviews and begin 11 reviews in this area. We also plan to oversee the reviews of 16 performance measures.

We Plan to Complete the Following Reviews in FY 2005

Administrative Costs Claimed by State Disability Determinations Services: 11 reviews to be conducted in Alaska, Arkansas, Delaware, District of Columbia, Iowa, New Hampshire, North Carolina, Ohio, Pennsylvania, South Dakota, and Wisconsin

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

Fiscal Year 2004 Financial Statement Audit Oversight

Fiscal Year 2004 Inspector General Statement on the Social Security Administration's Major Management Challenges

Independent Living Resource Center of North East Florida

Indirect Costs Claimed by the Arizona, New Jersey, and Oregon Disability Determination Services

Westat Contract Closeout on Contract Number 0600-99-36200

We Plan to Begin the Following Reviews in FY 2005

Administrative Costs Claimed by the Indiana, Louisiana, Maine, Maryland, Missouri, New York, Oklahoma, and Virginia Disability Determination Services

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

Fiscal Year 2005 Financial Statement Audit Oversight

The Social Security Administration's Oversight of the Financial Reporting of the Disability Determination Services

We plan to Oversee Reviews of the Following Performance Indicators

Performance Indicator Audits: Audits of the Social Security Administration's Performance Data

- Number of appellate actions processed
- Number of initial disability claims pending
- Number of SSA hearings pending
- Hearings decision accuracy rate
- Retirement and Survivor Insurance claims processed
- Percent of people who do business with SSA rating the overall service as "excellent," "very good," or "good"
- SSI nondisability redeterminations
- Periodic continuing disability reviews processed
- Percent of outstanding SSI debt in a collection arrangement
- Percent of outstanding OASDI debt in a collection arrangement
- SSN requests processed
- Percent of SSNs issued that are free of critical error
- Annual earnings items processed
- Number of job enrichment opportunities (includes Headquarters component and regional development programs)
- Number of SSA hearings cases processed per workyear
- Percent of SSI Aged claims processed by the time the first payment is due or within 14 days of the effective filing date

ADMINISTRATIVE COSTS CLAIMED BY STATE DISABILITY DETERMINATION SERVICES

We will be conducting reviews in the following State DDSs

- Alaska
- Arkansas
- Delaware
- District of Columbia
- Iowa
- New Hampshire
- North Carolina
- Ohio
- Pennsylvania
- South Dakota
- Wisconsin

Objective

The objectives of the DDS administrative cost audits are to

- evaluate the DDS' internal controls over the accounting and reporting of administrative costs,
- determine whether costs claimed by the DDSs were allowable and properly allocated and funds were properly drawn, and
- assess the general security controls environment.

Background

The DI program was established in 1956 under Title II of the 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 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 or other responsible jurisdiction 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. SSA reimburses DDSs for their allowable administrative costs.

COSTS INCURRED BY MAXIMUS, INC., ON CONTRACT NUMBER 0600-00-60020

Objective

To review the direct and indirect costs charged by Maximus on this contract.

Background

The Ticket to Work and Work Incentives Improvement Act of 1999 was enacted to enable disabled beneficiaries to receive a ticket to obtain employment services, vocational rehabilitation services, or other support services from an approved provider of their choice, called an Employment Network. The Employment Network can be a private organization or public agency that agrees to work with SSA to provide Vocational Rehabilitation, employment, and other support services to assist beneficiaries to work.

Maximus, Inc., was selected as the Program Manager and is responsible for administering most aspects of the ticket program, including recruiting and managing Employment Networks and managing the ticket process. During the initial 24-month period a beneficiary is using his/her ticket, there is no requirement for work. However, the beneficiary must be participating in an employment plan. At the conclusion of the initial 24-month period, the Program Manager will conduct a progress review to determine whether the beneficiary is meeting the guidelines and still using a ticket. The Program Manager will then conduct annual progress reviews at the end of each 12-month period.

FISCAL YEAR 2004 FINANCIAL STATEMENT AUDIT OVERSIGHT

Objective

To fulfill our responsibilities under the Chief Financial Officers Act and related legislation for ensuring the quality of the audit work performed, we will monitor PricewaterhouseCoopers' (PwC) audit of SSA's FY 2004 financial statements.

Background

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

FISCAL YEAR 2004 INSPECTOR GENERAL STATEMENT ON THE SOCIAL SECURITY ADMINISTRATION'S MAJOR MANAGEMENT CHALLENGES

Objective

To summarize and assess SSA's progress in addressing the most serious management and performance challenges.

Background

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

We identified the following management challenges in FY 2004.

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

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

INDEPENDENT LIVING RESOURCE CENTER OF NORTH EAST FLORIDA

Objective

To determine whether SSA's funds are being used in accordance with the terms of the grant.

Background

The Ticket to Work and Work Incentives Improvement Act of 1999 (Ticket program) improves access to employment training and placement services for people with disabilities who want to work. Under the Ticket program, eligible beneficiaries can receive employment services, vocational services, or other support services to help them return to work. The Ticket program provides the beneficiary the opportunity to choose from a variety of employment networks. The employment networks may be public or private organizations that contract with SSA to provide employment services to eligible beneficiaries.

In addition, SSA's Office of Employment Support Programs' Benefits Planning, Assistance and Outreach Program approves and allocates grant money to public and private organizations to assist eligible beneficiaries in making informed choices about returning to work. In July 2001, the Benefits Planning, Assistance and Outreach program awarded a cooperative agreement to the Independent Living Resource Center of Northeast Florida, which covers five counties in Florida: Nassau, Baker, Clay, Duval, and St. Johns. Over the first 3 years of the grant, the Center received \$236,304.

Our audit will focus on reviewing the direct and indirect costs claimed on this grant.

INDIRECT COSTS CLAIMED BY STATE DISABILITY DETERMINATION SERVICES

We will conduct indirect cost reviews in the following States.

Arizona

New Jersey

Oregon

Objective

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

Background

The DI program was established in 1956 under Title II of the Act. The DI program provides benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the 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 the DI and SSI programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring that adequate evidence is available to support its determinations. SSA reimburses State DDSs for allowable expenditures.

WESTAT CONTRACT CLOSEOUT ON CONTRACT NUMBER 0600-99-36200

Objective

To determine the allowability of the direct costs and apply the final indirect rates to compute the total allowable contract costs submitted.

Background

Westat was awarded contract 0600-99-36200 on December 21, 1998. This \$23.4 million cost-plus-fixed-fee contract was awarded to conduct a Disability Evaluation Study/National Study of Health and Activity. The Disability Evaluation Study is a major research effort to understand the prevalence of disability and the potential for growth in SSA's disability rolls and to understand what enables "disabled" individuals to remain in the workplace. Through the Disability Evaluation Study, SSA would estimate how many adults in the U.S. population would meet eligibility criteria for Social Security disability benefits, how many of them work despite their impairments, and which factors enable them to work. Through three additional funding modifications, as of August 9, 2001, the contract value was increased to \$39.3 million.

However, on October 22, 2002, the contract was terminated because of a shift in SSA's budget and project management prioritization goals. On February 28, 2003, SSA deobligated the excess funds and modified the contract value to \$19.9 million. On January 16, 2004, Westat submitted its settlement proposal. On March 30, 2004, Westat submitted its final completion voucher. The final completion voucher included all costs claimed from December 21, 1998 through March 25, 2003.

PERFORMANCE INDICATOR AUDITS: AUDITS OF THE SOCIAL SECURITY ADMINISTRATION'S PERFORMANCE DATA

Objective

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

Background

Congress passed the *Government Performance and Results Act of 1993* to bring greater accountability to Federal agencies. The Government Performance and Results Act established a system for strategic and annual performance planning and reporting to set goals for program performance and to measure results. The law requires that each agency create (1) 5-year strategic plans, (2) annual performance plans, and (3) annual performance reports. SSA released its latest strategic plan in 2003, which covers FYs 2003-2008. The Agency's most recent annual performance plan presents 4 strategic goals in its strategic plan and 47 Government Performance and Results Act performance measures.

The success of SSA's performance measurement initiatives hinges on the quality of the data used to measure and report 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.

During FY 2005, we will review the following performance indicators.

- Number of appellate actions processed
- Number of initial disability claims pending
- Number of SSA hearings pending
- Hearings decision accuracy rate
- Retirement and Survivor Insurance claims processed
- Percent of people who do business with SSA rating the overall service as "excellent," "very good," or "good"
- SSI nondisability redeterminations
- Periodic continuing disability reviews processed
- Percent of outstanding SSI debt in a collection arrangement
- Percent of outstanding OASDI debt in a collection arrangement
- SSN requests processed
- Percent of SSNs issued that are free of critical error
- Annual earnings items processed
- Number of job enrichment opportunities (includes Headquarters component and regional development programs)
- Number of SSA hearings cases processed per workyear
- Percent of SSI Aged claims processed by the time the first payment is due or within 14 days of the effective filing date

Critical Infrastructure Protection and Systems Security

Today, the growth in computer interconnectivity brings a heightened risk of disrupting or sabotaging critical operations, reading or copying sensitive data, and tampering with critical processes. Those who wish to disrupt or sabotage critical operations have more tools than ever. The United States works to protect the people, economy, essential services, and national security by ensuring that any disruptions are infrequent, manageable, of minimal duration, and cause the least damage possible. The Government must continually strive to secure information systems for critical infrastructures. Protection of these systems is essential to telecommunications, energy, financial services, manufacturing, water, transportation, health care, and emergency services.

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

SSA has several other components throughout the organization that handle systems security, including the Office of Information Technology Security Policy within the Office of the Chief Information Officer.

Homeland Security Presidential Directive 7 requires that all Federal departments and agency heads identify, prioritize, assess, remediate, and protect their respective critical infrastructure and key resources. OMB provided guidance to Federal departments and agencies on how to prepare plans to protect physical and cyber critical infrastructure and

key resources and to complete these plans by July 31, 2004.

We have worked closely with SSA to help meet these requirements. The Agency plans must address identification, prioritization, protection, and contingency planning, including the recovery and reconstitution of essential capabilities.

The information technology revolution has changed the way government and business operates.

One important issue in systems security is restricting physical access to the Agency's systems and data. We reported on physical security problems at several hearing offices and noted that non-SSA employees were allowed inappropriate access to secured areas. Though the managers at these sites took prompt action to remedy the security breaches, we believe the same security concerns may be present at other hearing offices. However, because our observations were limited to only a few offices, we do not know how pervasive these security breaches may be. We plan to better assess OHA's vulnerabilities in this area.

In addition, under the *Federal Information Security Management Act*, we independently evaluate SSA's security program. We also monitor the Agency's efforts and progress on the Expanded Electronic Government initiative of the PMA. Systems security is a key component of this initiative, and we are working with the Agency to resolve outstanding issues so it can get to green on the Electronic Government Scorecard.

In FY 2005, we plan to complete 14 reviews and begin 6 reviews in this area.

We Plan to Complete the Following Reviews in FY 2005

Access to Secured Areas in Hearing Offices—Regions I Through X

Assessing the Social Security Administration's Disability Control File Application Controls

Disability Determination Services Procedures for Removing Sensitive Information from Excess Computers

Federal Information Security Management Act

The Social Security Administration's Patch Management Process

We Plan to Begin the Following Review in FY 2005

Death Alert Control and Update System—Release 3.2

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

Follow-up of the Agency's Disability Determination Services General Control Requirements

General Controls Review of the Maryland Disability Determination Services

Software Development Through the Social Security Administration's Shared Hosting Environment

Use of Click and Sign as a Signature Alternative for Internet Applications

ACCESS TO SECURED AREAS IN HEARING OFFICES—REGIONS I THROUGH X

Objective

To assess controls over physical security in hearing offices.

Background

OHA is one of the largest administrative adjudicative systems in the world. At the hearing level, the Chief Administrative Law Judge manages 10 regional offices and 140 hearing offices. In FY 2003, approximately 1,000 administrative law judges rendered about 500,000 decisions at the hearing level. Claims folders containing sensitive information about claimants, such as SSNs and private medical information, are stored, reviewed and moved through the hearing offices.

OHA must ensure its employees, facilities, and records are safeguarded against security threats. OHA has policies and procedures for physical security to safeguard hearing office access, protect Government property, and protect on-site personnel and sensitive data. In March 2004, we issued an early alert to the Commissioner concerning problems we observed involving security issues in six hearing offices while conducting other audits. Based on our previous audit findings, we are concerned about the physical security at hearing offices. As a result, we will review the physical security at 20 hearing offices—2 in each of SSA's 10 Regions.

ASSESSING THE SOCIAL SECURITY ADMINISTRATION'S DISABILITY CONTROL FILE APPLICATION CONTROLS

Objective

To assess the application controls of the Disability Control File. This audit will encompass the three phases of the processing cycle (input, processing, and output) to ensure that Disability Control File transactions are authorized, complete and accurate. The audit will include the determination of whether (1) requests for data and use of data are authorized, (2) data are accurate and valid; (3) data are properly processed; and (4) output data are accurate, valid and distributed to authorized users.

Background

The *Ticket to Work and Work Incentives Improvement Act of 1999* provides for support of those disabled beneficiaries who want to return to work and subsequently leave the disability benefit rolls. Nearly all of the data that describe the activity for those beneficiaries that attempt to work will be controlled in the Disability Control File. These data and related software are commonly referred to as the Ticket to Work program functions.

The Disability Control File replaces the CDR Control File as the disability database for both Title II and Title XVI records and will be expanded to house records for all disabled individuals, including claim information by SSN. In addition to information available on the CDR Control File for records selected for a medical CDR, or records selected for eligibility for the Ticket to Work program, the new Disability Control File will allow technicians to add both medical and work CDRs initiated in the field office or processing center.

The Disability Control File will consolidate all data needed to control and process all types of disabled beneficiary medical and work CDRs. The Disability Control File allows for the processing of all aspects of a CDR from initiation to disposition using data from a single source. The Disability Control File will also control any subsequent reviews for those individuals who are determined to still be disabled after the CDR is complete.

Establishment of the Disability Control File is a major step in SSA's effort to perform required CDRs timely and accurately. As of July 2004, about 10.6 million Americans were receiving DI/SSI-related disability benefits.

DISABILITY DETERMINATION SERVICES PROCEDURES FOR REMOVING SENSITIVE INFORMATION FROM EXCESS COMPUTERS

Objective

To examine the policies and procedures the State DDSs follow when excessing computer equipment to ensure sensitive information is removed.

Background

The DDSs are State agencies responsible for developing medical evidence and rendering the initial determination on whether an SSA disability claimant is legally disabled or blind. As such, computer equipment within the DDSs store such sensitive information as a claimant's SSN, medical and other personal information.

The North Carolina State Auditors reviewed a sample of machines that had been excessed by a variety of state agencies and found files on those machines were accessible, including password files and other sensitive information. Some of these machines were from the Department of Health and Human Services, which is the parent agency for the North Carolina DDS.

The DDS Security Document directs DDSs to run the SSA WipeDisk utility on equipment used for the storage of sensitive information (servers, personal computers, laptops, etc.) before its disposal or donation to another entity.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

Objective

To determine whether SSA is in compliance with the *Federal Information Security Management Act* for FY 2005.

Background

The *Federal Information Security Management Act of 2002* requires an Agency-wide information security program and annual reviews of the security program performed by the Agency and by the OIG, separately. Each year, OMB issues questions to be answered concerning agencies' compliance with the *Federal Information Security Management Act*.

THE SOCIAL SECURITY ADMINISTRATION'S PATCH MANAGEMENT PROCESS

Objective

To determine whether SSA implements and performs effective patch management practices and whether the necessary steps are taken to mitigate the risks created by software vulnerabilities.

Background

Vulnerabilities are weaknesses in software that can be exploited by a malicious entity to gain greater access and/or permission than it is authorized to have on the computer. A patch is a piece of software code that is inserted into a program to temporarily fix a defect. Patches are developed and released by software vendors when vulnerabilities are discovered. Timely patching is critical to maintain the operational availability, confidentiality, and integrity of information technology systems. However, failure to keep operating system and application software patched can create a weakness.

A recent GAO report noted that agencies generally are implementing important common practices for effective patch management, such as performing systems inventories and providing information security training. However, they are not consistently performing others, such as risk assessments and testing all patches before deployment. According to this report, agencies face several challenges to implement effective patch management practices, including (1) quickly installing patches while implementing effective patch management practices, (2) patching heterogeneous systems, (3) ensuring that mobile systems receive the latest patches, (4) avoiding unacceptable downtime when patching high-availability systems, and (5) dedicating sufficient resources to patch management.

Service Delivery

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

Representative Payee Challenges

When SSA determines a beneficiary cannot manage his/her benefits, SSA selects a representative payee who must use the payments for the beneficiary's needs. There are about 5.4 million representative payees who manage benefit payments for 6.8 million beneficiaries. While representative payees provide a valuable service for beneficiaries, SSA must provide appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve.

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

- deficiencies with the accounting for benefit receipts and disbursements,
- vulnerabilities in the safeguarding of beneficiary payments,

- poor monitoring and reporting to SSA of changes in beneficiary circumstances,
- inappropriate handling of beneficiary-conserved funds, and
- improper charging of fees.

In March 2004, the President signed into law the *Social Security Protection Act of 2004*.

This Act provides several new safeguards for those individuals who need a representative payee. In addition, it presents significant challenges to SSA to ensure representative payees meet beneficiaries' needs. For example, it requires that SSA conduct periodic on-site reviews of representative payees and a statistically valid survey to determine how payments made to representative payees are being used. It also authorizes SSA to impose civil monetary penalties for offenses involving misuse of benefits received by a representative payee.

Given the complexity of Agency 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.

Human Capital Challenges

SSA, like many other Federal agencies, is being challenged to address its human capital shortfalls. In January 2001, GAO added strategic human capital management to its list of high-risk Federal programs and operations. In addition, Strategic Management of Human Capital is one of five Government-wide initiatives contained in the PMA.

By the end of 2012, SSA projects its DI and Old-Age and Survivors Insurance benefit rolls will increase by 35 percent and 18 percent, respectively. At the same time, 59 percent of SSA's employees will be eligible to retire. This retirement wave will result in a loss of institutional knowledge that will affect SSA's ability to deliver quality service to the public.

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

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.

SSA continues to score "green" in "Progress in Implementing the President's Management Agenda" on the OMB Scorecard and, in July 2004, improved its rating in "Status" from "yellow" to "green."

In FY 2005, we plan to complete 18 reviews and begin 11 reviews in this area.

We Plan to Complete the Following Reviews in FY 2005

Controls for Concurrently Entitled Social Security Administration Beneficiaries with Representative Payees

Effects of Staffing on Hearing Office Performance

Nation-wide Survey of Individual Representative Payees for the Social Security Administration and Regions I Through X

Representative Payees Receiving Benefit Payments for Beneficiaries They do not Serve as the Official Payee

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

The Social Security Administration's Procedures for Addressing Employee-Related Allegations—Regions I, VII, and X

We Plan to Begin the Following Reviews in FY 2005

Assessing the Agency's Controls in the Protection of Application Software

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

Concurrent Beneficiaries Receiving Representative Payee and Direct Payments Under Separate Programs

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

Controls to Ensure Benefits are Re-issued if Funds are Misused by Organizational Representative Payees (Public Law 108-203)

Death Alert Control and Update System - Release 3.2

Public Law 108-203, Section 104, Fee Forfeiture in Case of Benefit Misuse by Representative Payee

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

Public Law 108-203, Section 210, Authority for Cross-Program Recovery of Benefit Overpayment

Qualifications for Non-Attorney Representatives (Public Law 108-203)

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

CONTROLS FOR CONCURRENTLY ENTITLED SOCIAL SECURITY ADMINISTRATION BENEFICIARIES WITH REPRESENTATIVE PAYEES

Objective

To determine the effectiveness of SSA's controls to prevent concurrently entitled SSA beneficiaries from having different payees under separate programs.

Background

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

Under either program, when a beneficiary cannot manage or direct the management of his/her benefits, a representative payee is appointed. SSA's policy requires that one payee be appointed for all benefits to which the individual is entitled, unless there is some compelling reason to do otherwise. Also, personnel must document each claims file with the reason for naming different payees in rare instances where different payees are appointed. 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 payee.

In a prior review, we found differing payee arrangements, incomplete accounting, and inaccuracies in SSA's data.

EFFECTS OF STAFFING ON HEARING OFFICE PERFORMANCE

Objective

To examine how staffing affects hearing office performance in the areas of productivity and timeliness.

Background

OHA makes decisions on appealed determinations involving retirement, survivors, disability, and SSI payments. OHA is headquartered in Falls Church, Virginia. Within OHA, the Office of the Chief Administrative Law Judge administers the nationwide hearings organization and the Chief Administrative Law Judge is the principal consultant and advisor to the Associate Commissioner on all matters concerning the administrative law judge hearing process.

In our report, *Best Practices in the Highest Producing Hearing Offices*, we highlighted the best practices used by OHA's most productive hearing offices. In this report, we will discuss our findings on how staffing affects hearing office performance in terms of productivity and timeliness.

NATION-WIDE SURVEY OF INDIVIDUAL REPRESENTATIVE PAYEES FOR THE SOCIAL SECURITY ADMINISTRATION AND REGIONS I THROUGH X

Objective

To determine whether individual representative payees used Social Security benefits received for the care and well being of the beneficiaries they serve.

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' benefit payments. A representative payee may be an individual or an organization. SSA selects representative payees for OASDI beneficiaries and SSI recipients when representative payments would serve the individual's interests.

This is a nation-wide review of individual representative payees serving fewer than 15 beneficiaries. In addition, we will issue separate reports to each Regional Commissioner summarizing the results of our review in their respective regions.

REPRESENTATIVE PAYEES RECEIVING BENEFIT PAYMENTS FOR BENEFICIARIES THEY DO NOT SERVE AS THE OFFICIAL PAYEE

Objective

To determine the extent of representative payees who are managing beneficiary payments for whom they are not the representative payee.

Background

In three prior audits, we determined that representative payees endorsed and deposited benefit payment checks of beneficiaries for whom they were not the representative payee.

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' benefit payments. A representative payee may be an individual or an organization. SSA selects representative payees for OASDI beneficiaries and SSI recipients when representative payments would serve the individual's interests.

THE SOCIAL SECURITY ADMINISTRATION'S OFFICE OF SYSTEMS' TRAINING PROGRAM

Objective

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

Background

Technology is the foundation of the Agency's current and future ability to provide quality service in the face of a significant increase in workloads and the loss of experienced staff.

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

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

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

THE SOCIAL SECURITY ADMINISTRATION'S PROCEDURES FOR ADDRESSING EMPLOYEE-RELATED ALLEGATIONS—REGIONS I, VII, AND X

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 Social Security numbers. While SSA may receive allegations directly, we also refer allegations to SSA that we receive through our Hotline. For FYs 2000 through 2002, we 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 cause SSA. Our review will focus on the development and resolution of our referrals of employee-related allegations sent to the Boston, Kansas City, and Seattle Regional Offices during FYs 2000 through 2002 and on allegations or instances of employee misconduct brought to the attention of the Regional Offices through other sources.

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